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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)

**CONNECTED TRANSACTION
SPLIT OF PINGSHUO INDUSTRIAL**

In order to further implement the coal production continuation and distribution planning, and coordinate China Coal Group with the Company to facilitate acquisition of the Resource Rights of Antaibao Open Pit Mine Expansion Area and extension of the mining rights of Fengyu and Mayingbao coal mines and other formalities, the Board is pleased to announce that on 28 August 2020 Equipment Company and Pingshuo Group (both subsidiaries of the Company), China Coal Group and its subsidiary Pingshuo Industrial, as well as China Coal Pingshuo Development (to be established) entered into the Split Agreement. Pursuant to the Split Agreement, Pingshuo Industrial will be split into two limited liability companies. Pingshuo Industrial is currently held as to 70.98%, 21.41% and 7.61% by China Coal Group, Pingshuo Group and Equipment Company, respectively. The Split will be conducted based on the above shareholding with reference to the appraised value of the relevant assets obtained by the Independent Valuer using the asset-based approach at the Valuation Date. No consideration is required. Upon completion of the Split, Pingshuo Industrial will continue to exist and retain the Resource Rights of Antaibao Open Pit Mine Expansion Area and the mining rights of Fengyu and Mayingbao coal mines, and will be held as to 100% by China Coal Group; the remaining assets of Pingshuo Industrial will be assigned to the company derived from the Split, i.e. China Coal Pingshuo Development (to be established), which will be held as to 62.28%, 27.83% and 9.89% by China Coal Group, Pingshuo Group and Equipment Company, respectively.

As at the date of this announcement, China Coal Group holds 58.36% equity interest in the Company and is the controlling shareholder of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions under the Split Agreement, including the transaction relating to the Split that leads to the Company's ceasing to hold Pingshuo Industrial, and the joint venture arrangement for establishing China Coal Pingshuo Development (to be established) arising from the Split, constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As one or more of the applicable percentage ratios (as defined under the Hong Kong Listing Rules) in relation to the transactions relating to the Split that leads to the Company's ceasing to hold Pingshuo Industrial which in turn will be held as to 100% by China Coal Group exceed 0.1% but below 5%, such transactions are subject to the reporting and announcement requirements but are exempt from shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

I. INTRODUCTION

In order to further implement the coal production continuation and distribution planning, and coordinate China Coal Group with the Company to facilitate acquisition of the Resource Rights of the Antaibao Open Pit Mine Expansion Area and extension of the mining rights of Fengyu and Mayingbao coal mines and other formalities,, the Board is pleased to announce that on 28 August 2020 Equipment Company and Pingshuo Group (both subsidiaries of the Company), China Coal Group and its subsidiary Pingshuo Industrial, as well as China Coal Pingshuo Development (to be established) entered into the Split Agreement. Pursuant to the Split Agreement, Pingshuo Industrial will be split into two limited liability companies. Pingshuo Industrial is currently held as to 70.98%, 21.41% and 7.61% by China Coal Group, Pingshuo Group and Equipment Company, respectively. The Split will be conducted based on the abovementioned shareholding with reference to the appraised value of the relevant assets obtained by the Independent Valuer using the asset-based approach. No consideration is required. Upon completion of the Split, Pingshuo Industrial will continue to exist and retain the Resource Rights of Antaibao Open Pit Mine Expansion Area and the mining rights of Fengyu and Mayingbao coal mines, and will be held as to 100% by China Coal Group; the remaining assets of Pingshuo Industrial will be assigned to the company derived from the Split, i.e. China Coal Pingshuo Development (to be established), which will be held as to 62.28%, 27.83% and 9.89% by China Coal Group, Pingshuo Group and Equipment Company, respectively.

