
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **China Coal Energy Company Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).



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)

**CONTINUING CONNECTED TRANSACTIONS
PROPOSED REVISION OF THE ANNUAL CAPS FOR THE TRANSACTIONS
UNDER THE 2015 FINANCIAL SERVICES FRAMEWORK AGREEMENT
FOR THE TWO YEARS ENDING 31 DECEMBER 2017
GENERAL MANDATE TO ISSUE DEBT FINANCING INSTRUMENTS
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
PROPOSED EMOLUMENTS OF THE DIRECTORS
OF THE THIRD SESSION OF THE BOARD AND THE SUPERVISORS OF
THE THIRD SESSION OF THE SUPERVISORY COMMITTEE FOR THE YEAR OF 2016
AND
NOTICE OF ANNUAL GENERAL MEETING**

**Independent Financial Adviser of Independent Board Committee
and Independent Shareholders**



A notice convening the 2015 AGM of the Company to be held at 2:30 p.m. on Tuesday, 21 June 2016 at China Coal Building, No. 1 Huangsidajie, Chaoyang District, Beijing, the PRC is set out on pages 44 to 48 of this circular.

If you intend to appoint a proxy to attend the AGM, please complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the holding of the AGM or any adjournment thereof, and deposit it with Computershare Hong Kong Investor Services Limited, the H Shares registrar and transfer office of the Company in Hong Kong, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (in the case of holders of H Shares); or to the registered office of the Company at No. 1 Huangsidajie, Chaoyang District, Beijing, 100120, the PRC (in the case of holders of A Shares). Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or any adjournment thereof should you so desire.

Whether you intend to attend the AGM in person or by proxy, you are required to complete and return the reply slip to Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (in the case of holders of H Shares) on or before Tuesday, 31 May 2016. Whether you intend to attend the AGM in person or by proxy, you are required to complete and return the reply slip to the registered office of the Company at No. 1 Huangsidajie, Chaoyang District, Beijing, 100120, the PRC (in the case of holders of A Shares).

29 April 2016

* for identification purpose only

TABLE OF CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	22
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	24
APPENDIX – GENERAL INFORMATION	40
NOTICE OF ANNUAL GENERAL MEETING	44

DEFINITIONS

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

“AGM”	the 2015 annual general meeting of the Company to be held on 2:30 p.m. on Tuesday, 21 June 2016 at China Coal Building, No. 1 Huangsidajie, Chaoyang District, Beijing, the PRC
“associate”	has the meaning ascribed to it under the Hong Kong Listing Rules and SSE Listing Rules
“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
“Board”	the board of Directors of the Company
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Chinacoal Finance”	Chinacoal Finance Co., Ltd.* (中煤財務有限責任公司), a limited liability company incorporated under the laws of the PRC and a subsidiary of the Company
“China Coal Group” or “Parent”	China National Coal Group Corporation* (中國中煤能源集團有限公司), a state-owned enterprise established under the laws of 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 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”	has the meaning ascribed to it under the Hong Kong Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

DEFINITIONS

“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 proposed revision of the annual caps regarding the maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group and associates of the Parent under the 2015 Financial Services Framework Agreement for the two years ending 31 December 2017, namely Zhang Ke, Zhao Pei, and Ngai Wai Fung, which was established to advise the Independent Shareholders in relation to such proposed revision
“Independent Financial Advisor”	China Everbright Capital Limited, being a corporation licensed to Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the proposed revision of the annual caps regarding the maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group and associates of the Parent under the 2015 Financial Services Framework Agreement for the two years ending 31 December 2017
“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
“Latest Practicable Date”	25 April 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Parent Group”	the Parent and its subsidiaries (excluding the Group)
“PBOC”	the People’s Bank of China, the central bank of the PRC

DEFINITIONS

“PRC” or “China”	the People’s Republic of China, but for the purposes of this circular only, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Revision”	revision of the annual caps for the continuing connected transactions under the 2015 Financial Services Framework Agreement for the two years ending 31 December 2017
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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》)
“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
“subsidiary”	has the meaning ascribed to it under the Hong Kong Listing Rules and SSE Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“2015 Financial Services Framework Agreement”	a financial services framework agreement dated 23 October 2014 and entered into between Chinacoal Finance and the Parent
“%”	per cent

LETTER FROM THE BOARD



中煤

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)

Executive Directors:

Li Yanjiang
Gao Jianjun

Non-executive Directors:

Peng Yi
Liu Zhiyong
Xiang Xujia

Independent Non-executive Directors:

Zhang Ke
Zhao Pei
Ngai Wai Fung

Registered office:

No. 1
Huangsidadjie
Chaoyang District
Beijing, 100120
China

Principal place of business in Hong Kong:

Room 2608, 26th Floor
Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

29 April 2016

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
PROPOSED REVISION OF THE ANNUAL CAPS FOR THE TRANSACTIONS
UNDER THE 2015 FINANCIAL SERVICES FRAMEWORK AGREEMENT
FOR THE TWO YEARS ENDING 31 DECEMBER 2017
GENERAL MANDATE TO ISSUE DEBT FINANCING INSTRUMENTS
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
PROPOSED EMOLUMENTS OF THE DIRECTORS
OF THE THIRD SESSION OF THE BOARD AND THE SUPERVISORS OF
THE THIRD SESSION OF THE SUPERVISORY COMMITTEE FOR THE
YEAR OF 2016**

* for identification purpose only

LETTER FROM THE BOARD

I. INTRODUCTION

Reference is made to the announcement of the Company dated 22 March 2016 in relation to the proposed revision of the annual caps regarding the maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group and associates of the Parent under the 2015 Financial Services Framework Agreement for the two years ending 31 December 2017.

The purpose of this circular is to provide you with all the information regarding, among other matters, (i) detailed information regarding the above-mentioned proposed revision of annual caps; (ii) general mandate to issue Debt Financing Instrument; (iii) proposed amendment of the Articles of Association; (iv) the proposed emoluments of the Directors of the third session of the Board and the Supervisors of the third session of the Supervisory Committee for the year of 2016; and (v) a notice convening the AGM, so as to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the AGM.

