

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **CHINA COAL ENERGY COMPANY LIMITED\***

**中國中煤能源股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 01898)**

### **CONNECTED TRANSACTIONS:**

- (1) ACQUISITION OF PRODUCTION CAPACITY OF YANGCUN COAL MINE AND XINJI NO. 3 COAL MINE FROM XINJI ENERGY;**
- (2) ACQUISITION OF PRODUCTION CAPACITY OF MAYING COAL MINE FROM MAYING COAL;**
- AND**
- (3) ACQUISITION OF PRODUCTION CAPACITY OF XINJI NO. 1 COAL MINE FROM XINJI ENERGY**

#### **SUMMARY**

The Board is pleased to announce that:

- (1) On 23 April 2019, Yihua Mining, a subsidiary of the Company, Xinji Energy and Times Asset entered into the capacity replacement quota transaction agreement, pursuant to which Yihua Mining shall acquire the closure-for-exit capacity of 1,476 thousand tonnes per year legally held by Yangcun Coal Mine and Xinji No.3 Coal Mine from Xinji Energy at the unit price of RMB115 per tonne, and the total transaction price shall be RMB169,740,000 (including the VAT at the tax rate of 6%).
- (2) On 23 April 2019, Yihua Mining, Maying Coal and Times Asset entered into the capacity replacement quota transaction agreement, pursuant to which Yihua Mining shall acquire the closure-for-exit capacity of 900 thousand tonnes per year legally held by Maying Coal Mine from Maying Coal at the unit price of RMB115 per tonne, and the total transaction price shall be RMB103,500,000 (including the VAT at the tax rate of 6%).
- (3) On 23 April 2019, Nanliang Coal, a subsidiary of the Company, Xinji Energy and Times Asset entered into the capacity replacement quota transaction agreement, pursuant to which Nanliang Coal shall acquire the closure-for-exit capacity of 765,600 tonnes per year legally held by Xinji No.1 Coal Mine from Xinji Energy at the unit price of RMB115 per tonne, and the total transaction price shall be RMB88,044,000 (including the VAT at the tax rate of 6%).

## **HONG KONG LISTING RULES IMPLICATIONS**

As at the date of this announcement, Xinji Energy and Maying Coal are subsidiaries of China Coal Group, and therefore constitute associates of connected person of the Company. Accordingly, the Capacity Acquisitions constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The Capacity Acquisitions also constitute acquisitions under Chapters 14 and 14A of the Hong Kong Listing Rules. The Capacity Acquisitions shall therefore be aggregated with the previous acquisition transactions as required by Rules 14.22 and 14A.81 of the Hong Kong Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules), on a standalone or aggregated basis, exceed 0.1% but are less than 5%, the Capacity Acquisitions shall be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

## **DIRECTORS' CONFIRMATION**

The Directors, Mr. Li Yanjiang, Mr. Peng Yi, Mr. Du Ji'an and Mr. Zhao Rongzhe, who are also directors or senior management of China Coal Group, are deemed to have material interests in the Capacity Acquisitions, and thus have abstained from voting on the resolutions in relation to the Capacity Acquisitions at the Board meeting. Save as mentioned above, none of the other Directors has any material interest in the Capacity Acquisitions.

The Directors (including the independent non-executive Directors) are of the view that the capacity replacement quota transaction agreements were entered into on normal commercial terms, and the terms and conditions therein are fair and reasonable, in line with the overall development strategy of the Group and in the interests of the Company and its shareholders as a whole although the Capacity Acquisitions thereunder are not in the ordinary and usual course of business of the Company.

## **I. ACQUISITION OF PRODUCTION CAPACITY OF YANGCUN COAL MINE AND XINJI NO. 3 COAL MINE FROM XINJI ENERGY**

### **(a) Introduction**

On 23 April 2019, Yihua Mining, Xinji Energy and Times Asset entered into the capacity replacement quota transaction agreement, pursuant to which Muduchaideng Coal Mine from Yihua Mining shall acquire the closure-for-exit capacity of 1,476 thousand tonnes per year legally held by Yangcun Coal Mine and Xinji No.3 Coal Mine from Xinji Energy at the unit price of RMB115 per tonne, and the total transaction price shall be RMB169,740,000 which shall be paid in cash by Yihua Mining.

### **(b) The Capacity Replacement Quota Transaction Agreement**

Date: 23 April 2019

Parties: (1) Yihua Mining;  
(2) Xinji Energy; and  
(3) Times Asset.