II. MAJOR TERMS OF THE SPLIT AGREEMENT

Date:	28 August 2020
Parties:	(1) Equipment Company; (2) China Coal Group; (3) Pingshuo Group; (4) Pingshuo Industrial;and (5) China Coal Pingshuo Development (to be established)
Company to be Split:	Pingshuo Industrial
Companies upon Completion of the Split:	(1) Pingshuo Industrial (2) China Coal Pingshuo Development (to be established) (subject to the approval of the business registration department)
Registered Capital:	Before completion of the Split, the registered capital of Pingshuo Industrial was RMB5,415,628,800. Upon completion of the Split, the registered capital of Pingshuo Industrial and China Coal Pingshuo Development (to be established) will be RMB1,214,405,353.65 and RMB4,201,223,446.35, respectively.
Split Basis and Consideration:	The Split is based on the appraised values of Pingshuo Industrial before the Split, and Pingshuo Industrial and China Coal Pingshuo Development (to be established) upon Completion of the Split on the Valuation Date, as well as the shareholdings in Pingshuo Industrial by China Coal Group, Pingshuo Group and Equipment Company before the Split. Among them, such appraised values of Pingshuo Industrial

before the Split, Pingshuo Industrial and China Coal Pingshuo Development (to be established) upon the completion of the Split are RMB5,034,418,700, RMB1,161,423,900 and RMB 3,872,994,800, respectively.

No consideration will be paid.

Split Arrangement:

Before completion of the Split, Pingshuo Industrial is held as to 70.98%, 21.41% and 7.61% by China Coal Group, Pingshuo Group and Equipment Company, respectively.

Upon completion of the Split, Pingshuo Industrial will continue to exist and be held as to 100% by China Coal Group; the existing Pingshuo Industrial will retain the Resource Rights of Antaibao Open Pit Mine Expansion Area and mining rights of Fengyu and Mayingbao coal mines and assume corresponding debts and liabilities. Remaining assets and corresponding debts and liabilities will be assumed by China Coal Pingshuo Development (to be established) derived from the Split, which in turn will be held as to 62.28%, 27.83% and 9.89% by China Coal Group, Pingshuo Group and Equipment Company, respectively. In case of any asset transfer by the existing Pingshuo Industrial and China Coal Pingshuo Development (to be established), the Company enjoys the pre-emptive rights under the same conditions.

Upon completion of the Split, the major businesses of the existing Pingshuo Industrial include mining of coal and electricity production; China Coal Pingshuo Development (to be established) will succeed the original businesses of Pingshuo Industrial, including mine operation, equipment maintenance, product processing and manufacturing, emerging industries, trade and auxiliary logistics services with the same business scope as Pingshuo Industrial before the Split. The specific details are subject to the approval of business registration department.

Upon completion of the Split, in accordance with the principle of “credits and debts go with assets”, the credits and debts related to the retained assets shall be succeeded by Pingshuo Industrial, and those related to the the remaining assets shall be succeeded by China Coal Pingshuo Development (to be established). Pingshuo Industrial is obliged to cooperate with China Coal Pingshuo Development (to be established) in the relevant legal procedures for credits and debts, and to assist China Coal Pingshuo Development (to be established) to recover credits.

Corporate Governance:

Upon completion of the Split, the existing Pingshuo Industrial Group will be changed to a one-person limited liability company; China Coal Pingshuo Development (to be established) will establish and improve corporate governance

structures such as shareholders' meeting, board of directors, the supervisory committee and the management.

Conditions:

The Split Agreement will become effective after all the following conditions are met:

- (1) being duly signed or sealed by each party;
- (2) the board of shareholders of Pingshuo Industrial approving the Split; and
- (3) the Split being approved by China Coal Group and the Company.

III. REASONS AND BENEFITS OF THE SPLIT

In order to further implement the coal production continuation and distribution planning, the Company intends to acquire the Resource Rights of the Antaibao Expansion Area owned by Pingshuo Industrial. Upon completion of the acquisition, both the Resource Rights of the Expansion Area and the mining rights of Antaibao Open Pit Mine owned by the Company will be altered to be owned by the same subject, i.e. the Company, which entitles the Company to go through relevant resource continuation procedures for the Company's future coal mining in the Antaibao Open Pit Mine Expansion Area. Upon completion of the procedures for the continuation of mining rights of Fengyu and Mayingbao, the Company will, based on whether the coal mine has the mining conditions and the pre-emptive right under the same conditions entitled to the Company, consider whether to acquire the mining rights of Fengyu and Mayingbao currently held by Pingshuo Industrial.

