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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 100% EQUITY INTEREST IN PINGSHUO INDUSTRIAL GROUP**

### **I. INTRODUCTION**

On 27 October 2021, Pingshuo Group, 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 Pingshuo Group shall acquire the 100% equity interest held by China Coal Group in Pingshuo Industrial Group at the total consideration of RMB1,408,863,200. Upon completion of the Equity Acquisition, Pingshuo Industrial Group will become an indirect wholly-owned subsidiary of the Company.

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

Date: 27 October 2021

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

Subject matter: Pursuant to the conditions and methods as agreed in the Equity Transfer Agreement, China Coal Group shall fully transfer 100% equity interest held by it in Pingshuo Industrial Group to Pingshuo Group on one-off basis, and Pingshuo Group shall be transferred the aforesaid equity interest and pay the corresponding consideration.

Consideration: Unless the appraised value of the target equity interest is adjusted by the regulatory organs of state-owned assets, Pingshuo Group shall pay a total consideration of RMB1,408,863,200 to China Coal Group.

The total consideration to be paid by Pingshuo Group to China Coal Group was determined after arm's length negotiations between the two parties with reference to the net appraised value of equity of RMB1,408,863,200 of Pingshuo Industrial Group as at the Valuation Reference Date. The valuation was prepared in accordance with the asset valuation report issued by the Independent Valuer based on the asset-based approach.

Antaibao Expansion Area Resource Right and Fengyu and Mayingbao Mining Rights are the major assets owned by Pingshuo Industrial Group, and their valuation were prepared by the Independent Valuer based on the income approach, which involved calculation of discounted cash flow. Accordingly, pursuant to Rule 14.61 of the Hong Kong Listing Rules, the relevant valuation is regarded as a profit forecast on Antaibao Expansion Area Resource Right and Fengyu and Mayingbao Mining Rights. 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 forecasts; the Financial Advisor has issued a letter confirming that it is satisfied that the aforesaid profit forecasts, for which the Board is solely responsible, have been made after due and careful enquiry by the Board. The relevant letter from the Reporting Accountant and the letter from the Financial Advisor are included in Appendix I and Appendix II of this announcement, respectively.

The appraised value of Pingshuo Industrial Group involved in the Equity Acquisition is based on, among other things, the resource reserves, mining right transfer revenue market benchmark price and production capacity replacement quota fees in consideration of the existing information and prevailing policies. In case of difference from the value derived in this asset valuation at the subsequent handling of mining rights, the Equity Transfer consideration shall be adjusted by refunding the overpayment or making up the underpayment.

The related taxes payable due to the Equity Acquisition in accordance with relevant taxation regulations shall be legally borne and paid by both parties to the Equity Transfer Agreement as required.

Effective conditions:	<p>As agreed and confirmed by the contracting parties, the Equity Transfer Agreement shall take effect subject to the satisfaction of the following conditions:</p> <ul style="list-style-type: none"> <li>(a) legal representatives or authorized representatives of the contracting parties have signed and affixed their respective company seals on the Equity Transfer Agreement;</li> <li>(b) the contracting parties have approved the Equity Acquisition; and</li> <li>(c) the Company has approved the Equity Acquisition.</li> </ul>
Equity transfer arrangement:	<p>From the date of completion of the industrial and commercial change registration for the Equity Transfer of Pingshuo Industrial Group, Pingshuo Group shall hold 100% equity interest in Pingshuo Industrial Group, become entitled to the rights as stipulated under the law and the constitution of Pingshuo Industrial Group and bear the obligations under the law and the constitution of Pingshuo Industrial Group.</p> <p>The debts and liabilities of Pingshuo Industrial Group shall be independently borne by its own. For those resource reserves of Fengyu and Mayingbao Mining Rights that have not been disposed of (i.e. those resource reserves that are not included in the scope of this asset valuation), Pingshuo Industrial Group shall, based on the relevant mining right policies, bear the resource disposal consideration on its own at the time of subsequent handling of mining right procedures.</p>
Payment arrangement:	<p>Within 15 working days from the date on which the industrial and commercial change registration for the Equity Transfer of Pingshuo Industrial Group has been completed, Pingshuo Group shall pay the total consideration for acquisition of RMB1,408,863,200 in cash in a lump sum to China Coal Group.</p>

