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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)

**DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED
TRANSACTIONS:
PROPOSED REVISION OF THE ANNUAL CAPS FOR THE TRANSACTIONS
UNDER THE 2018 INTEGRATED MATERIALS AND SERVICES MUTUAL
PROVISION FRAMEWORK AGREEMENT, THE 2018 PROJECT
DESIGN, CONSTRUCTION AND GENERAL CONTRACTING SERVICES
FRAMEWORK AGREEMENT AND THE 2018 FINANCIAL SERVICES
FRAMEWORK AGREEMENT FOR THE TWO YEARS ENDING
31 DECEMBER 2020**

**PROPOSED REVISION OF THE ANNUAL CAPS FOR THE TRANSACTIONS UNDER
THREE CONTINUING CONNECTED TRANSACTION FRAMEWORK AGREEMENTS**

On 23 April 2019, the Board proposed to revise the annual caps for the two years ending 31 December 2020 for the transactions under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement, 2018 Project Design, Construction and General Contracting Services Framework Agreement and 2018 Financial Services Framework Agreement.

HONG KONG LISTING RULES IMPLICATIONS

The Parent is the controlling shareholder of the Company and therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated between the Group and the Parent Group constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in respect of the revisions of annual caps regarding the provision of the materials and ancillary services and of the exclusive coal export-related services to the Parent Group by the Group under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement for the two years ending 31 December 2020 exceed 0.1% but less than 5%, they are subject to the reporting, annual review, announcement requirements, but exempt from the Independent Shareholders' approval requirements under Rule 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in respect of the revisions of annual caps for the two years ending 31 December 2020 of the Non-exempt Continuing Connected Transactions exceed 5%, they are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Rule 14A of the Hong Kong Listing Rules.

Meanwhile, as one or more of the applicable percentage ratios in respect of the revision of the annual caps in respect of the maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group under the 2018 Financial Services Framework Agreement for the two years ending 31 December 2020 exceeds 5% but is less than 25%, the transaction also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

GENERAL INFORMATION

The AGM will be convened to seek the approval of the Independent Shareholders in the respect of the revisions of annual caps for the two years ending 31 December 2020 of the Non-exempt Continuing Connected Transactions. The Parent and its associates will abstain from voting in respect of the relevant resolutions at the AGM.

An Independent Board Committee has been formed to advise the Independent Shareholders on the revisions of annual caps for the two years ending 31 December 2020 of the Non-exempt Continuing Connected Transactions, and the Independent Board Committee has approved the appointment of the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same in accordance with the Hong Kong Listing Rules.

A circular containing, among other things, further details of the revisions of annual caps for the two years ending 31 December 2020 of the Non-exempt Continuing Connected Transactions, the letter from the Independent Board Committee and the recommendation from the Independent Financial Adviser on the revisions of annual caps for the two years ending 31 December 2020 of the Non-exempt Continuing Connected Transactions will be despatched to the Shareholders no more than 15 business days after the publication of this announcement in accordance with the Hong Kong Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 27 April 2017 and the circular of the Company dated 11 May 2017 in relation to, among others, the existing continuing connected transactions and the annual cap thereof.

On 23 April 2019, the Board proposed to revise the annual caps for the two years ending 31 December 2020 for the transactions under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement, 2018 Project Design, Construction and General Contracting Services Framework Agreement and 2018 Financial Services Framework Agreement.

I. PROPOSED REVISION OF THE ANNUAL CAPS FOR THE TRANSACTIONS UNDER THE 2018 INTEGRATED MATERIALS AND SERVICES MUTUAL PROVISION FRAMEWORK AGREEMENT FOR THE TWO YEARS ENDING 31 DECEMBER 2020

Introduction of the 2018 Integrated Materials and Services Mutual Provision Framework Agreement

Date: 27 April 2017

Parties: (i) the Company
(ii) the Parent

Continuing transactions Pursuant to the 2018 Integrated Materials and Services Mutual Provision Framework Agreement,

- (i) the Parent Group shall supply the Group (1) production materials and ancillary services, including raw materials, auxiliary materials, transportation, loading and unloading services, electricity and heat supplies, equipment maintenance and leasing, labour contracting and others; and (2) social and support services including staff training, medical services and emergency rescues, communication, property management services and others; and
- (ii) the Group shall supply the Parent Group (1) production materials and ancillary services, among others, including coal, coal mining facilities, raw materials, auxiliary materials, electricity and heat supplies, transportation, loading and unloading services, equipment maintenance and leasing, labour contracting and others; and (2) exclusive coal export-related services including organizing product supplies, performing coal blending, coordinating logistics and transportation, provision of port related services, arranging inspection and quality verification and providing services relating to product delivery.

Term and termination The 2018 Integrated Materials and Services Mutual Provision Framework Agreement is for a term of three years commencing on 1 January 2018 and ending on 31 December 2020. Upon expiry, the 2018 Integrated Materials and Services Mutual Provision Framework Agreement will, subject to compliance with the relevant requirements under the Hong Kong Listing Rules and agreement of the parties, be renewed for a further term of three years.

Price determination

Under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement, the prices will be based on the following pricing policy and order:

- (i) as for the bulk equipment and raw materials, the price will be arrived by bidding process in principle;
- (ii) where no bidding process is involved, the price shall be in accordance with the relevant market price; and
- (iii) where comparable market price rate is unavailable, agreed price shall be adopted. Agreed price is determined with reference to reasonable costs plus a reasonable profit margin.

The details of the above pricing policies are as follows:

- (i) Under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement, the price of bulk equipment and raw materials shall be determined through a bidding process in principle and in compliance with applicable laws, regulations and rules, which applies to the vast majority of the procurement and sales of bulk equipment and raw materials under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement.

As for the bulk equipment and raw materials provided by the Parent Group to the Group, the Group shall stringently following the steps and/or measurements as stipulated by The Invitation And Submission of Bids Law of the PRC (《中華人民共和國招標投標法》) during the bidding process. The Group has stipulated the internal manual regarding the management of relevant bulk equipment and raw materials bidding process.