Since the subject obtaining initial approval of the Resource Rights of the Antaibao Expansion Area and the mining rights of Fengyu and Mayingbao coal mines is Pingshuo Industrial, which was 100% owned by China Coal Group, when going through relevant continuation procedures in accordance with the requirements of the natural resource regulatory authorities, the subject with resource rights of the Antaibao Expansion Area and the subject with mining rights of Fengyu and Mayingbao must restore the original shareholding structure of Pingshuo Industrial. Therefore, the Split aims to meet this requirement by adjusting the shareholding structure of Pingshuo Industrial to being 100% held by China Coal Group, only retaining the Resource Rights of Antaibao Expansion Area and the mining rights of Fengyu and Mayingbao coal mines.

IV. GENERAL INFORMATION

China Coal Group

China Coal Group is a state-owned enterprise established under the laws of the PRC and the controlling shareholder of the Company. It directly and indirectly holds approximately 58.36% of the issued share capital of the company as at the date of this announcement. The major businesses of China Coal Group include the production and trade of coal, coal chemical business, pithead power generation, coal mining equipment manufacturing and related engineering technical services. The ultimate controller of China Coal Group is the SASAC.

Equipment Company

Equipment Company is a limited liability company incorporated in the PRC, a wholly-owned subsidiary of the Company and one of the shareholders of Pingshuo Industrial before completion of the Split. Equipment Company is principally engaged in the design, production, supply, technical service of complete equipment for coal engineering industry, electromechanical products and safety equipment; the production and distribution of spare parts and fittings; import and export business and other business.

Pingshuo Group

Pingshuo Group is a limited liability company incorporated in the PRC, a wholly-owned subsidiary of the Company and one of the shareholders of Pingshuo Industrial before completion of the Split. Pingshuo Group is principally engaged in mining and sales of coal, electricity production, production and sales of coal chemical products, etc.

Pingshuo Industrial and China Coal Pingshuo Development (to be established)

Pingshuo Industrial is a limited liability company incorporated in the PRC. Before completion of the Split, the major businesses of the Pingshuo Industrial include mine operation, equipment maintenance, product processing and manufacturing, emerging industries, trade and auxiliary logistics services. Upon completion of the Split, Pingshuo Industrial will continue to exist and the major businesses include mining of coal and electricity production.

China Coal Pingshuo Development (to be established) is a limited liability company to be incorporated. Upon completion of the Split, China Coal Pingshuo Development (to be established) will succeed the original businesses of Pingshuo Industrial, including mine operation, equipment maintenance, product processing and manufacturing, emerging industries, trade and auxiliary logistics services.

The table below sets out certain audited financial information (prepared under the PRC GAAP) of Pingshuo Industrial before the Split and of existing Pingshuo Industrial upon the Split and China Coal Pingshuo Development (to be established) before completion of the Split in consolidated statement for the two financial years ended 31 December 2019:

Unit: RMB

Pingshuo Industrial before the Split	For the year ended 31 December 2018	For the year ended 31 December 2019
Profit (Loss) before taxation	43,107,633.94	10,675,548.33
Profit (Loss) after taxation	(2,744,178.52)	(22,038,642.50)
Assets of existing Pingshuo Industrial upon the Split	For the year ended 31 December 2018	For the year ended 31 December 2019
Profit (Loss) before taxation	0	0
Profit (Loss) after taxation	0	0
Assets of China Coal Pingshuo Development (to be established)	For the year ended 31 December 2018	For the year ended 31 December 2019
Profit (Loss) before taxation	43,107,633.94	10,675,548.33
Profit (Loss) after taxation	(2,744,178.52)	(22,038,642.50)

The table below sets out audited financial information of consolidated statement of Pingshuo Industrial before the Split, assets of the existing Pingshuo Industrial upon the Split and assets of China Coal Pingshuo Development (to be established) upon completion of the Split as at December 31 2019:

Unit: RMB

	Pingshuo Industrial before the Split	Pingshuo Industrial after the Split	China Coal Pingshuo Development (to be established)
Total Assets	9,831,500,769.80	1,220,099,153.49	8,664,383,022.36
Net Assets	5,063,206,290.16	1,161,423,947.60	3,901,782,342.56

V. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, China Coal Group holds 58.36% equity interest in the Company and is the controlling shareholder of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions under the Split Agreement, including the transaction relating to the Split that leads to the Company's ceasing to hold Pingshuo Industrial, and the joint venture arrangement for establishing China Coal Pingshuo Development (to be established) arising from the Split constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the transactions relating to the Split that leads to the Company's ceasing to hold Pingshuo Industrial which in turn will be held as to 100% by China Coal Group exceed 0.1% but below 5%, such transactions are subject to the reporting and announcement requirements but are exempt from shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

VI. DIRECTOR'S CONFIRMATION

As Mr. Li Yanjiang, Mr. Peng Yi, Mr. Du Ji'an and Mr. Zhao Rongzhe are also directors or senior management of China Coal Group, they are deemed to be materially interested in the transactions under the Split Agreement and have therefore abstained from voting on the resolutions in respect to the Split Agreement at the Board meeting. Save for the above, none of the other Directors has a material interest in the abovementioned transactions under the Split Agreement.

The Directors (including the independent non-executive directors) are of the view that the Split Agreement is entered into on normal commercial terms, and although the transactions thereunder are not in the ordinary and usual course of business of the Company, the terms and conditions therein are fair and reasonable and in the interests of the Company and its shareholders as a whole.

VII. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Resource Rights of Antaibao Open Pit Mine Expansion Area”	Approvals of Antaibao Open Pit Mine Expansion Area held by Pingshuo Industrial
“Associates”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of directors of the Company
“China Coal Group”	China National Coal Group Corporation, a state-owned enterprise incorporated in the PRC and the controlling shareholder of the Company
“China Coal Pingshuo Development (to be established)”	China Coal Pingshuo Development Co., Ltd. (to be established) (subject to the approval of the business registration department), the new company resulting from the Split and owned as to 62.28%, 27.83% and 9.89% by China Coal Group, Pingshuo Group and Equipment Company, respectively

“Company”	China Coal Energy Company Limited, a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the 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
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Equipment Company”	China National Coal Mining Equipment Company Limited, a limited liability company incorporated in the PRC, a wholly-owned subsidiary of the Company and one of the shareholders of Pingshuo Industrial before completion of the Split
“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
“Independent Valuer”	China United Assets Appraisal Group Co., Ltd.
“Pingshuo Group”	China Coal Pingshuo Group Company Limited, a limited liability company incorporated in the PRC, a wholly-owned subsidiary of the Company and one of the shareholders of Pingshuo Industrial before completion of the Split
“Pingshuo Industrial”	Pingshuo Industrial Company Limited, a joint stock limited company incorporated in the PRC with limited liability, which is owned as to 70.98%, 21.41% and 7.61% by China Coal Group, Pingshuo Group and Equipment Company respectively before completion of the Split, and the Company will cease to hold any equity interest in Pingshuo Industrial upon completion of the Split
“Valuation Date”	31 December 2019
“Split”	the transaction contemplated under the Split Agreement
“Split Agreement”	the split agreement entered into on 28 August 2020 by Equipment Company, China Coal Group, Pingshuo Group, Pingshuo Industrial and China Coal Pingshuo Development (to be established), with respect to the split of Pingshuo Industrial, pursuant to which,

Pingshuo Industrial will continue to exist and retain the Resource Rights of Antaibao Open Pit Mine Expansion Area and the mining rights of Fengyu and Mayingbao coal mines while the remaining assets will be injected into China Coal Pingshuo Development (to be established)

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

Beijing, the PRC

28 August 2020

As at the date of this announcement, the executive directors of the Company are Li Yanjiang and Peng Yi; 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*