II. PROPOSED REVISION OF THE ANNUAL CAPS FOR THE TRANSACTIONS UNDER THE 2015 FINANCIAL SERVICES FRAMEWORK AGREEMENT FOR THE TWO YEARS ENDING 31 DECEMBER 2017

i. Introduction of the 2015 Financial Services Framework Agreement

Date: 23 October 2014

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

Continuing transactions Pursuant to the 2015 Financial Services Framework Agreement, Chinacoal Finance has agreed to provide the following financial services to the Parent Group and associates of the Parent, 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 and associates of the Parent;
- (iii) providing insurance agency services as approved to the Parent Group and associates of the Parent;
- (iv) providing entrusted loans among the Parent Group and associates of the Parent;
- (v) providing bill acceptance and discount services to the Parent Group and associates of the Parent;

LETTER FROM THE BOARD

- (vi) providing internal transfer and settlement and corresponding settlement and clearing planning services among the Parent Group and associates of the Parent;
- (vii) accepting deposits from the Parent Group and associates of the Parent;
- (viii) providing loans and finance leasing to the Parent Group and associates of the Parent; and
- (ix) other services approved by the CBRC.

Term and termination

The 2015 Financial Services Framework Agreement is for a term of three years commenced on 1 January 2015 and ending on 31 December 2017. Upon expiry, the 2015 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 and associates of the Parent are as follows:

- (1) The interest rates for deposits provided to the Parent Group and associates of the Parent 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 and associates of the Parent, whichever is lower.

LETTER FROM THE BOARD

- (2) The interest rates for loans charged by Chinacoal Finance to the Parent Group and associates of the Parent 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 and associates of the Parent, whichever is higher.
- (3) 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

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

ii. Reasons for Entering into the 2015 Financial Services Framework Agreement

The Company is of the view that entering into the 2015 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 2015 Financial Services Framework Agreement is in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

iii. 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 2015 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 2015 Financial Services Framework Agreement, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the 2015 Financial Services Framework Agreement and the relevant annual caps, and if exceed, the Company will comply with the relevant Hong Kong Listing Rules accordingly.

iv. Internal Control Environment and Risk Management Function of Chinacoal Finance

The interest rates for loans charged by Chinacoal Finance to the Parent Group and its associates 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 and its associates, 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:

- (1) 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;
- (2) 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 (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;

LETTER FROM THE BOARD

- (3) 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;
- (4) The loan applications will then be submitted to the credit examining committee, which consists of 5 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;
- (5) 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;
- (6) 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
- (7) 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.

v. Revision of the Annual Caps for the Two Years Ending 31 December 2017

Original Annual Caps for the Three Years Ending 31 December 2017

The original annual caps regarding the loans and financial leasing granted by Chinacoal Finance to the Parent Group and associates of the Parent contemplated under the 2015 Financial Services Framework Agreement for the three years ending 31 December 2017 are set out below:

	Year ended 31 December 2015 (RMB)	Year ending 31 December 2016 (RMB)	Year ending 31 December 2017 (RMB)
the maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group and associates of the Parent	800,000,000	1,000,000,000	1,200,000,000

LETTER FROM THE BOARD

Actual Transaction Values for the Year Ended 31 December 2015

The actual transaction values of the loans and financial leasing granted by Chinacoal Finance to the Parent Group and associates of the Parent contemplated under the 2015 Financial Services Framework Agreement for the year ended 31 December 2015 are set out below:

Historical Transaction Values	Year ended 31 December 2015 (RMB)
the maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group and associates of the Parent	600,837,167

The Directors have been monitoring the transaction amount contemplated under the 2015 Financial Services Framework Agreement. For the year ended 31 December 2015, and as at the date of this circular, the annual caps for the continuing connected transactions contemplated under the 2015 Financial Services Framework Agreement for the year ended 31 December 2015 and for the year ending 31 December 2016 have not been exceeded.

Revision of the Annual Caps for the Two Years Ending 31 December 2017

The revised annual caps regarding the loans and financial leasing granted by Chinacoal Finance to the Parent Group and associates of the Parent contemplated under the 2015 Financial Services Framework Agreement for the two years ending 31 December 2017 are set out below:

Revised Annual Caps	Year ending 31 December 2016 (RMB)	Year ending 31 December 2017 (RMB)
the maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group and associates of the Parent	4,000,000,000	4,500,000,000

LETTER FROM THE BOARD

vi. Reasons for the Revision of the Annual Caps for the Two Years Ending 31 December 2017

In arriving at the above-mentioned revised annual caps in respect of the revised maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group and associates of the Parent under the 2015 Financial Services Framework Agreement, the Directors have taken into account the following factors:

- (1) as at 31 December 2015, the carrying amount of Chinacoal Finance was RMB21.961 billion, and the balance of interbank fixed deposit and demand deposit of Chinacoal Finance were RMB10.2 billion and RMB4.642 billion, respectively. Pursuant to the business scope of Chinacoal Finance, loans could only be provided by Chinacoal Finance to the Group and the Parent Group. In the year of 2016, the Group, based on its relative abundant funds and good capability to raise working capital, will further compress its scale of debts bearing interests and reduce its borrowings from Chinacoal Finance and other financial institutions in the PRC so as to reduce financial expenses. In the year of 2016, PBOC updates its loan management mechanism to a macro and discreet assessment system, which will gradually increase the volume of loans issuable by Chinacoal Finance, enabling it to issue more loans to the Parent Group with capital demands. Therefore the proposed revision of 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 and associates of the Parent under the 2015 Financial Services Framework Agreement could increase the interest income of Chinacoal Finance, expand its business scale, improve its capital efficiency, increase the financial income and improve the operation results of the Group as well as achieve the Group's overall financial synergy;
- (2) according to the "Thirteenth Five-Year Development Plan" of the Parent, the Parent is committed to become a clean energy supplier and a comprehensive energy service provider with strong international competitiveness. During the next five years, the Parent will be devoted to expand its development in non-coal field, actively implement the "one belt, one road" strategy, and exploit the overseas markets;

The key development objectives of the "Thirteenth Five-Year Development Plan" of the Parent include: (i) increase efforts on promoting coal-power-chemical integrated development by accelerating industrial restructuring and transformation and by balancing the construction of new bases and upgrading of old bases to accelerate the use of advanced clean coal technologies for both production and use of coal and for compliance with stricter environmental criteria for coal-fired power plant; (ii) focusing on exploring and expanding horizontal non-coal business development such as construction, design and consultancy and research and development in both domestic and foreign market to support the PRC's "one belt, one road" development strategy; and (iii) explore opportunities for developing new energy, new materials, intelligent manufacturing and cleaner use of energy and materials in order to achieve sustainable development;

LETTER FROM THE BOARD

According to the “Thirteenth Five-Year Development Plan” of the Parent, it is expected that a significant amount of capital will be invested into achieving the above-mentioned development objectives from 2016 to 2020, and the capital requirement of the Parent will be primarily obtained from commercial banks, and loans from Chinacoal Finance are expected to be acquired as a supplement;

- (3) as a central enterprise administered by the SASAC and to which capital contribution was made by the SASAC, the Parent Group (including the Group) is widely recognized within commercial banks and other financial institutions, and currently is granted a loan credit line of more than RMB300 billion. As at the date of the circular, the Parent has not defaulted under any of the loans provided by financial institutions. Taking into account the creditworthiness of the Parent and clean repayment history, Chinacoal Finance considers that providing loans to the Parent is a comprehensive, low risk fund investment option and will generate a higher return for the Group than deposits which would have been the only other fund investment option for the Chinacoal Finance given the investment limitation pursuant to its business scope; and
- (4) Chinacoal Finance will conduct annual review on the credit worthiness and loan facility of the Parent Group and associates of the Parent, keep alert of the corporate affairs and control credit limit to strengthen operational risk management.