The bid invitation documents made by the Group include all substantial requirements and all key terms for the conclusion of contracts, including: the technical and quality requirements of bulk equipment and raw materials, the criteria for examination of the suppliers, the requirements for the bid price and the standard of evaluation of the bid and so on. The Group's bid evaluation committee is responsible for (i) adhering the process is in accordance with The Invitation And Submission of Bids Law of the PRC (《中華人民共和國招標投標法》); (ii) reviewing, evaluating and monitoring documents from external suppliers based on the technical, commercial and pricing criteria and payment terms in respect of raw materials, infrastructural projects and coal mining facilities, which will ensure the terms obtained by the Group from the Parent Group is no less favorable than those available from independent third parties; and (iii) grading the external suppliers and writing recommendation advice. The Group's bid office is responsible for deciding which bulk equipment and raw materials suppliers will be awarded the 2018 Integrated Materials and Services Mutual Provision Framework Agreement.

As for the bulk equipment and raw materials provided by the Group to the Parent Group, the Group shall strictly comply with The Invitation And Submission of Bids Law of the PRC (《中華人民共和國招標投標法》) and all the essential requirements set out in the bid invitation of the Parent Group during the bidding process. In preparing for the submission of a tender, tender review meeting of the relevant subsidiary of the Group will be held to perform a thorough analysis of the project management guidelines, the collection of cost and other essential data. In pricing a tender, the relevant department of the Group will also make references to recent project quotations and related market information. For example, in respect of coal mining equipment, the Group generally refers to the market volatility of the recent transaction price of the Group's project, the production cost of raw materials, labor and other expenses since the date of the recent transaction, the fair and reasonable profit rate, and the price of similar equipment of the comparable enterprise in the same industry. The procedures above can ensure that the tender price to be offered by the Group are fair and reasonable and no more favorable than the price and terms offered by the Group to the independent third parties.

- (ii) Under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement, the price of coal shall be determined in accordance with the relevant market price, and taking into account of the quality of the coal and different types of delivery. The coal price is determined by mutual agreement with reference to the regional market price of thermal coal, the Bohai-Rim Steam-Coal Sea Price Index, the China Coal Price Index from China Coal Transportation and Distribution Association and the Thermal Coal Price Index from sxcoal.com, and is adjusted monthly according to the changes in the indexes.

- (iii) Where comparable market price rate is unavailable, the prices shall be determined after arm's length negotiation by both parties of the contract based on the principle of cost plus a fair and reasonable profit rate, which applies to the services and procurement and sales of bulk equipment and raw materials at comparatively small amount under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement. The cost includes the price of the raw materials, labour cost, manufacturing expense and so on. The expected range of profit of the products and services provided by the Parent Group to the Group is from 1% to 10% which is in line with the industry and not higher than the profit rate charged to independent third parties; and the expected range of profit of the products and services provided by the Group to the Parent Group is from 1% to 10%, which is line with the industry and not lower than the profit rate charged to independent third parties.

As for the mutual provision of raw materials and ancillary materials between the Parent Group and the Group, the payment shall be implemented by instalments according to the time nodes or other methods agreed by the parties. In this regard, the Parent Group and the Group mainly adopt the payment mode of cash on delivery, namely one-time acceptance check and payment for on-time delivery, and batch acceptance check and payment for batch delivery. As for the social and support services provided by the Parent Group to the Group, the account shall be settled with and paid to the Parent Group according to the actual usage of each month. As for the coal mine facilities provided by the Group to the Parent Group, the payment shall be made by the Parent Group by instalments according to the time nodes or other methods agreed by the parties. In this regard, the Parent Group mainly adopts the payment mode of cash on delivery, namely one-time acceptance check and payment for on-time delivery, and batch acceptance check and payment for batch delivery. The purchase prices under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement shall be paid by cash or other methods agreed by the parties (usually paid by cash). The purchase prices and service fees under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement are payable in accordance with the agreed payment terms stipulated in the specific implementation agreements. The payment terms of such implementation agreements shall be within the ambit of the payment terms in the 2018 Integrated Materials and Services Mutual Provision Framework Agreement and will remain unchanged once signed by the parties. From the date of the 2018 Integrated Materials and Services Mutual Supply Framework Agreement to the Latest Practicable Date, the payment terms in all the implementation agreements under the 2018 Integrated Materials and Services Mutual Supply Framework Agreement have complied with the above requirements.

Reasons for Entering into the 2018 Integrated Materials and Services Mutual Provision Framework Agreement

The Company is of the view that the 2018 Integrated Materials and Services Mutual Provision Framework Agreement enables (i) the Group to secure a stable source of the materials and services from the Parent Group in its ordinary course of business at market prices; and (ii) the Group to have a stable customer of the relevant materials and services of the Group in its ordinary course of business at market prices.

Implementation Agreements

Members of the Group and members of the Parent Group will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transactions contemplated under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement during the term thereof. Each implementation agreement will set out the relevant materials and services supplied, and the specifications, quantities, prices and other relevant terms thereof.

As the implementation agreements provide for the mutual supply of materials and services as contemplated under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the 2018 Integrated Materials and Services Mutual Provision Framework Agreement and the relevant annual caps, and if exceed, the Company will comply with the relevant Hong Kong Listing Rules accordingly.

Internal Control Measures

- a) In determining the prices of the bulk equipment and raw materials to be procured by the Group from the Parent Group under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement, the relevant members of the Company is responsible for composing bid invitation documents encompassing all substantial requirements and all key terms for the conclusion of contracts, including the technical and quality requirements of bulk equipment and raw materials, the criteria for examination of the suppliers, requirements for the bid price and the standard of evaluation of the bid and so on, subject to the examination of the purchase centre of the Company and will be reviewed by pricing committee of the Company to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favorable to the Group than terms available to or from independent third parties, and is subject to the final approval by the bid determination committee of the Company;

The purchase centre of the Company is responsible for monitoring, collecting and evaluating the market prices of relevant equipment and raw materials with the same specifications and similar functions, including but not limited to the prevailing and then market prices of the comparable prices of relevant industries, on a regular basis. Under the circumstances such as the prices of the relevant equipment and raw materials fluctuate, the purchase centre of the Company will put forward the proposal of price adjustment, which is subject to the final approval of the bid determination committee of the Company to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favorable to the Group than terms available to or from independent third parties;

- b) The financial department and the securities affairs office of the Company is responsible for monitoring, collecting and evaluating the detailed information of the continuing connected transactions of the Group, including but not limited to the pricing terms, payment arrangements and actual transaction amount under each of the specific implementation agreements on a monthly basis to ensure no applicable caps are exceeded;

- c) The Group will implement, amend and improve the relevant monitoring mechanism and the requirements pursuant to its connected transaction management rules and internal monitoring measures to ensure the Group's compliance with the pricing policies in respect of the continuing connected transactions contemplated under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement; The Group has been implementing the above-mentioned monitoring mechanisms and regulations from the date of signing of the 2018 Integrated Materials and Services Mutual Supply Framework Agreement to the Latest Practicable Date, and revised and improved the above monitoring mechanism based on internal audit and external audit evaluation, internal control measures evaluation, and results of specific inspection conducted by relevant departments of the Group;
- d) The independent non-executive Directors will review the continuing connected transactions contemplated under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the related agreements are fair and reasonable, and in the interest of the Group and the Shareholders as a whole; and
- e) The auditors of the Company will also conduct an annual review on the pricing and annual caps of such continuing connected transactions.