Subject matter and consideration:	<p>Pursuant to the capacity replacement quota transaction agreement, Muduchaideng Coal Mine from Yihua Mining shall acquire the closure-for-exit capacity of 1,476 thousand tonnes per year legally held by Maying Coal Mine from Xinji Energy.</p> <p>The unit price shall be RMB115 per tonne, and the total transaction price shall be RMB169,740,000 (including the VAT at the tax rate of 6%). The price of the transaction was determined after arm's length negotiations between Yihua Mining and Xinji Energy on normal commercial terms with reference to the Consultation Report on Capacity Replacement Quota Transactions, which, as commissioned jointly by the Company and China Coal Group, was prepared by Times Asset through (a) referring to the national macro policy, (b) researching on the actual transaction status such as the transaction models and pricing methods of coal capacity quotas in various places, and (c) establishing the best optimization model and the income equilibrium model in line with the supply and demand situation, development trend and latest transaction price of the current capacity quota transaction market, and the proposed unit price of the capacity replacement quota transactions was calculated to be RMB115 per tonne.</p>
Payment arrangement:	<p>Yihua Mining shall pay the consideration of the quota transaction in two instalments to the bank account designated by Xinji Energy. The first instalment of RMB49,740,000 in total shall be completed before 31 December 2019 and the second instalment of RMB120,000,000 in total shall be completed before 31 December 2020. Xinji Energy shall assist Yihua Mining with the payment procedures. Yihua Mining and Xinji Energy shall each pay an intermediary service fee of RMB10,000 (including the VAT at the tax rate of 6%) to Times Asset within 10 working days upon the capacity replacement quota transaction agreement becoming effective.</p>
Replacement quota:	<p>After the transaction price is fully paid by Yihua Mining, Xinji Energy shall assist Yihua Mining in preparing the capacity replacement certification documents as required by the National Energy Administration within its scope of competence.</p>
Effective date of the Agreement:	<p>The capacity replacement quota transaction agreement shall come into force on the date when the legal representatives or authorized representatives of the parties thereto sign the agreement affixed with the company chop or contract chop.</p>

**(c) Reasons for and Benefits of Entering into the Capacity Replacement Quota Transaction Agreement**

According to the requirements of the Opinions of the State Council of the PRC on Reducing Overcapacity in the Coal Industry to Achieve Development by Solving the Difficulties (國務院關於煤炭行業化解過剩產能實現脫困發展的意見) (Guo Fa [2016] No. 7) and other documents, any newly constructed coal mine and coal mine under construction shall obtain the coal production capacity quota by means of capacity replacement quota transactions in order to complete relevant construction procedures of projects, and the approval of the capacity replacement scheme from the relevant PRC authorities is the premise for project approval, application of mining license and acceptance of project completion.

The Board is of the view that entering into the capacity replacement quota transaction agreement is in line with the relevant policy requirements of the State. The completion of capacity replacement procedures is conducive to the completion of the relevant procedures of Muduchaideng Coal Mine Project and in the interests of the Company, medium and minority shareholders and all its shareholders as a whole.

**II. ACQUISITION OF PRODUCTION CAPACITY OF MAYING COAL MINE FROM MAYING COAL**

**(a) Introduction**

On 23 April 2019, Yihua Mining, Maying Coal and Times Asset entered into the capacity replacement quota transaction agreement, pursuant to which Muduchaideng Coal Mine from Yihua Mining shall acquire the closure-for-exit capacity of 900 thousand tonnes per year legally held by Maying Coal Mine from Maying Coal at the unit price of RMB115 per tonne, and the total transaction price shall be RMB103,500,000 which shall be paid in cash by Yihua Mining.

**(b) The Capacity Replacement Quota Transaction Agreement**

Date: 23 April 2019

Parties: (1) Yihua Mining;  
(2) Maying Coal; and  
(3) Times Asset.

Subject matter and consideration: Pursuant to the capacity replacement quota transaction agreement, Muduchaideng Coal Mine from Yihua Mining shall acquire the closure-for-exit capacity of 900 thousand tonnes per year legally held by Maying Coal Mine from Maying Coal.

The unit price shall be RMB115 per tonne, and the total transaction price shall be RMB103,500,000 (including the VAT at the tax rate of 6%). The price of the transaction was determined after arm's length negotiations between Yihua Mining and Maying Coal on normal commercial terms with reference to the Consultation Report on Capacity Replacement Quota Transactions, which, as commissioned jointly by the Company and China Coal Group, was prepared by Times Asset through (a) referring to the national macro policy, (b) researching on the actual transaction status such as the transaction models and pricing methods of coal capacity quotas in various places, and (c) establishing the best optimization model and the income equilibrium model in line with the supply and demand situation, development trend and latest transaction price of the current capacity quota transaction market, and the proposed unit price of the capacity replacement quota transactions was calculated to be RMB115 per tonne.