The Directors (including the independent non-executive Directors) are of the view that the revision of the annual caps for the continuing connected transactions under the 2015 Financial Services Framework Agreement for the two years ending 31 December 2017 is fair and reasonable, in the ordinary and usual course of business of the Company, on normal commercial terms and on terms no less favourable than those available from independent commercial banks for the provision of financial services to the Parent Group and associates of the Parent under prevailing local market conditions, and in the interests of the Company and its Shareholders as a whole.

vii. Hong Kong Listing Rules Implications

The Parent is the controlling shareholder of the Company and is therefore a connected person of the Company under the Hong Kong Listing Rules. The transactions contemplated under the 2015 Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

In respect of the revised maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group and associates of the Parent under the 2015 Financial Services Framework Agreement for the two years ending 31 December 2017, as one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) exceed 5%, such revision is therefore subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) are of the view that the 2015 Financial Services Framework Agreement have been negotiated on an arm's length basis and entered into in the ordinary and usual course of business of the Company, and the terms and conditions of the above-mentioned agreements as well as the revision of the annual caps for the transactions under the 2015 Financial Services Framework Agreement for the two years ending 31 December 2017 are fair and reasonable, in the ordinary and usual course of business of the Company, on normal commercial terms or on terms no less favourable than those available to or from independent third parties under prevailing local market conditions, and in the interests of the Company and its Shareholders as a whole.

Mr. Li Yanjiang, Mr. Peng Yi and Mr. Liu Zhiyong, who are also directors or senior management of the Parent, are deemed to have material interests in the revision of the annual caps for the continuing connected transactions contemplated under the 2015 Financial Services Framework Agreement for the two years ending 31 December 2017 and 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 above-mentioned revision of the annual caps.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, there is no other continuing 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 the transactions contemplated under the 2015 Financial Services Framework Agreement, aggregated under Rule 14A.81 and/or Rule 14.22 of the Hong Kong Listing Rules.

viii. 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 circular. 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 circular, Chinacoal Finance is a subsidiary of the Company and is owned as to 91% by the Company and 9% by the Parent.

LETTER FROM THE BOARD

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 finance leasing to the members; and other services in Renminbi or foreign currency as approved by the CBRC.

III. GENERAL MANDATE TO ISSUE DEBT FINANCING INSTRUMENTS

On 22 March 2016, the Board resolved to propose to issue the Debt Financing Instruments on an one-off or multi-tranche issuances bases, including but not limited to enterprise bonds, corporate bonds, convertible bonds, exchangeable bonds, ultra-short-term financing bonds, short-term financing bonds, medium-term notes, non-public targeted debt financing instruments, project return notes, project return bonds and other domestic and/or overseas debt financing instruments in RMB or foreign currency permitted to be issued by the regulatory authorities.

Main terms in respect of the issuance of the Debt Financing Instruments are as follows:

1. Issuing Entity, Size of Issuance and Method of Issuance

The Company or the subsidiaries of the Company will be the issuing entity(ies) of the domestic Debt Financing Instruments, and the Company or the overseas subsidiaries of the Company will be the issuing entity(ies) of the overseas Debt Financing Instruments.

The sizes of the issuances of the domestic and overseas Debt Financing Instruments will be no more than RMB40 billion in aggregate (including RMB40 billion, calculated based on the balance outstanding on the instruments issued and, in the case of an instrument denominated in a foreign currency, based on the median price of the exchange rate announced by the PBOC on the date of such issuance). The specific size of issuance will be determined according to capital needs and market situation under the precondition that the balance to be paid after the issuance of the Debt Financing Instruments be in compliance with relevant laws, regulations and rules of regulatory authorities.

The method of issuance shall be determined in accordance with the market situation before issuing, including one-off or multi-tranche issuance, and public or non-public issuance.

2. Targets of Issue and Placement Arrangements

The issue targets of the domestic and overseas Debt Financing Instruments shall be the domestic and overseas investors, respectively, who meet the conditions of subscription. If the Company issues corporate bonds, such instruments may be placed to the Shareholders.

LETTER FROM THE BOARD

3. *Terms and Types of the Issuance*

The issuance term of the domestic and overseas Debt Financing Instruments shall be no longer than 15 years (including 15 years, but except for the issuances of perpetual bonds). Debt Financing Instruments may be single-term type or a portfolio of types with various terms.

4. *Use of Proceeds*

The proceeds raised from the issuances of the domestic and overseas Debt Financing Instruments will be expected to be used to satisfy the production and operation needs of the Group, including but not limited to repaying the financial institutions' loans, supplementing the current capital of the Group and/or making project investments, and for other purposes.

5. *Valid Period of the Resolutions*

The valid period of the resolutions for the issuances of the Debt Financing Instruments shall be from the date of approval by the Shareholders at the AGM and ending on 31 December 2018. If the Board or the management has resolved to issue or partly issue during the valid period of authorization, and the Company has obtained the approval, permit, enrollment, filing or registration of the issuance from the regulatory authorities in the valid period of the resolution, the Company may complete the relevant issuance during the confirmed valid period of such approval, permit, enrollment, filing or registration.