Revision of the Annual Caps for the Two Years Ending 31 December 2020

Original Annual Caps for the Three Years Ending 31 December 2020

The original annual caps for provision of the continuing connected transactions contemplated under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement for the three years ending 31 December 2020 are set out below:

Transactions	Year ended 31 December 2018 (RMB)	Year ending 31 December 2019 (RMB)	Year ending 31 December 2020 (RMB)
Provision of materials and ancillary services and of the social and support services to the Group by the Parent Group	4,200,000,000	4,200,000,000	4,450,000,000
Provision of the materials and ancillary services and of the exclusive coal export-related services to the Parent Group by the Group	1,250,000,000	1,260,000,000	1,270,000,000

Actual Transaction Value for the Year Ended 31 December 2018

The actual transaction value of the continuing connected transactions contemplated under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement for the year ended 31 December 2018 is set out below:

Historical Transaction Value	Year ended 31 December 2018 (RMB)
Provision of the materials and ancillary services and of the social and support services to the Group by the Parent Group	4,179,000,000
Provision of the materials and ancillary services and of the exclusive coal export-related services to the Parent Group by the Group	535,000,000

The Directors have been monitoring the transaction amount contemplated under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement. For the year ended 31 December 2018, and as at the date of this announcement, the annual caps for the continuing connected transactions contemplated under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement for the year ended 31 December 2018 and for the year ending 31 December 2019 have not been exceeded.

Revision of the Annual Caps for the Two Years Ending 31 December 2020

The revised annual caps regarding the continuing connected transactions under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement for the two years ending 31 December 2020 are set out as below:

Revised Annual Caps	Year ending 31 December 2019 (RMB)	Year ending 31 December 2020 (RMB)
Provision of materials and ancillary services and of the social and support services to the Group by the Parent Group	5,900,000,000	6,100,000,000
Provision of the materials and ancillary services and of the exclusive coal export-related services to the Parent Group by the Group	2,000,000,000	2,300,000,000

Reasons for the Revision of the Annual Caps for the Two Years Ending 31 December 2020

In arriving at the above-mentioned revised annual caps in respect of the provision of materials and ancillary services and of the social and support services to the Group by the Parent Group under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement, the Directors have taken into account the following factors:

- (i) In 2018, the actual amount of the provision of materials and ancillary services and of the social and support services to the Group by the Parent Group was RMB4,179,000,000, while the 2018 annual cap for the connected transactions under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement is RMB4,200,000,000. Therefore, the utilisation rate of the annual cap for 2018 reached 99.5%.
- (ii) In 2018, the overall performance of the Group remained positive with increase in sales revenue, profit from operations and net cash as compared with 2017. In 2019, the Group planned to increase the sales volume of self-produced commercial coal to 89.50 million tonnes, representing an increase of 12.37 million tonnes from the actual sales volume of 2018, which objectively increases the demands of the Group for the ancillary services and of the social and support services provided by the Parent Group.
- (iii) The Group will vigorously push forward low calorific value coal and pit-mouth power generation projects. Unit#1 and Unit#2 of the 2×350MW thermal power project in Shanghai Energy were successively put into operation. This resulted in the increase in the number of continuing connected transactions in relation to the Group's procurement of coal from the Parent Group necessary for production and in relation to the mine water, intermediate water treatment as well as inspection and examination services provided by the Parent Group. The total budget quota for these continuing connected transactions in 2019 and 2020 is RMB1.02 billion and 860 million, respectively. The Group's procurement of coal from the Parent Group for the thermal power project is based on the overall consideration that the Parent Group provides the specific type of coal matching the thermal power project, the coal mines of the Parent Group are geographically adjacent to the thermal power project, which could save freight cost and that the Parent Group ensures stable supply of coal on market price which is no less favorable than those available from independent third parties; Muduchaideng Coal Mine and Nalin River No.2 Coal Mine have been put into operation, and other projects including Xiaohuigou Coal Mine will soon be put into operation. This resulted in the increase in the ancillary services including materials for mining and labour outsourcing as well as the arising of new continuing connected transactions in relation to the provision of underground engineering services including comprehensive mining and advancing. The total budget quota for these continuing connected transactions in 2019 and 2020 is RMB590 million and RMB760 million, respectively.

- (iv) The Group proactively pushed forward the reform measures including the optimisation of resource allocation as well as business reorganization and consolidation. In October 2017, China Coal Pingshuo Group Company Limited and China National Coal Mining Equipment Company Limited, subsidiaries of the Company, made capital contribution to Pingshuo Industrial Group Company Limited, a subsidiary of its parent Company, by way of asset, equity interest and debt. Following the completion of the capital contribution, Shanxi China Coal Pingshuo Explosion Equipment Company Limited became a subsidiary of Pingshuo Industrial Group Company Limited. The provision of blasting services by Shanxi China Coal Pingshuo Explosion Equipment Company Limited to the Group constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules, and is included into the 2018 Integrated Materials and Services Mutual Provision Framework Agreement.
- (v) A buffer is provided to the revised annual cap for the possible increase of demand of the Group for materials and ancillary services and of the social and support services provided by the Parent Group.