### **III. INFORMATION ON PINGSHUO INDUSTRIAL GROUP**

Pingshuo Industrial Group is a company incorporated in the PRC pursuant to the laws of the PRC, and is principally engaged in the mining of coals and power production.

As at 30 September 2021, under the PRC Accounting Standard for Business Enterprise, the unaudited total asset value and net asset value of Pingshuo Industrial Group are RMB1,262,107,444.15 and RMB1,161,423,947.60, respectively. The major assets of Pingshuo Industrial Group are Antaibao Expansion Area Resource Right and Fengyu and Mayingbao Mining Rights, and no production and operation activities have been commenced and therefore there is no relevant information on profitability for the previous two financial years.

Pursuant to the asset appraisal report issued by the Independent Valuer, the appraised value of Pingshuo Industrial Group as at the Valuation Reference Date is net asset with appraised value of RMB1,408,863,200, which is prepared in accordance with asset-based approach. In particular, in valuing Antaibao Expansion Area Resource Right and Fengyu and Mayingbao Mining Rights, the major assets of Pingshuo Industrial Group, the Independent Valuer has adopted the income approach. The valuation assumptions adopted by the Independent Valuer are as below:

## **(I) General assumptions**

### **1. *Transaction assumption***

The transaction assumption assumes all assets to be valued are in the course of transaction and the valuation by the Independent Valuer is based on simulated market including terms of transaction of the target assets. Transaction assumption is the most basic pre-condition for the conduct of asset valuation.

### **2. *Open market assumption***

The open market assumption assumes that both parties to the assets transaction or the proposed assets transaction in the market are in equal position and have opportunities and time to obtain sufficient market information in order to make rational judgments on the assets including their functions, purposes and transaction prices. The basis of open market assumption is that the assets can be traded openly in the market.

### **3. *Continuing operations of assets assumption***

Continuing operations of asset assumption assumes that the assets to be valued can be used continuously based on the current purpose, method of operation, scale, frequency and environmental conditions, etc., or can be used on a changed basis, where in such case, the corresponding valuation method, parameters and basis are determined accordingly.

## **(II) Specific assumptions**

1. The valuation is conducted on the basis that Fengyu and Mayingbao Mining Rights could obtain the mining permits and the corresponding land use rights as scheduled at the end of 2022 and construction and production capacity of 6.00 million tonnes/year could be realized as scheduled based on the production arrangement plan of Pingshuo Industrial Group and the feasibility research report and design proposal; Antaibao Expansion Area could obtain the mining permit as scheduled at the end of 2022, mine construction would commence in January 2023; with a mine construction period of 30 months, production could be commenced in June 2025. With a production transition period of one year and production capacity of 2.00 million tonnes/year, 100% of the designed production capacity could be attained in the second year, i.e. 6.00 million tonnes/year;