Authorizations for the Issuances of the Debt Financing Instruments

It is proposed to the Shareholders at the AGM, generally and unconditionally, to authorize the Board and agree the Board to further authorize the management of the Company, with full power and authority to deal with the matters in connection with the issuances of the Debt Financing Instruments in accordance with the specific needs of the Company and other capital market conditions in the valid period of the resolutions, including but not limited to:

- i. to decide whether to issue and to determine, modify and adjust the type of issuance, size of issuance, specific term, type and size, detailed terms, conditions and other matters relating to the issuance of the Debt Financing Instruments (including, but not limited to, the issue amount, actual total amount, face value, currency, issue price, interest rate or mechanism for determining the interest rate and whether or not to adjust the interest rate during the duration of the bonds, transfer price, issue place, issue targets, issue timing, term, whether or not to issue in multiple tranches and number of tranches, whether or not to set repurchase, redemption and extension terms, priorities for repayment of creditors, credit rating, security matter, terms and method of repayment of the principal and interests, online and offline issue proportion, specific methods of subscription, whether or not to be listed, where to be listed, specific arrangement of proceeds raised within the scope of use approved by the general meeting, detailed placing arrangements, underwriting arrangements, bonds' listing and all other matters relating to the issuance);

LETTER FROM THE BOARD

- ii. to carry out all necessary and ancillary actions and procedures relating to the application, issuance, trading and circulation of the Debt Financing Instruments (including, but not limited to, to engage intermediary institutions, handle all approval, enrollment, registration and filing procedures with the relevant regulatory authorities in connection with application, issuance, trading and circulation on behalf of the Company, formulate, sign, execute, revise and complete all necessary documents, contracts/agreements, deeds and other legal documents in connection with application, issuance, trading and circulation, approve, execute and dispatch announcements and circulars relevant to this issuance in accordance with the regulatory rules of the place of listing of the Company as well as make related disclosure in accordance with applicable laws and regulations, select bonds trustee manager for the issuance, formulate rules for the bondholders' meeting and handle any other matters relating to application, issuance, trading and circulation);
- iii. to approve, confirm and ratify the actions and procedures, if any action or procedure in connection with the issuances of the Debt Financing Instruments as mentioned above had been already taken by the Board or the management of the Company;
- iv. to make corresponding adjustments to the detailed proposals and other related matters for the issuance of the Debt Financing Instruments in accordance with the comments from the relevant regulatory authorities or then market conditions within the authorities granted at a general meeting, in the case of any change in policies of regulatory authorities in relation to the issuance or any change of market conditions, except where re-voting at a general meeting is required by any relevant laws and regulations and the Articles of Association;
- v. to determine and handle all relevant matters relating to the trading and circulation of the Debt Financing Instruments upon the completion of the issuance, to formulate, sign, execute, revise and complete all necessary documents, contracts/agreements and deeds in connection with the trading and circulation, and to make related disclosure in accordance with applicable laws and regulations;
- vi. in the case of issuance of corporate bonds, during duration of the corporate bonds, to determine not to distribute dividends to the Shareholders and make other decisions to safeguard repayment of debts as required under the relevant laws and regulations in the event that the Company expects to fail, or does fail to pay the principal and coupon interests of such bonds as they fall due; and
- vii. to deal with other matters in relation to the application, issuance, trading and circulation of the domestic and overseas Debt Financing Instruments.

Subject to the aforesaid general mandate to issue Debt Financing Instruments being approved by the Shareholders at the AGM, the issue of Debt Financing Instruments (excluding convertible bonds and exchangeable bonds), if materialized, will not be subject to Shareholders' further approval as the Board (or the management of the Company further authorized by the Board) are authorized generally and unconditionally with full power to deal with the matters in connection with the

LETTER FROM THE BOARD

issuances. If the Company contemplates to issue convertible bonds or exchangeable bonds in the future, all applicable requirements of the Hong Kong Listing Rules, the Articles of Association and other applicable laws, regulations as well as regulatory rules will be complied with by the Company as and when appropriate.

IV. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated 22 March 2016 in relation to the Board's proposal to make certain amendments to the Articles of Association to reflect the expansion of the Company's scope of business operation in order to implement the sales of fertilizer and realize the maximum efficiency in operation. The details of the abovementioned amendments are set out as follows:

Paragraph 2 of Article 13

Which originally reads as:

“The scope of business operations of the Company includes: Licensed operations including coal mining (according to respective terms of validity on the licenses for coal mines); General operations including coal wholesale operations, the investment and management of coal, railway, port and new energy projects; investment and management of coal chemicals, coal coking, coal seam gas, power generation, production of electrolytic aluminium and aluminium processing; the research and development, manufacturing and sale of coal mining machinery and equipment; engineering design, prospecting survey, construction, tender agency and consultancy services, etc.; import and export business; real estate development and operation, property management; and sale of coke products and chemical products (excluding hazardous chemicals and precursor chemicals in category I). The scope of business operation of the Company shall be subject to the final approval by the relevant administrative authorities for industry and commerce.”

is proposed to be amended as follows:

“The scope of business operations of the Company includes: Licensed operations including coal mining (according to respective terms of validity on the licenses for coal mines); General operations including coal wholesale operations, the investment and management of coal, railway, port and new energy projects; investment and management of coal chemicals, coal coking, coal seam gas, power generation, production of electrolytic aluminium and aluminium processing; the research and development, manufacturing and sale of coal mining machinery and equipment; engineering design, prospecting survey, construction, tender agency and consultancy services, etc.; import and export business; real estate development and operation, property management; and sale of coke products, fertilizer and chemical products (excluding hazardous chemicals and precursor chemicals in category I). The scope of business operation of the Company shall be subject to the final approval by the relevant administrative authorities for industry and commerce.”

Reference is also made to the announcement of the Company dated 27 April 2016 in relation to the Board's proposal to make certain amendments to the Articles of Association to reflect the change of the name of the Audit Committee under the Board into the Audit and Risk Management Committee. The details of the abovementioned amendments are set out as follows:

LETTER FROM THE BOARD

Article 163

Which originally reads as:

“The Board shall set up special committees to help it fulfil the duties as authorised by the Board. The special committees under the Board are Strategic Planning Committee, Audit Committee, Remuneration Committee, Nomination Committee, and Safety, Health and Environment Protection Committee. The special committees shall be accountable to the Board, and shall consist of directors. In the Audit Committee, the Remuneration Committee and the Nomination Committee, independent directors shall be the majority and shall be chaired by one, and the Audit Committee shall comprise at least one accounting professional as independent director. Where necessary, the Board may also set up other committees and adjust the existing committees. The Board shall formulate terms of references for respective special committees.”

is proposed to be amended as follows:

“The Board shall set up special committees to help it fulfil the duties as authorised by the Board. The special committees under the Board are Strategic Planning Committee, Audit and Risk Management Committee, Remuneration Committee, Nomination Committee, and Safety, Health and Environment Protection Committee. The special committees shall be accountable to the Board, and shall consist of directors. In the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee, independent directors shall be the majority and shall be chaired by one, and the Audit and Risk Management Committee shall comprise at least one accounting professional as independent director. Where necessary, the Board may also set up other committees and adjust the existing committees. The Board shall formulate terms of references for respective special committees.”