In arriving at the above-mentioned revised annual caps in respect of the Provision of the materials and ancillary services and of the exclusive coal export-related services to the Parent Group by the Group under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement, the Directors have taken into account the following factors:

- (i) Due to the significant improvement in the coal market since 2018, the market demand for coal mining facilities has recovered remarkably. The demand for new facilities such as hydraulic supports and scraper conveyors of coal production enterprises within the Parent Group will result in a projected increase in coal mining facilities ancillary services provided by the Group to the Parent Group under the 2018 Integrated Material and Services Mutual Provision Framework Agreement in 2019 and 2020 of RMB350 million and RMB370 million respectively.
- (ii) With the deepening of the domestic supply-side structural reform, the Parent Company actively involved in the consolidation of coal resources of state-owned coal enterprises, and continued to promote transformation and optimization of the industrial structure, resulting in an increase in the continuing connected transactions under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement between the Group and new members of the Parent Company. For example, it is expected that in 2019 and 2020, the coal machine facilities and accessories services provided by the coal mining facilities manufacturing enterprises affiliated to the Group's subsidiaries to coal producers affiliated to the former Poly Group and Vestate Group newly incorporated into the Parent Group will increase RMB250 million and RMB400 million, respectively.
- (iii) A buffer is provided to the revised annual cap for the possible increase in materials and ancillary services and in the coal export-related service provided by the Group to the Parent Group.

II. PROPOSED REVISION OF THE ANNUAL CAPS FOR THE TRANSACTIONS UNDER THE 2018 PROJECT DESIGN, CONSTRUCTION AND GENERAL CONTRACTING SERVICES FRAMEWORK AGREEMENT FOR THE TWO YEARS ENDING 31 DECEMBER 2020

Introduction of the 2018 Project Design, Construction and General Contracting Services Framework Agreement

Date: 27 April 2017

Parties: (i) the Company

(ii) the Parent

Continuing transactions Pursuant to the 2018 Project Design, Construction and General Contracting Services Framework Agreement, the Parent Group has agreed to provide project design, construction and general contracting services to the Group, and to undertake projects sub-contracted by the Group.

Term and termination The 2018 Project Design, Construction and General Contracting Services Framework Agreement is for a term of three years commencing on 1 January 2018 and ending on 31 December 2020. Upon expiry, the 2018 Project Design, Construction and General Contracting Services Framework Agreement will, subject to compliance with the relevant requirements under the Hong Kong Listing Rules and agreement of the parties, be renewed for a further term of three years.

Price determination Under the 2018 Project Design, Construction and General Contracting Services Framework Agreement, the service provider and the price of project design, construction and general contracting services shall be determined through a bidding process in principle and in compliance with applicable laws, regulations and rules. The Parent Group shall bid by stringently following the steps and/or measurements as stipulated by The Invitation And Submission of Bids Law of the PRC (《中華人民共和國招標投標法》) and the specific requirements in bidding invitation documents made by the Group.

The bid invitation documents made by the Group include all substantial requirements and all key terms for the conclusion of contracts, including: the project's technical requirements, the criteria for examination of the contractors, the requirements for the bid price and the standard of evaluation of the bid and so on. The Group's bid evaluation committee is responsible for (i) adhering the process is in accordance with The Invitation And Submission of Bids Law of the PRC 《中華人民共和國招標投標法》); (ii) reviewing, evaluating and monitoring documents from outsourcing suppliers based on the technical, commercial and pricing criteria and payment terms of relevant service fees, which will ensure the terms obtained by the Group from the Parent Group is no less favorable than those available from independent third parties; and (iii) grading the service providers and writing recommendation advice. The Group's bid office is responsible for deciding which service provider will be awarded the 2018 Project Design, Construction and General Contracting Services Framework Agreement.

As for the project design services provided by the Parent Group to the Group, the payment shall be made by the Group by installments in accordance with the time nodes or other methods agreed by the parties. If the Parent Group provides the engineering design results at one time, payment will be paid at one time according to the acceptance check result, and if the Parent Group provides the engineering design results in stages, payment will be paid in installments according to the staged acceptance check results. As for the construction services provided by the Parent Group to the Group, the payment shall be implemented by installments in accordance with the progress of projects or other methods agreed by the parties. In this regard, the Group generally pays in installments after acceptance check of the construction progress. As for the general contracting services provided by the Parent Group to the Group, the payment shall be made by the Group by installments according to the time nodes of design, procurement and construction or other methods agreed by the parties. Among which, the procurement is paid in accordance with the principal of cash on delivery, namely one-time acceptance check and payment for on-time delivery, and batch acceptance check and payment for batch delivery; design and construction payment method is consistent with that of engineering design services and construction services provided by the Parent Group to the Group. The purchase prices under the 2018 Project Design, Construction and General Contracting Services Framework Agreement shall be paid in cash or other methods agreed by the parties (usually paid in cash). The service fees under the 2018 Project Design, Construction and General Contracting Services Framework Agreement are payable in accordance with the agreed payment terms stipulated in the specific implementation agreements. The payment terms of such implementation agreements shall be within the ambit of the payment terms in the 2018 Project Design, Construction and General Contracting Services Framework Agreement and will remain unchanged once signed by the parties. From the date of the 2018 Project Design, Construction and General Contracting Services Framework Agreement to the Latest Practicable Date, the payment terms in all the implementation agreements under the 2018 Project Design, Construction and General Contracting Services Framework Agreement have complied with the above requirements.

Reasons for Entering into 2018 Project Design, Construction And General Contracting Services Framework Agreement

The Company is of the view that the 2018 Project Design, Construction and General Contracting Services Framework Agreement enables the Group to secure a stable source of project design, construction and general contracting services from the Parent Group for the Group's construction projects in its ordinary course of business at market prices.

Implementation Agreements

Members of the Group and members of the Parent Group will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transactions contemplated under the 2018 Project Design, Construction and General Contracting Services Framework Agreement during the term thereof. Each implementation agreement will set out the relevant general contracting services supplied, and the specifications, prices and other relevant terms thereof.

As the implementation agreements provide for the supply of general contracting services as contemplated under the 2018 Project Design, Construction and General Contracting Services Framework Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the 2018 Project Design, Construction and General Contracting Services Framework Agreement and the relevant annual caps, and if exceed, the Company will comply with the relevant Hong Kong Listing Rules accordingly.