2. This valuation is conducted on the basis that 2 mining rights for Shuonan have been obtained with minable resources of 660,800,000 tonnes (330,400,000 tonnes for Mayingbao Minefield and 330,400,000 tonnes for Fengyu Minefield) and with filed resources of 455,281,000 tonnes for Antaibao Expansion Area, and the make-up mining right revenue fees of RMB2,315,786,800 that may be incurred when handling the mining permits in the future as expected by Pingshuo Industrial Group on basis of the above resources would be discounted to RMB1,320,611,800 as at the Valuation Reference Date;
3. Pursuant to the “Notice on Further Optimization of Coal Capacity Replacement Policies, Acceleration of the Release of Quality Production Capacity and Orderly Elimination of Lagging Production Capacity (Fa Gai Ban Neng Yuan [2018] No.151) (《關於進一步完善煤炭產能置換政策加快優質產能釋放促進落後產能有序退出的通知》(發改辦能源[2018]151號)), prior to mine construction in the future, Mayingbao Minefield, Fengyu Minefield and Antaibao Expansion Area shall attain the planned production capacity quota of 6.00 million tonnes/year to meet the coal production capacity target. Pursuant to the Feasibility Study Report (《可行性研究報告》) and the provisional valuation of Pingshuo Industrial Group of RMB300 million, the total valuation is RMB900 million. This valuation is conducted based on the assumption that Pingshuo Industrial Group could attain the coal production capacity quota of 6.00 million tonnes/year at the aforesaid price as scheduled;
4. Pursuant to the approval under the “Approval and Reply on the Extension of Retained Period of Designated Mine Area” (Jin Guo Tu Zi Xing Shen Zi [2018] No. 637) (《延長劃定礦區範圍預留期的批覆》(晉國土資行審字[2018]637 號)) issued by Shanxi Office of Land and Resources, it is agreed that Pingshuo Industrial Group could extend the retained period of the designated mine area at Antaibao Expansion Area to the date of approval of mining registration and application and of obtaining the mining permit. In July 2017, Pingshuo Coal Industrial Company was renamed as Pingshuo Industrial Group Co., Ltd. (平朔工業集團有限責任公司), and the principal entity for the approval of Antaibao Open Pit Mine Expansion Area was still the original Pingshuo Coal Industrial Company. Pursuant to the explanation provided by Pingshuo Industrial Group, as of the Valuation Reference Date, the effective beneficiary principal entity for the approval of designated mine area at Antaibao Open Pit Mine Expansion Area and the principal entity for handling the mining permit in the future are both Pingshuo Industrial Group Co., Ltd., and it is anticipated that Pingshuo Industrial Group Co., Ltd. could successfully obtain the mining permit for the designated mine area at Antaibao Open Pit Mine Expansion Area in the future. This valuation is conducted under the aforesaid assumption, and such matter has been brought to the attention of the China Coal Group (the instructing party) and relevant parties involved;

5. It is assumed in this valuation that there would be no change in the external economic environment nor significant change in the prevailing macro-economic environment of the country as at the Valuation Reference Date;
6. There is no significant change in the social and economic environment as well as policies on, among other things, taxation and tax rates executed for Pingshuo Industrial Group;
7. The future operation and management teams of Pingshuo Industrial Group would fulfill their responsibilities and continue to maintain the existing operation and management modes;
8. For this valuation, it is assumed that in the future forecast period, among other things, the principal businesses, product structure, income and cost composition as well as sales strategies and cost control for the subject being appraised would maintain its status upon attaining production capacity and construction and no significant change would occur;
9. During the term of service of the mines in Antaibao Expansion Area as calculated in this valuation, Pingshuo Industrial Group could normally apply for resources tax reduction concession for mines at exhaustion stage (with remaining term of service of less than 5 years);
10. All assets under this valuation are based on the actual inventories as of the Valuation Reference Date, and the domestic effective prices on the Valuation Reference Date are used as the basis for the prevailing market prices of such assets;
11. It is assumed that the basic and financial information provided by the instructing party and Pingshuo Industrial Group (the entity being appraised) is true, accurate and complete;
12. The scope of the valuation shall solely be subject to the valuation declaration forms provided by the instructing party and the entity being appraised without consideration of any possible contingent assets and contingent liabilities out of the lists provided by the instructing party and the entity being appraised; and
13. The impact of inflation is not taken into account in all parameters of this valuation and forecast.

If there is any change in the aforesaid conditions, the valuation results will generally become invalid.