Audit Committee as referred to in the Terms of References of the Board of the Company, being an appendix to the Articles of Association, is proposed to be amended into Audit and Risk Management Committee accordingly.

The proposed amendments to the Articles of Association is subject to the approval by the Shareholders by way of special resolution at the AGM.

V. PROPOSED EMOLUMENTS OF THE DIRECTORS OF THE THIRD SESSION OF THE BOARD AND THE SUPERVISORS OF THE THIRD SESSION OF THE SUPERVISORY COMMITTEE FOR THE YEAR OF 2016

By reference to the conditions of comparable domestic and foreign listed companies, and in connection with the production and operation reality of the Company, we propose that the emoluments of independent non-executive Directors are paid by the Company. The Company proposed to pay RMB300,000 to each independent non-executive Director for the year of 2016 (before tax, monthly paid, with income tax withheld, calculated based on the actual time of performance of duty for independent non-executive Directors).

LETTER FROM THE BOARD

The emoluments of Directors who are also the senior management of the Company shall receive emoluments according to the Provisional Administrative Rules on the Emoluments of the Senior Management of the Company.

Except for the Directors stated above, other Directors shall not receive emolument from the Company.

The emoluments of the Supervisors shall be paid by the institutions where they work.

The travelling cost incurred by the Directors and Supervisors for their participation in the Company's Board meetings, Supervisory Committee's meetings and general meetings as well as relevant activities organised by the Board and the Supervisory Committee is undertaken by the Company.

VI. ANNUAL GENERAL MEETING

A notice convening the AGM to be held at 2:30 p.m. on Tuesday, 21 June 2016 at China Coal Building, No. 1 Huangsidajie, Chaoyang District, Beijing, the PRC is set out on pages 44 to 48 of this circular.

As at the date of this circular, the Parent and its associates, which 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 revision of the annual caps of the continuing connected transactions under the 2015 Financial Services Framework Agreement 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 the revision of the annual caps of the continuing connected transactions under the 2015 Financial Services Framework Agreement or should be required to abstain from voting on the resolutions at the AGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the rest resolutions in respect of (i) general mandate to Issue Debt Financing Instruments; (ii) proposed amendment of the Articles of Association; and (iii) the proposed emoluments of the Directors of the third session of the Board and the Supervisors of the third session of the Supervisory Committee for the year of 2016 or should be required to abstain from voting on such resolutions at the AGM.

In order to determine the list of Shareholders who are entitled to attend the AGM, the registers of holders of H Shares will be closed from Sunday, 22 May 2016 to Tuesday, 21 June 2016, both days inclusive, during which period no transfer of H Shares will be effected. Holders of the H Shares whose names appear on the register of members at close of business on Sunday, 22 May 2016 are entitled to attend the meeting. In order to attend and vote at the meeting, holders of H Shares whose transfers have not been registered shall deposit the transfer documents together with the relevant Share certificates at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Friday, 20 May 2016. The address of the transfer office of Computershare Hong Kong Investor Services Limited is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

LETTER FROM THE BOARD

If you intend to appoint a proxy to attend the AGM, you are required to complete and return the proxy form in accordance with the instructions printed thereon. The proxy form should be returned to Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (in the case of holders of H Shares); or to the registered office of the Company at No. 1 Huangsidajie, Chaoyang District, Beijing, 100120, the PRC (in the case of holders of A Shares) in person or by post not less than 24 hours before the time stipulated for convening the AGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending in person and voting at the AGM or at any adjourned meeting if you so wish.

Whether you intend to attend the AGM in person or by proxy, you are required to complete and return the reply slip to Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (in the case of holders of H Shares) on or before Tuesday, 31 May 2016. Whether you intend to attend the AGM in person or by proxy, you are required to complete and return the reply slip to the registered office of the Company at No. 1 Huangsidajie, Chaoyang District, Beijing, 100120, the PRC (in the case of holders of A Shares).

VII. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the revision of the annual caps of the continuing connected transactions under the 2015 Financial Services Framework Agreement; and (ii) the letter from the Independent Financial Adviser set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to such revision of annual caps and the principal factors and reasons taken into account by the Independent Financial Adviser in arriving at its advice.

The Directors (including the independent non-executive Directors) are of the view that the terms of the revision of the annual caps of the continuing connected transactions under the 2015 Financial Services 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 favourable than those available from independent commercial banks for the provision of financial services to the Parent Group and associates of the Parent under prevailing local market conditions; (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.

Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the AGM in relation to revision of the annual caps of the continuing connected transactions under the 2015 Financial Services Framework Agreement.

LETTER FROM THE BOARD

The Directors believe that the resolutions in respect of (i) general mandate to issue Debt Financing Instruments; (ii) proposed amendment of the Articles of Association; and (iii) the proposed emoluments of the Directors of the third session of the Board and the Supervisors of the third session of the Supervisory Committee for the year of 2016 are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all the Shareholders should vote in favour of the resolutions at the AGM.

Yours faithfully,

By order of the Board

China Coal Energy Company Limited

Li Yanjiang

Chairman of the Board, Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

Independent Board Committee

Mr. Zhang Ke

Mr. Zhao Pei

Mr. Ngai Wai Fung

29 April 2016

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
PROPOSED REVISION OF THE ANNUAL CAPS FOR THE TRANSACTIONS
UNDER THE 2015 FINANCIAL SERVICES FRAMEWORK AGREEMENT
FOR THE TWO YEARS ENDING 31 DECEMBER 2017**

We refer to the circular of the Company dated 29 April 2016 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to consider and advise you as to whether, in our opinion, the revision of the maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group and associates of the Parent under the 2015 Financial Services Framework Agreement (details of which are set out in the letter from the Board) are fair and reasonable so far as the Independent Shareholders are concerned.

China Everbright Capital Limited has been appointed by the Board as the Independent Financial Advisor to advise the Independent Board Committee and Independent Shareholders on the fairness and reasonableness of the revision of the maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group and associates of the Parent under the 2015 Financial Services Framework Agreement. Details of the advice from China Everbright Capital Limited, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 24 to 39 of the Circular.

* *for identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Your attention is also drawn to the letter from the Board set out on pages 4 to 21 of the Circular and the additional information set out in the Appendix to the Circular.