Internal Control Measures

- a) In determining the prices of the project design, construction and general contracting services under the 2018 Project Design, Construction and General Contracting Services Framework Agreement the relevant members of the Group is responsible for composing bid invitation documents encompassing all substantial requirements and all key terms for the conclusion of contracts, including project technical requirements, the criteria for examination of the contractors, the requirements for the bid price and the standard of evaluation of the bid and so on, subject to the preliminary review of the department of infrastructure management of the Company, which will be reviewed by pricing committee of the Company to ensure that the terms of the relevant bid invitation documents are compliant with applicable laws, regulations and rules, subject to the final approval by the bid determination committee of the Company;
- b) The department of infrastructure management of the Group is responsible for monitoring, collecting and evaluating the prices of coal mine infrastructure construction project services in the relevant areas on a regular basis to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favorable to the Group than terms available to or from independent third parties;
- c) The financial department and the securities affairs office of the Company is responsible for monitoring, collecting and evaluating the detailed information of the continuing connected transactions of the Group, including but not limited to the pricing terms, payment arrangements and actual transaction amount under each of the specific implementation agreements on a monthly basis to ensure no applicable caps are exceeded;

- d) The Group will implement, amend and improve the relevant monitoring mechanism and the requirements pursuant to its connected transaction management rules and internal monitoring measures to ensure the Group's compliance with the pricing policies in respect of the continuing connected transactions contemplated under the 2018 Project Design, Construction and General Contracting Services Framework Agreement;
- e) The independent non-executive Directors will review the continuing connected transactions contemplated under the 2018 Project Design, Construction and General Contracting Services Framework Agreement to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the related agreements are fair and reasonable, and in the interest of the Group and the Shareholders as a whole; and
- f) The auditors of the Company will also conduct an annual review on the pricing and annual caps of such continuing connected transactions.

Revision of the Annual Caps for the Two Years Ending 31 December 2020

Original Annual Caps for the Three Years Ending 31 December 2020

The original annual caps for the transactions contemplated under the 2018 Project Design, Construction and General Contracting Services Framework Agreement for the three years ending 31 December 2020 are set out below:

Transactions	Year ended 31 December 2018 (RMB)	Year ending 31 December 2019 (RMB)	Year ending 31 December 2020 (RMB)
Provision of project design, construction and general contracting services to the Group by the Parent Group	6,050,000,000	3,500,000,000	1,850,000,000

Actual Transaction Value for the Year Ended 31 December 2018

The actual transaction values of the transactions contemplated under the 2018 Project Design, Construction and General Contracting Services Framework Agreement for the year ended 31 December 2018 is set out below:

Historical Transaction Value	Year ended 31 December 2018 (RMB)
Provision of project design, construction and general contracting services to the Group by the Parent Group	2,054,000,000

The Directors have been monitoring the transaction amount contemplated under the 2018 Project Design, Construction and General Contracting Services Framework Agreement. For the year ended 31 December 2018, and as at the date of this announcement, the annual caps for the continuing connected transactions contemplated under the 2018 Project Design, Construction and General Contracting Services Framework Agreement for the year ended 31 December 2018 and for the year ending 31 December 2019 have not been exceeded.

Revision of the Annual Caps for the Two Years Ending 31 December 2020

The revised annual caps regarding the project design, construction and general contracting services to the Group by the Parent Group under the 2018 Project Design, Construction and General Contracting Services Framework Agreement for the two years ending 31 December 2020 are set out as below:

Revised Annual Caps	Year ending 31 December 2019 (RMB)	Year ending 31 December 2020 (RMB)
Provision of project design, construction and general contracting services to the Group by the Parent Group	4,200,000,000	5,500,000,000

Reasons for the Revision of the Annual Caps for the Two Years Ending 31 December 2020

In arriving at the above-mentioned revised annual caps in respect of the provision of project design, construction and general contracting services to the Group by the Parent Group under the 2018 Project Design, Construction And General Contracting Services Framework Agreement, the Directors have taken into account the following factors:

- (i) The Group will adhere to the established strategic objectives and will proactively commence the construction of the Technological Transformation Project of Annual Methanol Output of 1 Million Tonnes from Synthetic Gas as well as the closeout of remaining construction, reconstruction and extension of certain mines. This resulted in new construction projects such as EPC general contracting services for utility facilities of methanol projects, mine construction and renovation, and general contracting projects for coal preparation plants. Related constructions of such new construction projects have been confirmed to be undertaken by Parent Group by way of public tender, resulting in an increase of RMB1.28 billion and RMB800 million in project design and general contracting services provided by Parent Group to the Group under 2018 Project Design, Construction and General Contracting Framework Agreement respectively in 2019 and 2020.
- (ii) In the early stage of the construction projects of the Group, there is uncertainty with respect to the government approval process. Due to delay in the process of project formalities, the originally scheduled commencement of the construction of certain projects of Dahaize Coal Mine undertaken by the Parent Group was postponed, resulting in a decrease of RMB850 million an increase of RMB2.36 billion in the project design, construction and general contracting services provided by the Parent Group to the Group under the 2018 Project Design, Construction and General Contracting Services Framework Agreement respectively in 2019 and in 2020.

- (iii) The Group proactively pushed forward reform measures including optimization of resource allocation as well as business reorganization and consolidation. In 2018, China Coal Huajin Company acquired 100% equity interest in Jincheng Investment Company from the Parent Group. Jincheng Investment Company and its subsidiaries, Jincheng Energy Company (晉城能源公司) and Jincheng Thermal Power Company (晉城熱電公司) became indirect subsidiaries of the Company. The undertaken construction projects between Jincheng Investment Company together with its subsidiaries and the Parent Group constituted continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules, and were included into the 2018 Project Design, Construction and General Contracting Services Framework Agreement for management. The total budget quota for these new continuing connected transactions in 2019 and 2020 is RMB270 million and RMB430 million, respectively.
- (iv) A buffer is provided to the revised annual cap for the possible increase of demand of the Group for project design, construction and general contracting services provided by the Parent Group.

III. PROPOSED REVISION OF THE ANNUAL CAPS FOR THE TRANSACTIONS UNDER THE 2018 FINANCIAL SERVICES FRAMEWORK AGREEMENT FOR THE TWO YEARS ENDING 31 DECEMBER 2020

Introduction of the 2018 Financial Services Framework Agreement

Date: 27 April 2017

Parties: (i) Chinacoal Finance
(ii) the Parent

Continuing transactions Pursuant to the 2018 Financial Services Framework Agreement, Chinacoal Finance has agreed to provide the following financial services to the Parent Group, including:

- (i) providing financial and financing consultation, credit appraisal and relevant advice and agency services;
- (ii) providing assistance in receiving transaction proceeds to the Parent Group;
- (iii) providing insurance agency services as approved to the Parent Group;
- (iv) providing entrusted loans among the Parent Group;
- (v) providing bill acceptance and discount services to the Parent Group;
- (vi) providing internal transfer and settlement and corresponding settlement and clearing planning services among the Parent Group;

- (vii) accepting deposits from the Parent Group;
- (viii) providing loans and finance leasing to the Parent Group;
and
- (ix) other services approved by the CBRC.

