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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 ACQUISITION OF 56% EQUITY INTEREST IN JINGMIN INDUSTRIAL AND TRADING COMPANY**

### **I. INTRODUCTION**

On 17 December 2021, China Coal Sales Company, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with China Coal Group, the controlling shareholder of the Company, pursuant to which China Coal Sales Company shall acquire the 56% equity interest held by China Coal Group in Jingmin Industrial and Trading Company at the total consideration of RMB135,677,500. Upon completion of the Equity Acquisition, Jingmin Industrial and Trading Company will become an indirect subsidiary of the Company.

### **II. THE EQUITY TRANSFER AGREEMENT**

Date: 17 December 2021

Parties: (1) China Coal Group (as the transferor); and  
(2) China Coal Sales Company (as the transferee).

Subject matter: Pursuant to the conditions and methods as agreed in the Equity Transfer Agreement, China Coal Group shall fully transfer the 56% equity interest held by it in Jingmin Industrial and Trading Company to China Coal Sales Company on one-off basis, and China Coal Sales Company shall be transferred the aforesaid equity interest and pay the corresponding consideration.

Consideration: China Coal Sales Company shall pay a total consideration of RMB135,677,500 to China Coal Group for the Equity Acquisition.

The total consideration to be paid by China Coal Sales Company to China Coal Group was determined after arm's length negotiations between the parties with reference to the appraised 100% equity interest in Jingmin Industrial and Trading Company of RMB242,281,200 as at the Valuation Reference Date. Pursuant to the asset appraisal report issued by the Independent Valuer, such valuation was prepared based on the income approach, which involved calculation of discounted cash flow. As a result, pursuant to Rule 14.61 of the Hong Kong Listing Rules, the relevant valuation is regarded as a profit forecast. Pursuant to Rule 14.62 of the Hong Kong Listing Rules, the Reporting Accountant of the Company has issued a letter confirming that it has reviewed the accounting policy and calculation method for the aforesaid profit forecast; and the Board has confirmed that the aforesaid profit forecast has been made after due and careful enquiry by the Board. The relevant letter from the Reporting Accountant and letter from the Board are included in Appendix I and Appendix II of this announcement, respectively.

Effective conditions: As agreed and confirmed by the contracting parties, the Equity Transfer Agreement shall take effect subject to the satisfaction of the following conditions:

- (a) legal representatives or authorized representatives of the contracting parties have signed and affixed their respective company seals on the Equity Transfer Agreement;
- (b) the contracting parties have performed internal decision-making procedures to approve the Equity Acquisition; and
- (c) the Company has approved the Equity Acquisition.

Equity transfer arrangement: Unless otherwise specified in the Equity Transfer Agreement, any and all of the powers and rights for the target equity shall be transferred to and entitled to China Coal Sales Company immediately upon the effective date of the Equity Transfer Agreement, including all rights and interests related to the target equity and all rights it shall be entitled to under the laws following the effective date of the Equity Transfer Agreement.

Payment arrangement: Within five working days from the date on which the Equity Transfer Agreement becomes effective, China Coal Sales Company shall pay the total consideration for Equity Acquisition of RMB135,677,500 in cash in a lump sum to China Coal Group.

### III. INFORMATION ON JINGMIN INDUSTRIAL AND TRADING COMPANY

Jingmin Industrial and Trading Company is a company incorporated in the PRC with limited liability and is principally engaged in coal trading business based in Fujian and extended to Guangdong and Guangxi. The 56% equity interest in Jingmin Industrial and Trading Company was transferred from SDIC Coal Co., Ltd. (國投煤炭有限公司) to China Coal Group at nil consideration in 2017.

As at 30 June 2021, the audited total assets and net assets of Jingmin Industrial and Trading Company in the consolidated statements under the PRC Accounting Standards for Business Enterprises amounted to RMB751,092,200 and RMB206,290,100, respectively. The audited net profit (before and after tax) of Jingmin Industrial and Trading Company in the consolidated statements under the PRC Accounting Standards for Business Enterprises for the two fiscal years ended 31 December 2020 are as follows:

	<b>For the year ended 31 December 2019</b> <i>(RMB0'000)</i>	<b>For the year ended 31 December 2020</b> <i>(RMB0'000)</i>
Net profit before tax	1,118.52	3,878.33
Net profit after tax	849.79	3,628.60

As at 30 June 2021, the audited carrying amount of net assets under the PRC Accounting Standards for Business Enterprises of Jingmin Industrial and Trading Company on parent company basis was RMB184,764,200, and the appraised value of net assets thereof was RMB242,281,200 which was prepared based on the income approach with the following valuation assumptions:

- (1) the subject of valuation is in the process of transaction, and the asset valuation professionals will conduct valuation based on the transaction conditions of the subject of valuation and other simulated market.
- (2) the market to which the subject of valuation is proposed to enter is an open market.
- (3) the appraised entity will continue to operate after the Valuation Reference Date.