- Payment arrangement: Yihua Mining shall pay the total consideration in a lump sum to the bank account designated by Maying Coal within 20 working days upon the capacity replacement quota transaction agreement becoming effective. Maying Coal shall assist Yihua Mining with the payment procedures. Yihua Mining and Maying Coal shall each pay an intermediary service fee of RMB10,000 (including the VAT at the tax rate of 6%) to Times Asset within 10 working days upon the capacity replacement quota transaction agreement becoming effective.
- Replacement quota: After the consideration is fully paid by Yihua Mining, Maying Coal shall assist Yihua Mining in preparing the capacity replacement certification documents as required by the National Energy Administration within its scope of competence.
- Effective date of the agreement: The capacity replacement quota transaction agreement shall come into force on the date when the legal representatives or authorized representatives of the parties thereto sign the agreement affixed with the company chop or contract chop.

**(c) Reasons for and Benefits of Entering into the Capacity Replacement Quota Transaction Agreement**

According to the requirements of the Opinions of the State Council of the PRC on Reducing Overcapacity in the Coal Industry to Achieve Development by Solving the Difficulties (國務院關於煤炭行業化解過剩產能實現脫困發展的意見) (Guo Fa [2016] No. 7) and other documents, any newly constructed coal mine and coal mine under construction shall obtain the coal production capacity quota by means of capacity replacement quota transactions in order to complete relevant construction procedures of projects, and the approval of the capacity replacement scheme from the relevant PRC authorities is the premise for project approval, application of mining license and acceptance of project completion.

The Board is of the view that entering into the capacity replacement quota transaction agreement is in line with the relevant policy requirements of the State. The completion of capacity replacement procedures is conducive to the completion of the relevant procedures of Muduchaideng Coal Mine Project and in the interests of the Company, medium and minority shareholders and all its shareholders as a whole.

**III. ACQUISITION OF PRODUCTION CAPACITY OF XINJI NO. 1 COAL MINE FROM XINJI ENERGY**

**(a) Introduction**

On 23 April 2019, Nanliang Coal, Xinji Energy and Times Asset entered into the capacity replacement quota transaction agreement, pursuant to which Nanliang Coal Mine from Nanliang Coal shall acquire the closure-for-exit capacity of 765,600 tonnes per year legally held by Xinji No.1 Coal Mine from Xinji Energy at the unit price of RMB115 per tonne, and the total transaction price shall be RMB88,044,000 which shall be paid in cash by Nanliang Coal.

**(b) The Capacity Replacement Quota Transaction Agreement**

Date: 23 April 2019

Parties: (1) Nanliang Coal;  
(2) Xinji Energy; and  
(3) Times Asset.

Subject matter and consideration: Pursuant to the capacity replacement quota transaction agreement, Nanliang Coal Mine from Nanliang Coal shall acquire the closure-for-exit capacity of 765,600 tonnes per year legally held by Xinji No.1 Coal Mine from Xinji Energy.

The unit price shall be RMB115 per tonne, and the total transaction price shall be RMB88,044,000 (including the VAT at the tax rate of 6%). The price of the transaction was determined after arm's length negotiations between Nanliang Coal and Xinji Energy on normal commercial terms with reference to the Consultation Report on Capacity Replacement Quota Transactions, which, as commissioned jointly by the Company and China Coal Group, was prepared by Times Asset through (a) referring to the national macro policy, (b) researching on the actual transaction status such as the transaction models and pricing methods of coal capacity quotas in various places, and (c) establishing the best optimization model and the income equilibrium model in line with the supply and demand situation, development trend and latest transaction price of the current capacity quota transaction market, and the proposed unit price of the capacity replacement quota transactions was calculated to be RMB115 per tonne.

- Payment arrangement: Nanliang Coal shall pay the total consideration in a lump sum to the bank account designated by Xinji Energy within 20 working days upon the capacity replacement quota transaction agreement becoming effective. Xinji Energy shall assist Nanliang Coal with the payment procedures. Nanliang Coal and Xinji Energy shall each pay an intermediary service fee of RMB10,000 (including the VAT at the tax rate of 6%) to Times Asset within 10 working days upon the capacity replacement quota transaction agreement becoming effective.
- Replacement quota: After the consideration is fully paid by Nanliang Coal, Xinji Energy shall assist Nanliang Coal in preparing the capacity replacement certification documents as required by the NDRC within its scope of competence.
- Effective date of the Agreement: The capacity replacement quota transaction agreement shall come into force on the date when the legal representatives or authorized representatives of the parties thereto sign the agreement affixed with the company chop or contract chop.