Term and termination

The 2018 Financial Services Framework Agreement is for a term of three years commenced on 1 January 2018 and ending on 31 December 2020. Upon expiry, the 2018 Financial Services Framework Agreement shall be automatically renewed for a further term of three years, subject to the compliance with the relevant regulatory requirements such as the listing rules where the Company is listed and the agreement of the parties.

Price determination

The pricing principles of the financial services to be provided by Chinacoal Finance to the Parent Group are as follows:

- (i) The interest rates for deposits provided to the Parent Group by Chinacoal Finance shall be negotiated on arm's length and by reference to the interest rates provided by normal commercial banks in the PRC for comparable deposits. But in any case, the interest rate for deposits shall not be higher than the upper limit allowed by the PBOC for such type of deposits, or the interest rate provided by Chinacoal Finance to other clients for the same type of deposits, or the interest rate for the same type of deposits provided by normal commercial banks in the PRC to the Parent Group, whichever is lower.
- (ii) The interest rates for loans charged by Chinacoal Finance to the Parent Group shall be negotiated on arm's length and by reference to the interest rates charged by normal commercial banks in the PRC for comparable loans. But in any case, the interest rate for loans shall not be lower than the lowest rates prescribed by the PBOC for such type of loans, or the interest rate charged by Chinacoal Finance to other clients for the same type of loans, or the interest rate for the same type of loans charged by normal commercial banks in the PRC to the Parent Group, whichever is higher.

- (iii) The fee standard for other financial services (excluding the deposits and loans as mentioned above) shall be determined by Chinacoal Finance according to the corresponding service fees fixed by the PBOC or the CBRC. If such fixed fee rates are not available, the services fees are negotiated on arm's length and by reference to the fees charged by normal commercial banks in the PRC for comparable financial services. But in any case, the fee standard shall not be lower than the fee standard adopted by normal commercial banks in the PRC for comparable services.

Other Principal Terms

- (i) Chinacoal Finance shall provide deposits services to the Parent Group on normal commercial terms (or better to Chinacoal Finance) where no security over assets of the Group shall be granted in respect of the deposit.
- (ii) Maximum daily balance of the loans provided by Chinacoal Finance to the Parent Group shall not be higher than the maximum daily balance of the deposits placed by the Parent Group with Chinacoal Finance.

Reasons for Entering into the 2018 Financial Services Framework Agreement

The Company is of the view that entering into the 2018 Financial Services Framework Agreement will do benefit to strengthen the capital management of the Company, improve the risk management and control capabilities, reduce capital operating costs, improve capital utilization efficiency and expand financing channels, and is in line with the needs of the Company's operations and development. Therefore, the 2018 Financial Services Framework Agreement is in the interests of the Company and its Shareholders as a whole.

Implementation Agreements

Chinacoal Finance and members of the Parent Group and associates of the Parent will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transactions contemplated under the 2018 Financial Services Framework Agreement during the term thereof. Each implementation agreement will set out the services supplied, payment terms, interests rates, fees and other relevant terms thereof.

As the implementation agreements provide for the supply of the relevant services as contemplated under the 2018 Financial Services Framework Agreement, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the 2018 Financial Services Framework Agreement and the relevant annual caps, and if exceed, the Company will comply with the relevant Hong Kong Listing Rules accordingly.

Internal Control Environment and Risk Management Function of Chinacoal Finance

The interest rates for loans charged by Chinacoal Finance to the Parent Group shall be negotiated on arm's length and by reference to the interest rates charged by normal commercial banks in the PRC for comparable loans. But in any case, the interest rate for loans shall not be lower than the lowest rates prescribed by the PBOC for such type of loans, or the interest rate charged by Chinacoal Finance to other clients for the same type of loans, or the interest rate for the same type of loans charged by normal commercial banks in the PRC to the Parent Group, whichever is higher.

Chinacoal Finance has established stringent internal control measures to ensure effective risk management and compliance with relevant laws and regulations including corporate governance structure, internal rules and policies and standard operation procedures. The following internal controls are in place:

- a) Different departments and committee, including but not limited to credit management department, risk management department and credit examining committee, have been set up by Chinacoal Finance for maintaining the risk management function and internal control environment. Credit management department conducts pre-loan investigations on loan applications; risk management department examines the risks relevant to the loans; credit examining committee offers examination opinions, and the general manager and the chairman of the board of directors review and approve such applications;
- b) Pre-loan investigations will be conducted on loan applications by credit management department, which will assess the customers' creditworthiness and the purpose of the loans according to the relevant credit rules of CBRC and PBOC, examine, among others, the amount and term of loans as well as the caps of connected (or related party) transactions, determine the interest rate of each loan based on the lowest rates prescribed by the PBOC to ensure the price determination aforementioned is strictly followed. In case of loans to subsidiaries not wholly-owned by the Group or the Parent Group, a higher interest rate may apply;
- c) The loan applications will be reviewed by the risk management department, which conducts risk examinations on application and information of loans, with emphasis laid on examinations on credit risks and compliance with Hong Kong Listing Rules including requirements regarding amount, term, interest rate and caps of connected (party) transactions;
- d) The loan applications will then be submitted to the credit examining committee, which consists of five members. The credit examining committee conducts independent, objective and professional analysis on application and information of loans and group deliberation, as well as offers examination opinions;
- e) The examination opinions on loans from the credit examining committee will be submitted to the general manager and the chairman of the board of directors of Chinacoal Finance for overall review and approval;
- f) Annual review on the credit worthiness and loan facility of the Parent Group and its associates will be conducted by the credit management department to strengthen operational risk management; and

- g) Regular internal audit procedures relevant to loans will be conducted by internal audit department to review and inspect the implementation of internal policies and procedures and compliance with internal rules and regulations.