- (4) there will be no material changes in the political, economic and social environment of the country and region where the appraised entity is located after the Valuation Reference Date.
- (5) there will be no material changes in the national macro-economic policies, relevant industrial policies and regional development policies after the Valuation Reference Date.
- (6) there will be no material changes in the interest rates, exchange rates, tax bases and tax rates and policy-based levies related to the appraised entity after the Valuation Reference Date.
- (7) the relevant valuation materials provided by the client, the appraised entity and other relevant parties are true, complete, legal and accurate.
- (8) the management of the appraised entity is responsible, stable and capable of performing its duties after the Valuation Reference Date.
- (9) the appraised entity fully complies with all relevant laws and regulations.
- (10) there will be no force majeure event which may have a material impact on the appraised entity after the Valuation Reference Date.
- (11) the accounting policies to be adopted by the appraised entity after the Valuation Reference Date are consistent in all material aspects with the accounting policies adopted when preparing this appraisal report.
- (12) the business scope and mode of the appraised entity after the Valuation Reference Date are consistent with the current ones based on the existing management mode and management level.
- (13) the cash inflows and outflows of the appraised entity after the Valuation Reference Date are average inflows and outflows.
- (14) the products or services of the appraised entity will maintain the current market competitive position after the Valuation Reference Date.
- (15) the unit selling price of the products of the appraised entity will remain unchanged after the Valuation Reference Date.

The valuation conclusion set out in the asset appraisal report was established under the above assumptions.

#### **IV. REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT**

The Equity Acquisition is conducive to expanding sales channels of the Group in the market, giving full play to the advantages of centralized sales, expanding the scale of the regional market, and creating favourable conditions for the expansion of potential markets and customer base, which is in line with the interests of the Company and its shareholders as a whole.

#### **V. HONG KONG LISTING RULES IMPLICATIONS**

China Coal Group, which directly and indirectly holds approximately 58.36% of the issued share capital of the Company as at the date of this announcement, is the controlling shareholder of the Company. Accordingly, under Chapter 14A of the Hong Kong Listing Rules, China Coal Group is a connected person of the Company, and the Equity Acquisition constitutes a connected transaction of the Company. The Equity Acquisition also constitutes an acquisition under Chapters 14 and 14A of the Hong Kong Listing Rules. The Equity Acquisition shall therefore be aggregated with the Previous Acquisition Transactions as required by Rules 14.22 and 14A.81 of the Hong Kong Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) of the Equity Acquisition, on a standalone or aggregated basis, exceed 0.1% but are less than 5%, the Equity Acquisition shall be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

#### **VI. DIRECTORS' CONFIRMATION**

Mr. Wang Shudong, Mr. Peng Yi and Mr. Zhao Rongzhe, being the Directors of the Company, who are also directors or senior management of China Coal Group, are deemed to have material interests in the Equity Acquisition, and thus have abstained from voting on the resolution in relation to the Equity Acquisition at the Board meeting. Save as mentioned above, none of the other Directors has a material interest in the Equity Acquisition.

The Directors (including the independent non-executive Directors) are of the view that the Equity Transfer Agreement was entered into on normal commercial terms, and although the Equity Acquisition is not in the ordinary and usual course of business of the Group, the terms and conditions thereof are fair and reasonable, in line with the overall development strategy of the Group and in the interests of the Company and its shareholders as a whole.

## VII. GENERAL INFORMATION ON THE PARTIES TO THE TRANSACTION

### China Coal Sales Company

China Coal Sales Company is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in the sales of coal products and other related products.

### China Coal Group

China Coal Group is a state-owned enterprise incorporated in the PRC and the controlling shareholder of the Company, which directly and indirectly holds approximately 58.36% of the issued share capital of the Company as at the date of this announcement. The principal businesses of China Coal Group include the production and trading of coal, coal chemical business, pithead power generation, construction of coal mines, manufacturing of mining equipment and the provision of related engineering technologies and services. The ultimate controlling party of China Coal Group is SASAC, which is a special institution under direct control of the State Council and principally responsible for the supervision of matters such as state-owned assets and their value maintenance of enterprises under the central government (excluding financial enterprises).

## VIII. EXPERTS AND CONSENTS

The followings set out the qualifications of the respective experts who provide their conclusions or opinions in this announcement and the date of relevant conclusions or opinions:

<b>Name</b>	<b>Qualifications</b>	<b>Date of Conclusions or Opinions</b>
Deloitte Touche Tohmatsu	Certified Public Accountants	17 December 2021
China Enterprise Appraisals Company Limited	Qualified PRC Valuer	26 November 2021

The above experts have given and have not withdrawn their written consents to the issue of this announcement with the inclusion herein of their letters in the form and context in which they respectively appear.

To the best knowledge of the Company, as at the Latest Practicable Date, the above experts do not have any effective interest in any equity interest of any member of the Group, nor any right to subscribe for or nominate others to subscribe for securities of any member of the Group (whether legally enforceable or not).