Having considered the Revision, the interests of the Independent Shareholders and the advice of China Everbright Capital Limited, we are of the opinion that the 2015 Financial Services Framework Agreement was entered into in the ordinary and usual course of business of the Group, and the terms and conditions of the 2015 Financial Services Framework Agreement as well as the Revision are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the AGM so as to approve the revision of the annual caps regarding the maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group and associates of the Parent under the 2015 Financial Services Framework Agreement.

Yours faithfully,

The Independent Board Committee

Mr. Zhang Ke

Mr. Zhao Pei

Mr. Ngai Wai Fung

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from China Everbright Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



29 April 2016

*To the Independent Board Committee and the Independent Shareholders
of China Coal Energy Company Limited (the “Company”)*

Dear Sirs,

PROPOSED REVISION OF THE ANNUAL CAPS FOR THE LOANS AND FINANCIAL LEASING SERVICES UNDER THE 2015 FINANCIAL SERVICES FRAMEWORK AGREEMENT FOR THE TWO YEARS ENDING 31 DECEMBER 2017

I. INTRODUCTION

We refer to our engagement as the independent financial adviser to the independent board committee of the Company (“**Independent Board Committee**”) and the independent shareholders of the Company (“**Independent Shareholders**”) in relation to the proposed revision of the annual caps for the maximum daily balance of loans and financial leasing services (including accrued interest) under the 2015 Financial Services Framework Agreement for the two years ending 31 December 2016 and 2017, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular (the “**Circular**”) dated 29 April 2016 issued by the Company, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As disclosed in the Company’s announcements dated 23 October 2014, Chinacoal Finance Co., Ltd. (“**Chinacoal Finance**”), a subsidiary of the Company, and China National Coal Group Corporation (the “**Parent**”) entered into the Financial Services Framework Agreement on 23 October 2014 for a term of three years commencing from 1 January 2015 to 31 December 2017 (the “**2015 Financial Services Framework Agreement**”).

As stated in the announcement dated 22 March 2016, the Directors expect that the estimated transactions for the two years ending 31 December 2016 and 2017 would exceed the existing annual caps (“**Existing Annual Caps**”) for the loans and financial leasing services under the Financial Services Framework Agreement. Accordingly, the Company proposes to revise the annual caps in respect of the revised maximum daily balance of loans and financial leasing services (including accrued interests) for the two years ending 31 December 2016 and 2017 (“**Revised Annual Caps**”) in order to comply with Rule 14A.54 of the Hong Kong Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Letter from the Board, the Parent 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 contemplated under the 2015 Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the applicable percentage ratios as defined under the Hong Kong Listing Rules in respect of the Revised Annual Caps exceed 5%, such proposed revision of annual caps for the two years ending 31 December 2016 and 2017 (“**Proposed Revision**”) is subject to Independent Shareholders’ approval requirement in addition to the reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee, comprising all independent non-executive Directors, has been established to consider whether the Proposed Revision is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and shareholders as a whole, and to make recommendations to the Independent Shareholders in respect thereof. We, China Everbright Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, Mr. Alvin Kam, for and on behalf of China Everbright Capital Limited, signed the opinion letter from the independent financial adviser contained in the Company’s circular dated 13 November 2014 in relation to non-exempt continuing connected transactions contemplated under (i) 2015 Coal Supply Framework Agreement; (ii) 2015 Integrated Materials and Services Mutual Provision Framework Agreement; and (iii) 2015 Project Design, Construction and General Contracting Services Framework Agreements. The past engagement was limited to providing independent advisory services to Independent Board Committee and Independent Shareholders pursuant to the Hong Kong Listing Rules. Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any fees and benefits from the Company, the Parent or any of their respective associates. As at the Latest Practicable Date, there were no relationships or interests between (a) China Everbright Capital Limited and (b) each of the Company, the Parent and their associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Hong Kong Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Revision as detailed in the Circular.

II. BASIS OF OUR OPINION

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the management (“**Management**”) of the Company and have assumed that such information, facts and opinions are true and accurate. We have also sought and received confirmation from the Management that no material facts have been omitted from the information supplied and opinions expressed to us. However, we have not conducted any independent investigation into the business, operations or financial condition of the Group. We have assumed that all statements and representations made or referred to in the Circular were accurate at the time when they were made and are true at the date of the Circular.

We consider we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

III. PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In formulating our view on the Proposed Revision, we have taken into consideration the principal factors and reasons as set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our opinion based on the results of all analysis taken as a whole.

(A) Background of and reasons of the Proposed Revision

(1) Information on the Group

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

We set out below a summary of the financials of the Group's (i) audited results for the two years ended 31 December 2013 and 2014 extracted from the 2014 Annual Report; and (ii) audited results for the year ended 31 December 2015 extracted from the Announcement of Annual Results For the Year ended 31 December 2015 of the Company (the "2015 Result Announcement"), which were prepared in accordance with IFRS:

	31 December 2015	31 December 2014	31 December 2013
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
	(Audited)	(Audited)	(Audited)
Revenue	59,271	70,664	82,316
Gross Profit	4,104	7,196	11,396
(Loss)/profits after tax	(2,828)	488	4,620

According to the 2015 Result Announcement, the decrease in revenue and profitability was mainly a result of the complex world economic situation which recorded a significant decline in international energy prices amid the continuous slowdown of domestic economic growth and the serious imbalance in the supply and demand of the PRC domestic coal market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the extract of (i) the consolidated statement of financial position of the Group as at 31 December 2013 and 2014 extracted from the 2014 Annual Report, and (ii) that as at 31 December 2015 extracted from the 2015 Result Announcement, which were prepared in accordance with the IFRS:

	31 December 2015	31 December 2014	31 December 2013
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
	(Audited)	(Audited)	(Audited)
Non-current assets	196,007	188,231	168,792
Current assets	62,019	55,781	47,728
Total assets	258,026	244,012	216,520
Total liabilities	157,744	141,083	113,427
Net assets	100,282	102,929	103,093
Restricted bank deposits	2,586	2,535	1,584
Term deposits with initial terms of over three months	18,416	5,816	8,205
Cash and cash equivalents	11,196	18,132	11,233
Interest-bearing bank and other borrowings	70,157	63,853	40,095
Bonds	42,869	31,355	29,868