Meanwhile, CBRC performs regular inspections on Chinacoal Finance to check the implementation of their internal control and risk management systems. Since the establishment of Chinacoal Finance, there was no major issue on Chinacoal Finance raised by CBRC.

Revision of the Annual Caps for the Two Years Ending 31 December 2020

The Board proposed to revise the annual caps in respect of the maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group under the 2018 Financial Services Framework Agreement for the two years ending 31 December 2020, while the annual caps in respect of the financial services fees for other financial services provided by Chinacoal Finance to the Parent Group under the 2018 Financial Services Framework Agreement remain unchanged.

Original Annual Caps for the Three Years Ending 31 December 2020

The original annual caps for provision of loans and financial leasing by Chinacoal Finance to the Parent Group under the 2018 Financial Services Framework Agreement for the three years ending 31 December 2020 are set out below:

Transactions	Year ended 31 December 2018 (RMB)	Year ending 31 December 2019 (RMB)	Year ending 31 December 2020 (RMB)
The maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group	4,500,000,000	5,000,000,000	5,000,000,000

Actual Transaction Value for the Year Ended 31 December 2018

The actual transaction values for provision of loans and financial leasing by Chinacoal Finance to the Parent Group under the 2018 Financial Services Framework Agreement for the year ended 31 December 2018 is set out below:

Historical Transaction Value	Year ended 31 December 2018 (RMB)
The maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group	4,289,000,000

The Directors have been monitoring the transaction amount contemplated under the 2018 Financial Services Framework Agreement. For the year ended 31 December 2018, and as at the date of this announcement, the annual caps for the continuing connected transactions contemplated under the 2018 Financial Services Framework Agreement for the year ended 31 December 2018 and for the year ending 31 December 2019 have not been exceeded.

Revision of the Annual Caps for the Two Years Ending 31 December 2020

The revised annual caps for provision of loans and financial leasing by Chinacoal Finance to the Parent Group under the 2018 Financial Services Framework Agreement for the two years ending 31 December 2020 are set out as below:

Revised Annual Caps	Year ending 31 December 2019 (RMB)	Year ending 31 December 2020 (RMB)
The maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group	7,500,000,000	8,000,000,000

Reasons for the Revision of the Annual Caps for the Two Years Ending 31 December 2020

In arriving at the above-mentioned revised annual caps in respect of the maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group under the 2018 Financial Services Framework Agreement, the Directors have taken into account the following factors:

- (i) In 2018, the maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group was RMB4.29 billion, while the 2018 annual cap for the connected transactions under the 2018 Financial Services Framework Agreement was RMB4.5 billion. Therefore, the utilisation rate of the annual cap for 2018 reached 95.3%.
- (ii) Since 2018, the deposits of the Parent Group in Chinacoal Finance have increased significantly, while Chinacoal Finance also continued to enhance its centralised management in funds, improve its fund utilisation and increase its interest income; meanwhile, the Parent Group will continue to participate in the consolidation of coal resources of state-owned enterprises involving in coal businesses, and the existing and other enterprises to be consolidated by the Parent Company will become new members of the Parent Group, and may make deposits at Chinacoal Finance. It is expected that the deposits of the Parent Group in Chinacoal Finance will increase to RMB10.5 billion and RMB12.5 billion in 2019 and 2020 respectively, laying the foundation for increasing the provision of loans by Chinacoal Finance to the Parent Group.

- (iii) With the deepening of the domestic supply-side structural reform, the Parent Company actively pushed forward the optimisation and consolidation of coal resources of state-owned coal enterprises, and will continue to strive for the consolidation of coal resources in state-owned enterprises and acquisition of companies by way of capital operation, etc. to promote transformation and upgrade of the industrial structure. Such consolidation and reorganisation will increase the Parent Company's demands for loans. Meanwhile, the existing and other enterprises to be consolidated by the Parent Company will become new members of the Parent Group, and they may take loans from Chinacoal Finance for their productional and operational needs. Therefore, it is expected that additional loan demands from the Parent Group in 2019 and 2020 will amount to RMB2.5 billion and RMB2.7 billion respectively.
- (iv) A buffer is provided to the revised annual cap for the possible increase of demand of the Parent Group for the loans and financial leasing from Chinacoal Finance.

IV. HONG KONG LISTING RULES IMPLICATIONS

The Parent is the controlling shareholder of the Company and therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated between the Group and the Parent Group constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in respect of the revisions of annual caps regarding the provision of the materials and ancillary services and of the exclusive coal export-related services to the Parent Group by the Group under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement for the two years ending 31 December 2020 exceed 0.1% but less than 5%, they are subject to the reporting, annual review, announcement requirements, but exempt from the Independent Shareholders' approval requirements under Rule 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in respect of the revisions of annual caps for the two years ending 31 December 2020 of the Non-exempt Continuing Connected Transactions exceed 5%, they are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Rule 14A of the Hong Kong Listing Rules.

Meanwhile, as one or more of the applicable percentage ratios in respect of the revision of the annual caps in respect of the maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group under the 2018 Financial Services Framework Agreement for the two years ending 31 December 2020 exceeds 5% but is less than 25%, the transaction also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the terms of the provision of the materials and ancillary services and of the exclusive coal export-related services to the Parent Group by the Group under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favorable to the Group than those available to or from independent third parties; (iii) are entered into in the ordinary and usual course of business of the Group; (iv) are fair and reasonable and in the interests of Company and the Shareholders as a whole; and (v) that such revision of annual caps is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Directors (excluding the independent non-executive Directors who will express their views after receiving advice from the Independent Financial Adviser) are of the view that the terms of the Non-exempt Continuing Connected Transactions, (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favorable to the Group than those available to or from independent third parties; (iii) are entered into in the ordinary and usual course of business of the Group; (iv) are fair and reasonable and in the interests of Company and the Shareholders as a whole; and (v) that such revision of annual caps is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Directors, Mr. Li Yanjiang, Mr. Peng Yi, Mr. Du Ji'an and Mr. Zhao Rongzhe, who are also directors or senior management of the Parent, are deemed to have material interests in the Revisions, have abstained from voting from the relevant Board resolutions. Other than those Directors mentioned above, none of the other Directors has a material interest in the Revisions.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, there is no other continuing connected transaction entered into between any member of the Group and the Parent Group and its ultimate beneficial owner(s) or otherwise related, which would be, together with any of the Revisions, aggregated under Rule 14A.81 and/or Rule 14.22 of the Hong Kong Listing Rules.