**(c) Reasons for and Benefits of Entering into the Capacity Replacement Quota Transaction Agreement**

According to the requirements of the Opinions of the State Council of the PRC on Reducing Overcapacity in the Coal Industry to Achieve Development by Solving the Difficulties (國務院關於煤炭行業化解過剩產能實現脫困發展的意見) (Guo Fa [2016] No. 7) and the Notice on Preparation for the Verification of the Production Capacity of Qualified Coal Mines with High Quality Production Capacity (關於做好符合條件的優質產能煤礦生產能力核定工作的通知) (Fa Gai Yun Xing [2017] No. 763) and other documents, qualified coal mines with high quality production capacity may increase the authorized production capacity under the principle of reduction for replacement, coal mines applying for the increase of authorized capacity shall prepare a capacity replacement scheme and obtain the coal production capacity quota through capacity replacement quota transaction. The approval of the capacity replacement scheme from the relevant PRC authorities is the premise of the application for the increase in authorized capacity of coal mines.

The Board is of the view that entering into the capacity replacement quota transaction agreement is in line with the relevant policy requirements of the State. The completion of capacity replacement procedures is conducive to the completion of the procedures of the increase of authorized capability of Nanliang Coal Mine and in the interests of the Company, medium and minority shareholders and all its shareholders as a whole.

**IV. HONG KONG LISTING RULES IMPLICATIONS**

As at the date of this announcement, Xinji Energy and Maying Coal are subsidiaries of China Coal Group, and therefore constitute associates of connected person of the Company. Accordingly, the Capacity Acquisitions constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The Capacity Acquisitions also constitute acquisitions under Chapters 14 and 14A of the Hong Kong Listing Rules. The Capacity Acquisitions shall therefore be aggregated with the previous acquisition transactions as required by Rules 14.22 and 14A.81 of the Hong Kong Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules), on a standalone or aggregated basis, exceed 0.1% but are less than 5%, the Capacity Acquisitions shall be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.



On the same day, Wushenqi Mengda Mining Company Limited, a subsidiary of the Company, Xinji Energy and Times Asset entered into a capacity replacement quota transaction agreement, pursuant to which Wushenqi Mengda Mining Company Limited shall acquire the closure-for-exit capacity of 225 thousand tonnes per year from Xinji No. 3 Coal Mine legally held by Xinji Energy at the unit price of RMB115 per tonne, and the total transaction price shall be RMB25,875,000 (including the VAT at the tax rate of 6%); Nanliang Coal, a subsidiary of the Company, Lingshi County Changhong New Coal Mine Company Limited\* (靈石縣長虹新建煤礦有限公司), a subsidiary of the China Coal Group and Times Asset entered into a capacity replacement quota transaction agreement, pursuant to which Nanliang Coal shall acquire the closure-for-exit capacity of 135 thousand tonnes per year from Changhong New Coal Mine legally held by Lingshi County Changhong New Coal Mine Company Limited at the unit price of RMB115 per tonne, and the total transaction price shall be RMB15,525,000 (including the VAT at the tax rate of 6%); and China Coal Heilongjiang Coal Chemical Company Limited\* (中煤能源黑龍江煤化工有限公司), a subsidiary of the Company, Shanxi China Coal Xishahe Coal Company Limited\* (山西中煤西沙河煤業有限公司), a subsidiary of the China Coal Group and Times Asset entered into a capacity replacement quota transaction agreement, pursuant to which China Coal Heilongjiang Coal Chemical Company Limited shall acquire the closure-for-exit capacity of 240 thousand tonnes per year legally held by Shanxi China Coal Xishahe Coal Company Limited at the unit price of RMB115 per tonne, and the total transaction price shall be RMB27,600,000 (including the VAT at the tax rate of 6%).

As the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) of the Other Capacity Acquisitions, on a standalone basis, are less than 0.1%, and the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) of the Other Capacity Acquisitions, on an aggregated basis, exceed 0.1% but are less than 5%, the Other Capacity Acquisitions are fully exempt from the requirements under Chapter 14A of the Hong Kong Listing Rules. For details of the Other Capacity Acquisitions, please refer to the announcement published by the Company on the website of Shanghai Stock Exchange on 23 April 2019.

## **V. DIRECTORS' CONFIRMATION**

The Directors, Mr. Li Yanjiang, Mr. Peng Yi, Mr. Du Ji'an and Mr. Zhao Rongzhe, who are also directors or senior management of China Coal Group, are deemed to have material interests in the Capacity Acquisitions, and thus have abstained from voting on the resolutions in relation to the Capacity Acquisitions at the Board meeting. Save as mentioned above, none of the other Directors has any material interest in the Capacity Acquisitions.