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

The Company will acquire the Antaibao Expansion Area Resource Right and Fengyu and Mayingbao Mining Rights owned by Pingshuo Industrial Group for smooth succession of the resources at Antaibao Open Pit Mine as well as the subsequent development and construction of reserves and resources at Pingshuo Mine, 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 resolutions 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 Company, the terms and conditions therein are fair and reasonable, in line with the overall development strategy of the Group and in the interests of the Company and its shareholders as a whole.



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

### Pingshuo Industrial Group

Pingshuo Industrial Group is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of China Coal Group. It is principally engaged in the mining of coals and power production.

### Pingshuo Group

Pingshuo Group is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in the mining and sales of coal, power production and the production and sales of coal chemical 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 Pingshuo Industrial Group under the central government (excluding the financial category of Pingshuo Industrial Group).

## VIII. EXPERTS AND CONSENTS

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

<b>Name</b>	<b>Qualifications</b>	<b>Date of Conclusions or Opinions</b>
Lego Corporate Finance Limited	a licensed corporation to carry out type 6 (advising in corporate finance) regulated activities under SFO	27 October 2021
Deloitte Touche Tohmatsu	Registered accountant	27 October 2021
China United Assets Appraisal Group Company Limited	Qualified PRC Valuer	1 September 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:

“Antaibao Expansion Area Resource Right”	the approval right within the designated mine area at Antaibao Expansion Area
“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
“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)
“Director(s)”	the director(s) of the Company
“Equity Acquisition”	the acquisition of the 100% equity interest in Pingshuo Industrial Group by Pingshuo Group from China Coal Group pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement entered into between Pingshuo Group and China Coal Group on 27 October 2021, pursuant to which Pingshuo Group shall acquire the 100% equity interest held by China Coal Group in Pingshuo Industrial Group at the total consideration of RMB1,408,863,200
“Fengyu and Mayingbao Mining Rights”	Fengyu Minefield (coal) mining explorations (retained) (“ <b>Fengyu Minefield</b> ”) and Mayingbao Minefield (coal) mining explorations (retained) (“ <b>Mayingbao Minefield</b> ”) in the Pingshuo Shuonan Mining Area in Shuozhou City, Shanxi Province

“Financial Advisor”	Lego Corporate Finance Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO
“Group”	the Company and its subsidiaries
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Valuer”	China United Assets Appraisal Group Company Limited
“Latest Practicable Date”	22 October 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement prior to its publication
“Pingshuo Group”	China Coal Pingshuo Group Company Limited, a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Pingshuo Industrial Group”	Pingshuo Industrial Group Co., Ltd. (平朔工業集團有限公司), a company incorporated in the PRC with limited liability and the surviving company of the original Pingshuo Industrial Group Company Limited upon the split without the payment of any consideration pursuant to the appraised value and the shareholding proportion of its original shareholders including China Coal Group on 28 April 2020, being a wholly-owned subsidiary of China Coal Group upon the split and as at the date of this announcement
“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; and 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

“Reporting Accountant”	Deloitte Touche Tohmatsu
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State-Owned Assets Supervision and Administration Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Valuation Reference Date”	30 November 2020
“%”	percentage

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

Beijing, the PRC  
27 October 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*

**INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF (i) THE MINING RIGHT OF FENGYU COAL MINE; (ii) THE MINING RIGHT OF MAYINGBAO COAL MINE; AND (iii) THE RESOURCE RIGHT OF ANTAIBAO OPEN PIT EXPANSION AREA IN PINGSHUO INDUSTRIAL GROUP CO., LTD.**