V. GENERAL INFORMATION OF THE PARTIES OF THE TRANSACTIONS

The Company

The Company is principally engaged in coal production, sales and trading, coal chemical business, coal mining equipment manufacturing and other related operations in China.

The Parent

The Parent is a state-owned enterprise established under the laws of the PRC and the controlling shareholder of the Company, holding, directly and indirectly, approximately 58.36% of the issued share capital of the Company as at the date of this announcement. The Parent is principally engaged in coal export, coal bed methane exploitation, coal mine construction and other relevant engineering and technical services.

Chinacoal Finance

As at the date of this announcement, Chinacoal Finance is a subsidiary of the Company and is owned as to 91% by the Company and 9% by the Parent.

Chinacoal Finance is principally engaged in providing financial and financing consultation, credit appraisal and relevant advice and agency services to members; assisting members in receiving transaction proceeds; insurance agency services as approved; providing entrusted loans among members; providing bill acceptance and discount services to the members; providing internal transfer and settlement and corresponding settlement and clearing planning services among members; accepting deposits from members; providing loans and financial leasing to the members; and other services in RMB or foreign currency as approved by the CBRC.

VI. GENERAL INFORMATION

The AGM will be convened to seek the approval of the Independent Shareholders in the respect of the revisions of annual caps for the two years ending 31 December 2020 of the Non-exempt Continuing Connected Transactions. The Parent and its associates will abstain from voting in respect of the relevant resolutions at the AGM.

An Independent Board Committee has been formed to advise the Independent Shareholders on the the revisions of annual caps for the two years ending 31 December 2020 of the Non-exempt Continuing Connected Transactions, and the Independent Board Committee has approved the appointment of the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same in accordance with the Hong Kong Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the members of the Independent Board Committee has any material interest in the revisions of annual caps for the two years ending 31 December 2020 of the Non-exempt Continuing Connected Transactions.

A circular containing, among other things, further details of the revisions of annual caps for the two years ending 31 December 2020 of the Non-exempt Continuing Connected Transactions, the letter from the Independent Board Committee and the recommendation from the Independent Financial Adviser on the revisions of annual caps for the two years ending 31 December 2020 of the Non-exempt Continuing Connected Transactions will be despatched to the Shareholders no more than 15 business days after the publication of this announcement in accordance with the Hong Kong Listing Rules.

As at the date of this announcement, the Parent and its associates, who directly and indirectly, hold 7,737,558,608 shares of the Company (represent approximately 58.36% of the issued share capital of the Company), control or are entitled to control over the voting right in respect of their shares in the Company. Therefore, the Parent and its associates will abstain from voting in respect of the resolution in relation of the revisions of annual caps for the two years ending 31 December 2020 of the Non-exempt Continuing Connected Transactions at the AGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save as the Parent and its associates, no Shareholder has a material interest in the resolution in respect of, among others, the revisions of the annual caps for the two years ending 31 December 2021 of the Non-exempt Continuing Connected Transactions or should be required to abstain from voting on the resolutions at the AGM.

VII. DEFINITION

“AGM”	the 2018 annual general meeting of the Company to be held at 2:30 p.m. on Friday, 28 June 2019 at China Coal Building, No. 1 Huangsidajie, Chaoyang District, Beijing, the PRC
“A Share(s)”	the domestic ordinary share(s) of RMB1.00 each in the share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in Renminbi
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Associate”	has the meaning ascribed to it under the Hong Kong Listing Rules and SSE Listing Rules
“Board”	the board of directors of the Company
“China Coal Group” or “Parent”	China National Coal Group Corporation, a state-owned enterprise established under the laws of the PRC and the controlling shareholder of the Company
“Company”	China Coal Energy Company Limited, a joint stock company established under the laws of the PRC with limited liability, the H shares of which are listed on the Hong Kong Stock Exchange under the stock code of 01898 and the A shares of which are listed on the Shanghai Stock Exchange under the stock code of 601898
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent board committee of the Board comprising all of the independent non-executive Directors, who have no material interest in the Non-exempt Continuing Connected Transactions, namely Zhang Ke, Zhang Chengjie and Leung Chong Shun, which was established to advise the Independent Shareholders in relation to the revision of the annual caps for the two years ending 31 December 2020 of the Non-exempt Continuing Connected Transactions

“Independent Financial Adviser”	Innovax Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the revision of the annual caps for the two years ending 31 December 2020 of the Non-exempt Continuing Connected Transactions, and a licensed corporation registered under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholders”	shareholders of the Company who are not required to abstain from voting on the resolutions to be proposed at the AGM under the Hong Kong Listing Rules
“Non-exempt Continuing Connected Transactions”	(i) the provision of the materials and ancillary services and of the social and support services to the Group by the Parent Group under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement, (ii) the continuing connected transactions contemplated under the 2018 Project Design, Construction and General Contracting Services Framework Agreement, and (iii) the provision of loans and financial leasing by Chinacoal Finance to the Parent Group under the 2018 Financial Services Framework Agreement
“Parent Group”	the Parent and its associates (excluding the Group)
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Revisions”	the proposed revision of the annual caps for the two years ending 31 December 2020 regarding (i) the continuing connected transactions contemplated under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement, (ii) the continuing connected transactions contemplated under the 2018 Project Design, Construction and General Contracting Services Framework Agreement, and (iii) the provision of loans and financial leasing by Chinacoal Finance to the Parent Group under the 2018 Financial Services Framework Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s), including A Shares and H Shares
“Shareholder(s)”	the shareholder(s) of the Company, including holder(s) of H Shares and holder(s) of A Shares
“SSE Listing Rules”	The Rules Governing the Listing of Stocks on Shanghai Stock Exchange (《上海證券交易所股票上市規則》)

“2018 Financial Services Framework Agreement”	a financial services framework agreement dated 27 April 2017 and entered into between Chinacoal Finance and the Parent
“2018 Integrated Materials and Services Mutual Provision Framework Agreement”	an integrated materials and services mutual provision framework agreement dated 27 April 2017 and entered into between the Company and the Parent
“2018 Project Design, Construction and General Contracting Services Framework Agreement”	a project design, construction and general contracting services framework agreement dated 27 April 2017 and entered between the Company and the Parent
“%”	per cent

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.