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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 FORMATION OF JOINT VENTURE**

The Board announces that the Company had entered into the Promoters' Agreement with China Railway Investment and the Other Promoters on 16 August 2012, pursuant to which the parties had agreed to establish Mengxi-Huazhong Railway Co with an initial registered capital of RMB1 billion, which is expected to progressively increase to RMB54 billion. Upon completion of the establishment of Mengxi-Huazhong Railway Co, the Company will own as to 10% of the equity interest of Mengxi-Huazhong Railway Co, China Railway Investment will own as to 20% of the equity interest of Mengxi-Huazhong Railway Co and the Other Promoters (14 parties) together will own as to 70% of the equity interest of Mengxi-Huazhong Railway Co.

As one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules in respect of the Promoters' Agreement exceeds 5% but is less than 25%, the transaction under the Promoters' Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Hong Kong Listing Rules.

## **INTRODUCTION**

The Board announces that the Company had entered into the Promoters' Agreement with China Railway Investment and the Other Promoters on 16 August 2012, pursuant to which the parties had agreed to establish Mengxi-Huazhong Railway Co with an initial registered capital of RMB1 billion, which is expected to progressively increase to RMB54 billion. Upon completion of the establishment of Mengxi-Huazhong Railway Co, the Company will own as to 10% of the equity interest of Mengxi-Huazhong Railway Co, China Railway Investment will own as to 20% of the equity interest of Mengxi-Huazhong Railway Co and the Other Promoters (14 parties) together will own as to 70% of the equity interest of Mengxi-Huazhong Railway Co. Mengxi-Huazhong Railway Co will be a legal entity for the project of the planning, construction, production and operation of West Inner Mongolia-Central China Railway.

## PROMOTERS' AGREEMENT

**Date:** 16 August 2012

**Promoters:**

- (1) the Company
- (2) China Railway Investment
- (3) the Other Promoters

**Promoters' Meeting:** The Promoters' meeting, being a temporary authority, formed by the Promoters and chaired by China Railway Investment, is the highest authority of Mengxi-Huazhong Railway Co during the course of the preparation of establishment.

**Scope of Business:** Subject to the final approval on the business license, the scope of business of Mengxi-Huazhong Railway Co shall mainly include project construction, transportation operation, transportation for collection and distribution etc.; purchase and sale of coal, facilities and materials, consultation etc.

**Total Investment Amount and Registered Capital:** According to "Regarding the Approval of the Project Proposal of the Channel for Coal Transportation of West Inner Mongolia-Central China Areas Railway" (Fagai Jichu [2012] No. 199) issued by NDRC, the estimated investment amount of West Inner Mongolia-Central China Railway will be RMB153.97 billion, among which RMB54 billion will be raised as the capital contribution to be injected into the capital by the Promoters of Mengxi-Huazhong Railway Co.

At the stage of the establishment of Mengxi-Huazhong Railway Co, the registered capital at establishment will be RMB1 billion, to be contributed by each of the Promoters in cash within 15 business days after signing the Promoters' Agreement. In which, the capital contribution of China Railway Investment is RMB200 million, being 20% of the registered capital; the capital contribution of the Company is RMB100 million, being 10% of the registered capital; and the capital contribution of the Other Promoters (14 parties) is a total of RMB700 million, being 70% of the registered capital.

According to the estimated investment amount of the West Inner Mongolia-Central China Railway in the abovementioned approval issued by NDRC, the estimated registered capital shall be continued to increase to RMB54 billion and be contributed by each of the Promoters by installments within three years according to the following arrangement: the capital contribution of China Railway Investment shall be RMB10.8 billion, being 20% of

the capital contribution; the capital contribution of the Company shall be RMB5.4 billion, being 10% of the capital contribution; and the capital contribution of the Other Promoters (14 parties) shall be a total of RMB37.8 billion, being 70% of the capital contribution.

**Transfer of Shares:** The Promoters shall not transfer or pledge any share in Mengxi-Huazhong Railway during the constitution period of West Inner Mongolia-Central China Railway.

**Board Composition:** The board of directors of Mengxi-Huazhong Railway Co will consist of eleven (11) directors, among which, one (1) director will be nominated by the Company. The chairman of the board of directors of Mengxi-Huazhong Railway Co shall be recommended by China Railway Investment.