**Deloitte.**

德勤

**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 United Assets Appraisal Group Company Limited (the “**Valuer**”) dated 1 September 2021, of (i) the mining right of Fengyu Coal Mine; (ii) the mining right of Mayingbao Coal Mine; and (iii) the resource right of Antaibao Open Pit Mine Expansion Area in Pingshuo Industrial Group Co., Ltd. (“**Pingshuo Industrial Group**”) as at 30 November 2020 (the “**Valuation**”) is based. Pingshuo Industrial Group is a company incorporated in the People’s Republic of China whose principal assets are Antaibao Expansion Area Resource Right and Fengyu and Mayingbao Mining Rights. 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 27 October 2021, to be issued by China Coal Energy Company Limited (the “**Company**”) in connection with the acquisition of 100% equity interest in Pingshuo Industrial Group (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 (i) the mining right of Fengyu Coal Mine; (ii) the mining right of Mayingbao Coal Mine; or (iii) the resource right of Antaibao Open Pit Mine Expansion Area.

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  
27 October 2021

## Appendix II Letter from Lego Corporate Finance Limited



To: The Board of Directors  
**China Coal Energy Company Limited**

27 October 2021

Dear Sirs or Mesdames,

We refer to the valuation (the “**Valuation**”) in relation to the appraisal of market value of the entire equity interest of Pingshuo Industrial Group Company Limited as at 30 November 2020 prepared by China United Assets Appraisal Group Company Limited (the “**Independent Valuer**”) dated 1 September 2021, which has been included in the announcement of the Company dated 27 October 2021 (the “**Announcement**”). Terms used in this letter shall have the same meanings as those defined in the Announcement unless the context otherwise requires.

In arriving the Valuation, the assessments of the (i) Fengyu and Mayingbao Mining Rights; and (ii) Antaibao Expansion Area Resource Right, are prepared using income approach method and based on respective cash flow forecasts (collectively, the “**Forecasts**”) provided by the management of the Company. As the Forecasts are regarded as profit forecast under Rule 14.61 of the Listing Rules, we have been engaged solely for the purpose of reporting to you under Rule 14.62(3) of the Listing Rules and for no other purpose.

We have reviewed the principal bases and assumptions of the Forecasts upon which the Valuation has been made and have discussed with the management of the Company and the Independent Valuer on the bases and assumptions upon which the Forecasts have been prepared. We have also considered the letter issued by the Reporting Accountant dated 27 October 2021 as set out in Appendix I to the Announcement containing its opinion on whether the Forecasts so far as the arithmetical accuracy of the calculations are concerned, have been properly compiled in accordance with the principal bases and assumptions made by the Directors. The assessments, review and discussions carried out by us as described in this letter are based on financial, economic, market and other conditions in effect, and the information made available to us as of the date of this letter and that we have, in arriving at our views, relied on information and materials supplied to us by the Group and the Independent Valuer and opinions expressed by, and representations of, the employees and/or management of the Group and the Independent Valuer. We have assumed, without independent verification, that all information, materials and representations provided by the Group and the Independent Valuer, and referred to or contained in the Announcement, for which you as directors of the Company are wholly responsible, were true, accurate, complete and not misleading at the time they were made and continued to be so up to the date of this letter, and that no material facts or information have been withheld or omitted from the information and materials provided.

On the basis of the foregoing that, (i) the bases and assumptions and calculations adopted by the Independent Valuer in respect of the Forecasts have been properly reviewed by the Directors; and (ii) the Directors are satisfied that no further matters should be brought to our attention, we are of the opinion that the Forecasts, for which you as the Directors are solely responsible, have been made after due and careful enquiry. However, as the relevant bases and assumptions are related to future events which may or may not occur, the actual financial performance of the operations in relation to the Fengyu and Mayingbao Mining Rights and the Antaibao Expansion Area Resource Right may or may not achieve as expected. We express no opinion as to how closely the actual cash flow will eventually correspond.

Our work in connection with the Forecasts has been undertaken solely for the compliance of Rule 14.62(3) of the Listing Rules and for no other purpose. This letter may not be used or disclosed, referred or communicated (in whole or in part) to any party for any other purpose whatsoever, except with our prior written approval. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,  
For and on behalf of  
**Lego Corporate Finance Limited**  
**Kristie Ho**  
*Managing Director*