## IX. DEFINITIONS

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

“Board”	the board of Directors of the Company
“China Coal Group”	China National Coal Group Corporation* (中國中煤能源集團有限公司), a state-owned enterprise incorporated in the PRC and the controlling shareholder of the Company
“China Coal Sales Company”	China Coal Sales and Transportation Company Limited* (中國煤炭銷售運輸有限責任公司), a wholly-owned subsidiary of the Company
“Company”	China Coal Energy Company Limited* (中國中煤能源股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Hong Kong Stock Exchange (stock code: 01898) and the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 601898)
“connected person(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
“Equity Acquisition”	the acquisition of the 56% equity interest in Jingmin Industrial and Trading Company by China Coal Sales Company from China Coal Group pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement entered into between China Coal Sales Company and China Coal Group on 17 December 2021, pursuant to which China Coal Sales Company shall acquire the 56% equity interest held by China Coal Group in Jingmin Industrial and Trading Company at the total consideration of RMB135,677,500
“Group”	the Company and its subsidiaries
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Independent Valuer”	China Enterprise Appraisals Company Limited
“Jingmin Industrial and Trading Company”	China Coal Jingmin (Fujian) Industrial and Trading Company Limited* (中煤京閩(福建)工貿有限公司)
“Latest Practicable Date”	13 December 2021
“Previous Acquisition Transactions”	a subsidiary of the Company previously acquired 100% equity interest in Beijing Zhongzhuang Changrong Mining Equipment Co., Ltd.* (北京中裝昌榮煤礦機械有限責任公司) from a subsidiary of China Coal Group at the consideration of RMB4,320,000 in October 2021; a subsidiary of the Company acquired some equipment from Jiangsu Sulv Aluminum Co., Ltd.* (江蘇蘇鋁鋁業有限公司), a subsidiary of China Coal Group at the consideration of RMB5,004,900 in October 2021; China Coal Pingshuo Group Company Limited, a subsidiary of the Company, previously acquired 100% equity interest in Pingshuo Industrial Group Co., Ltd.* (平朔工業集團有限公司) from a subsidiary of China Coal Group at the consideration of RMB1,408,863,200 in October 2021; and a subsidiary of the Company previously acquired the capacity quota of a coal mine from a subsidiary of China Coal Group at the consideration of RMB144,900,000 in October 2021
“Reporting Accountant”	Deloitte Touche Tohmatsu
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“Valuation Reference Date”	30 June 2021

By Order of the Board  
**China Coal Energy Company Limited**  
**Wang Shudong**  
*Chairman of the Board, Executive Director*

Beijing, the PRC  
17 December 2021

*As at the date of this announcement, the Company’s executive directors are Wang Shudong and Peng Yi; the non-executive directors are Zhao Rongzhe and Xu Qian; and the independent non-executive directors are Zhang Ke, Zhang Chengjie, and Leung Chong Shun.*

\* For identification purpose only



## Appendix I Letter from the Reporting Accountant

### INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE 56% EQUITY INTEREST IN CHINA COAL JINGMIN (FUJIAN) INDUSTRIAL AND TRADING COMPANY LIMITED

**Deloitte.**

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#### TO THE DIRECTORS OF CHINA COAL ENERGY COMPANY LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by China Enterprise Appraisals Company Limited (the “**Valuer**”) dated 26 November 2021, of a 56% equity interest in China Coal Jingmin (Fujian) Industrial and Trading Company Limited as at 30 June 2021 (the “**Valuation**”) is based. China Coal Jingmin (Fujian) Industrial and Trading Company Limited is a company incorporated in the People’s Republic of China whose principal business is coal trading based in Fujian and extended to Guangdong and Guangxi. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and will be included in an announcement dated 17 December 2021, to be issued by China Coal Energy Company Limited (the “**Company**”) in connection with the acquisition of 56% equity interest in China Coal Jingmin (Fujian) Industrial and Trading Company Limited (the “**Announcement**”).

#### **Directors’ Responsibility for the Discounted Future Estimated Cash Flows**

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Announcement (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

#### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **Reporting Accountants' Responsibility**

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of the equity of China Coal Jingmin (Fujian) Industrial and Trading Company Limited.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

### **Opinion**

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong  
17 December 2021

## **Appendix II Confirmation Letter from the Board**

### **CONNECTED TRANSACTION: ACQUISITION OF 56% EQUITY INTEREST IN CHINA COAL JINGMIN (FUJIAN) INDUSTRIAL AND TRADING COMPANY LIMITED**

We have reviewed the bases and assumptions upon which the valuation of China Coal Jingmin (Fujian) Industrial and Trading Company Limited prepared by China Enterprise Appraisals Company Limited was based. We confirm that the profit forecast of China Coal Jingmin (Fujian) Industrial and Trading Company Limited has been made after our due and careful enquiry in accordance with Rule 14.62(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By Order of the Board  
**China Coal Energy Company Limited**  
**Wang Shudong**  
*Chairman of the Board, Executive Director*

17 December 2021