## **HONG KONG LISTING RULES IMPLICATIONS**

As one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules in respect of the Promoters' Agreement exceeds 5% but is less than 25%, the transaction under the Promoters' Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Hong Kong Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, as at the date of this announcement China Railway Investment and the Other Promoters are third parties independent of the Group and its connected persons (as defined in the Hong Kong Listing Rules).

The Company confirms that there is no other transaction entered into between the Company, China Railway Investment and the Other Promoters and their respective ultimate beneficial owners, which should be, together with the Promoters' Agreement, regarded as a series of transactions and treated as if they are one transaction under Rule 14.22 of the Hong Kong Listing Rules.

The Directors are of the view that the terms of the Promoters' Agreement are entered into on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **REASONS FOR ENTERING INTO THE PROMOTERS' AGREEMENT**

The route channel of West Inner Mongolia-Central China Railway for coal transportation project starts from the Haolebaoji station of Dongwu railway, via the area of Erdos of Inner Mongolia, Yulin of Shaanxi Province, Yan'an, Yuncheng of Shanxi Province, Sanmenxia of Henan Province, Nanyang, Xiangyang of Hubei Province, Jingmen, Jingzhou, Yueyang of Hunan Province and ends at Ji'an of Jiangxi Province, with an overall length of 1,837 kilometers.

The West Inner Mongolia-Central China Railway is the major transportation infrastructure of the 12th Five-year Plan of the PRC, it is also a focused project for coal transportation of the 12th Five-year's Plan for the development of integrated transportation system, railway and energy. This project,

which connects the energy “Golden Triangle” in Inner Mongolia, Shaanxi, Gansu, Ningxia, and central China area like Hubei and Hunan Jiangxi, is the new strategic transportation corridor base on “Coal Transportation from North to South Project”, and constitutes a significant part of connection of several transportation for collection and distribution for coal, integrate point and network, combined transportation of railway and water, achieves high efficiency in coal transport system and the national integrated transportation system.

Mengxi-Huazhong Railway Co will be established by the Promoters to construct and operate the West Inner Mongolia-Central China Railway. Investing in the construction of the West Inner Mongolia-Central China Railway brings the benefit of constructing the large scale coal and charcoal production and conversion bases in Inner Mongolia and Shannxi, guarantee the transportation of the products from bases in Inner Mongolia and Shannxi. Further, it can construct a high efficiency system of sales and logistics of the Company, consolidate the development of the market along the railway, and therefore increase the competitiveness of the Company’s core business.

## **GENERAL INFORMATION OF THE PARTIES**

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

China Railway Investment is a limited liability company established in the PRC and is primarily engaged in railway investments.

The Other Promoters are the 14 large PRC corporations and is engaged in the business of coal, electricity and construction of railway investments.

## **DEFINITIONS**

“Board”	the board of directors of the Company
“China Railway Investment”	China Railway Investment Corporation* (中國鐵路建設投資公司)
“Company”	China Coal Energy Company Limited* (中國中煤能源股份有限公司), a joint stock incorporated in 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 directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Mengxi-Huazhong Railway Co”	Mengxi-Huazhong Railway Co., Ltd. (蒙西華中鐵路股份有限公司) (subject to the final name recorded on the business license to be final approved), a limited liability company to be incorporated under the laws of the PRC
“NDRC”	National Development and Reform Commission of the PRC
“Other Promoters”	collectively, other promoters of 14 parties under the Promoters’ Agreement excluding China Railway Investment and the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Promoters”	collectively, the Company, China Railway Investment and the Other Promoters
“Promoters’ Agreement”	the promoters’ agreement entered into between the Company, China Railway Investment and the Other Promoters on 16 August 2012 in relation to the establishment of Mengxi-Huazhong Railway Co
“West Inner Mongolia-Central China Railway”	the project of building coal transportation railway between Inner Mongolia West and Central China, to be constructed and operated by Mengxi-Huazhong Railway Co
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company

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

Beijing, the PRC, 16 August 2012

*As at the date of this announcement, the executive Directors are Wang An and Yang Lieke; the non-executive Directors are Peng Yi and Li Yanmeng, and the independent non-executive Directors are Zhang Ke, Wu Rongkang, Zhang Jiaren, Zhao Pei and Ngai Wai Fung.*

\* *For identification purpose only*