The Directors (including the independent non-executive Directors) are of the view that the capacity replacement quota transaction agreements were entered into on normal commercial terms, and the terms and conditions therein are fair and reasonable, in line with the overall development strategy of the Group and in the interests of the Company and its shareholders as a whole although the Capacity Acquisitions thereunder are not in the ordinary and usual course of business of the Company.

## VI. GENERAL INFORMATION ON THE PARTIES TO THE CAPACITY ACQUISITIONS

### **Yihua Mining**

Yihua Mining is a company incorporated in the PRC with limited liability and a subsidiary owned as to 51% by the Company, the principal businesses of which include the mining and washing and preparation of coal.

### **Maying Coal**

Maying Coal is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CCG Shanxi Huayu Energy Co., Ltd. (中煤集團山西華昱能源有限公司), a controlled subsidiary of China Coal Group, the principal businesses of which include the mining of coal.

### **Xinji Energy**

Xinji Energy is a company incorporated in the PRC with limited liability and a controlled company owned as to more than 30% by China Coal Group, the principal businesses of which include the mining, washing and preparation and sales of coal and thermal power generation.

### **Nanliang Coal**

Nanliang Coal is a company incorporated in the PRC with limited liability and a subsidiary owned as to 55% by China Coal Northwest Energy Co., Ltd. (中煤西北能源有限公司), a wholly-owned subsidiary of the Company, the principal businesses of which include the mining, washing and preparation of coal.

### **Times Asset**

Times Asset is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of China Coal Group, the principal businesses of which include asset management, investment management, financial consulting, and economic and trade consulting.

## VII. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Board”	the board of directors of the Company
“Capacity Acquisitions”	capacity acquisitions under (1) the capacity replacement quota transaction agreement entered into among Yihua Mining, Xinji Energy and Times Asset; (2) the capacity replacement quota transaction agreement entered into among Yihua Mining, Maying Coal and Times Asset; and (3) the capacity replacement quota transaction agreement entered into among Nanliang Coal, Xinji Energy and Times Asset
“China Coal Group”	China National Coal Group Corporation* (中國中煤能源集團有限公司), a state-owned enterprise incorporated in the PRC and the controlling shareholder of the Company

“Company”	China Coal Energy Company Limited* (中國中煤能源股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Hong Kong Stock Exchange (stock code: 01898) and the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 601898)
“connected person”	has the meaning ascribed to it by the Hong Kong Listing Rules
“connected transaction”	has the meaning ascribed to it by the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Maying Coal”	Shanxi Shuozhou Shanyin Jinhaiyang Maying Coal Co., Ltd. (山西朔州山陰金海洋馬營煤業有限公司), a company incorporated in the PRC with limited liability and a subsidiary of China Coal Group
“NDRC”	National Development and Reform Commission
“Other Capacity Acquisitions”	capacity acquisitions under the capacity replacement quota transaction agreement entered into among China Coal Heilongjiang Coal Chemical Company Limited (中煤能源黑龍江煤化工有限公司), Shanxi China Coal Xishahe Coal Company Limited* (山西中煤西沙河煤業有限公司) and Time Assets, the capacity replacement quota transaction agreement entered into among Wushenqi Mengda Mining Company Limited, Xinji Energy and Times Asset and the capacity replacement quota transaction agreement entered into among Nanliang Coal, Lingshi County Changhong New Coal Mine Company Limited* (靈石縣長虹新建煤礦有限公司) and Times Asset
“Nanliang Coal”	Shaanxi Nanliang Coal Company Limited (陝西南梁礦業有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
“Times Asset”	China Coal Times Asset Management Co., Limited (中煤時代資產經營管理有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of China Coal Group

“Xinji Energy” China Coal Xinji Energy Co., Ltd. (中煤新集能源股份有限公司), a company incorporated in the PRC with limited liability and a subsidiary of China Coal Group

“Yihua Mining” Ordos Yihua Mining Resources Company Limited (鄂爾多斯市伊化礦業資源有限責任公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company

By Order of the Board  
**China Coal Energy Company Limited**  
**Li Yanjiang**  
*Chairman of the Board, Executive Director*

Beijing, the PRC  
23 April 2019

*As at the date of this announcement, the executive directors of the Company are Li Yanjiang, Peng Yi and Niu Jianhua; the non-executive directors of the Company are Du Ji'an, Zhao Rongzhe and Xu Qian; and the independent non-executive directors of the Company are Zhang Ke, Zhang Chengjie and Leung Chong Shun.*

\* *For identification purpose only*