The Group's non-current assets include primarily property, plant and equipment, mining and exploration rights and investment in associates while the Group's current assets include primarily trade and notes receivables, term deposits with initial terms of over three months and cash and cash equivalents. Our cash and cash equivalents represented 5.2%, 7.4% and 4.3% of our total assets as at 31 December 2013, 2014 and 2015. The drop in the percentage of our cash and cash equivalent was mainly due to more cash and cash equivalents were set aside for term deposits with initial terms of over three months to earn interest income. Gearing ratios, which were calculated by dividing net debt (sum of borrowings and bonds, deducting cash and cash equivalents and term deposits) by total equity, amounted to 49.0% as at 31 December 2013 to 69.2% as at 31 December 2014 and increased to 83.2% as at 31 December 2015. The high gearing ratio was due to the active financing activities within the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the extract of (i) the consolidated cash flow statements of the Group for the two years ended 31 December 2013 and 2014 extracted from the 2014 Annual Report, and (ii) the cashflow for the year ended 31 December 2015 extracted from the 2015 Result Announcement, which were prepared in accordance with the IFRS:

	31 December 2015	31 December 2014	31 December 2013
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
	(Audited)	(Audited)	(Audited)
Net cash generated from operating activities	7,285	5,084	9,491
Net cash used in investing activities	(26,322)	(17,767)	(28,736)
Net cash generated from financing activities	12,099	19,585	17,260

The Group handles a high volume of cash inflow and outflow from its operations through different banks. We understand from the Company that in selecting banks for placing cash and term deposits and financing, the Group will take into consideration of factors such as interest rates offered, amounts of credit facility granted, and funds safety.

(2) Information on 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 letter. The Parent is principally engaged in coal export, coal bed methane exploitation, coal mine construction and other relevant engineering and technical services.

(3) Information on Chinacoal Finance

(i) Regulatory environment

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

The establishment of Chinacoal Finance was approved on 5 March 2014 and the business registration was completed on 6 March 2014. Chinacoal Finance is principally engaged and financing consultation, credit appraisal and relevant advice and agency services to members of the Group, the Parent Group and its associates (“**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 finance

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

leasing to the Members; and other services in Renminbi or foreign currency as approved by the China Banking Regulatory Commission (the “**CBRC**”). The standing of Chinacoal Finance as a non-bank financial institution in the PRC is subject to periodic review by CBRC.

The total registered capital and paid-up capital of Chinacoal Finance is RMB3 billion.

Chinacoal Finance is subject to stringent regulations by the People’s Bank of China (the “**PBOC**”) and CBRC. CBRC’s supervision check includes regular examination of the audited financial statements and other relevant materials required to be filed by Chinacoal Finance as well as on-site inspections and interviews with the senior management of Chinacoal Finance. Pursuant to the Administrative Measures, Chinacoal Finance is required to submit audited financial statements and report its operation status to the CBRC annually. In addition, Chinacoal Finance must comply with certain financial ratio requirements set by the CBRC from time to time. To ensure compliance with the applicable laws and regulations, CBRC has powers to issue corrective and/or disciplinary orders and to impose penalties and/or fines on Chinacoal Finance. We have been advised by the Directors that up to the Latest Practicable Date, there is no record of non-compliance with relevant laws, rules and regulations of the PRC on Chinacoal Finance.

(ii) *Financial performance of Chinacoal Finance*

Set out below is a summary of the financial information of Chinacoal Finance from its respective audited financial statements for the year ended 31 December 2015:

	As at 31 December 2015	As at 31 December 2014
	<i>RMB’million</i>	<i>RMB’million</i>
	(audited)	(audited)
Demand deposits	4,642	3,247
Term deposits	10,200	7,000
Restricted deposits	1,228	1,328
Loans to members of the Group	5,180	3,102
Loans to members of the Parent Group and its associates	600	300
Other assets	113	42
Total assets	21,963	15,019
Deposits from members within the Group	14,549	9,699
Deposits from members within the Parent Group and its associates	3,851	2,139
Other liabilities	118	43
Liabilities	18,518	11,881
Net assets	3,445	3,138

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the total deposits from the Members increased from RMB11.8 billion as at 31 December 2014 to RMB18.4 billion as at 31 December 2015, Chinacoal Finance's demand deposits, term deposits; and loans to the Members demonstrated similar trend. Chinacoal Finance placed deposits and short-term deposits from three months to six months at various commercial banks to earn interest income. As stated in the Letter from the Board, the interest rates for deposits provided to the Parent Group and associates of the Parent 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 and associates of the Parent, whichever is lower.

Regarding the interest rates for loans charged by Chinacoal Finance to the Parent Group and associates of the Parent, as stated in the Letter from the Board, the interest rates 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 and associates of the Parent, whichever is higher.

As at 31 December 2015, Chinacoal Finance has granted a total of RMB5.8 billion loans to Members, among which a total of RMB600 million loans were granted to two subsidiaries of the Parent Group with terms of one to three years and interest rates fixed at the lowest rates prescribed by the PBOC.

As at 31 December 2015, Chinacoal Finance still has unutilized banking facility of RMB3.6 billion.

	Year ended 31 Decmeber 2015	Year ended 31 Decmeber 2014
	<i>RMB'million</i>	<i>RMB'million</i>
	(audited)	(audited)
Operating income		
– Net interest income	443	229
– Net fee and commission income	3	1
Profit after taxation	306	138

Net interest income represented the majority of Chinacoal Finance's income, which increased from RMB229 million for the year ended 31 December 2014 to RMB443 million for the year ended 31 December 2015 due to (i) full year impact in 2015; and (ii) the more loan granted to Members from RMB3.4 billion as at 31 December 2014 to RMB5.8 billion as at 31 December 2015.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(4) Reasons for and benefits of entering into the 2015 Financial Services Framework Agreement and the Proposed Revision

As stated in the Letter from the Board, the Company is of the view that entering into the 2015 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.

Further, according to the "Thirteenth Five-Year Development Plan" of the Parent, the Parent is committed to becoming a clean energy supplier and a comprehensive energy service provider with strong international competitiveness. During the next five years, the Parent will be devoted to expanding its development in non-coal field, actively implement the "one belt, one road" strategy, and exploit the overseas markets. The above-mentioned continuing operations and projects construction in the future requires a lot of liquidity, and the capital requirement of the Parent Group will be primarily obtained from commercial banks, and loans from Chinacoal Finance are expected to be acquired as a supplement;

In addition to the above, we have also considered the following benefits of the 2015 Financial Services Framework Agreement and the Proposed Revision:

- PRC laws do not permit companies, including subsidiaries and associates to extend loans to one another, which mean subsidiaries within the Group with considerable spare cash are not allowed directly extending intra-group loans to subsidiaries with the need of borrowings. Any such loans must be directed through a regulated financial institution. Chinacoal Finance is a non-banking financial institution approved and regulated by the PBOC and authorized by CBRC to provide various kinds of financial services, including loans and deposits services to the Members;
- Pursuant to the relevant regulations of PBOC and CBRC, the customers of Chinacoal Finance are limited to the Members. Having taken into account the satisfactory creditworthiness of the Parent Group, being a state-owned enterprise, the credit risk of defaults by customers is relatively low for Chinacoal Finance;
- the use of Chinacoal Finance as a vehicle to manage funds would facilitate a more efficient use and application of funds among Members;
- the charging of interest on the loans granted to the Parent Group and its associates and the Proposed Revision would allow Chinacoal Finance to increase its interest income and to achieve the overall financial synergy of the Group;
- the arrangements under the 2015 Financial Services Framework Agreement would allow for a certain degree of concentration of the Members' deposited funds (limited by the relevant annual caps), which would expedite the monitoring of the efficiency of the use and the application of funds of the Members and would provide the Group with a higher

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

bargaining power (than when the deposited funds were split between financial institutions) with regard to terms and interest rates of various financial services with commercial banks and other financial institutions;

- The “Thirteenth Five Year Plan” for 2016 to 2020 launched by the PRC Government in November 2015 necessitated changes and structural adjustments of the Parent Group and its associates, as a whole in the next few years, which in turn would require a significant amount of capital investment; and
- Chinacoal Finance has interbank demand deposits of RMB4.64 billion and term deposits of RMB10.20 billion, respectively. Therefore, Chinacoal Finance has sufficient resources to handle higher amounts of loan demand from the Parent Group.

As advised by the Management, Chinacoal Finance is to provide its services under the 2015 Financial Services Framework Agreement on a voluntary and non-exclusive basis. Chinacoal Finance is not obliged to provide any services, or at all, to the Parent Group and its associates under the 2015 Financial Services Framework Agreement, giving the Management maximum flexibility to decide in a particular situation as to what is in the Company’s interest. Chinacoal Finance is merely one of a number of licensed financial institutions which may provide financial services to the Parent Group and its associates.

Having considered the above, we concur with the Directors’ view that the entering into the 2015 Financial Services Framework Agreement is in the interests of the Group and its shareholders as a whole. We are also of the view that the Proposed Revision would enable the Group to capture the anticipated increase in demand of the Parent Group and its associates for funding and we concur with the Directors’ view that the Proposed Revision is in the best interests of the Company and its shareholders as a whole.

(5) Internal controls environment and risk management function of Chinacoal Finance

As discussed in the Letter from the Board, the interest rates for loans charged by Chinacoal Finance to the Parent Group and its associates 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 and its associates, whichever is higher.

We are advised by the Management that Chinacoal Finance has established stringent internal control measures to ensure effective risk management and compliance with the relevant laws and regulations including corporate governance structure, internal rules and policies and standard operation procedures.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have obtained and reviewed a copy of the internal control policies and procedures from the Management and noted the following internal controls are in place:

- i. 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;
- ii. 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 (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;
- iii. 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;
- iv. The loan applications will then be submitted to the credit examining committee, which consists of 5 members. The credit examining committee conducts independent, objective and professional analysis on application and information of loans and group deliberation, as well as offer examination opinions;
- v. 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;
- vi. 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
- vii. Regular internal audit procedures relevant to loans will be conducted by Chinacoal Finance's internal audit department to review and inspect the implementation of internal policies and procedures and compliance with internal rules and regulations.

As stated in the Letter from the Board, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the above, we are of the view that there exist appropriate internal control measures in Chinacoal Finance to safeguard the interest of the Company and its shareholders as a whole.

(B) Existing Annual Caps and Revised Annual Caps

Set out below are the Existing Annual Cap and the Revised Annual Cap for the two years ending 31 December 2016 and 2017:

	Existing Annual Cap		Revised Annual Cap	
	2016	2017	2016	2017
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group and its associates of the Parent under the 2015 Financial Services Agreement	1,000	1,200	4,000	4,500

In arriving at the Revised Annual Cap, the Directors have taken into account the following factors:

- i. The total asset of Chinacoal Finance was RMB21.96 billion, and the balance of interbank term deposit and demand deposit of Chinacoal Finance were RMB10.20 billion and RMB4.64 billion, respectively;
- ii. Chinacoal Finance could only provide loans to the Group and the Parent Group;
- iii. In the year of 2016, the Group, based on its relative abundant funds and good capability to raise working capital, will further compress its scale of debts bearing interests and reduce its borrowings from Chinacoal Finance and other financial institutions in the PRC so as to reduce financial expenses;
- iv. In the year of 2016, PBOC updates its loan management mechanism to a macro and discreet assessment system, which will gradually increase the volume of loans issuable by Chinacoal Finance, enabling it to issue more loans to the Parent Group with capital demands;
- v. the Proposed Revision can increase the interest income of Chinacoal Finance, expand its business scale, improve its capital efficiency, increase the financial income and improve the operation results of the Group as well as achieve overall financial synergy;
- vi. The Parent is committed to becoming a clean energy supplier and a comprehensive energy service provider with strong international competitiveness. During the next five years, the Parent would be devoted to expand its development in non-coal field, actively implement the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

“one belt, one road” strategy, and exploit the overseas markets. The capital requirement of the Parent Group will be primarily obtained from commercial banks, and loans from Chinacoal Finance are expected to be acquired as a supplement;

- vii. The Parent is a central enterprise administered by the State-owned Assets Supervision and Administration Commission of the State Council (the “SASAC”) and the capital contribution was made by the SASAC. Therefore, the Parent Group (including the Group) is widely recognized within commercial banks and other financial institutions, and is currently granted a loan credit line of RMB300 billion;
- viii. As at the date of the Circular, the Parent has not defaulted under any of the loans provided by financial institutions; and
- ix. Chinacoal Finance will conduct annual review on the credit worthiness and loan facility of the Parent Group and associates of the Parent, keep alert of the corporate affairs and control credit limit to strengthen operational risk management.

Taking into account the creditworthiness of the Parent Group and clean repayment history, Chinacoal Finance considers that providing loans to the Parent Group and its associates is a comprehensive, low risk fund investment option and will generate a higher return for the Group than deposits which would have been the only other fund investment option for the Chinacoal Finance given the investment limitation pursuant to its business scope. The Revised Annual Cap represented an increase of RMB3,000 million, or 300.0%, and RMB3,300 million, or 275.0%, from the Existing Annual Cap for the year ending 31 December 2016 and 2017, respectively. In assessing whether the Revised Annual Cap is fair and reasonable, we have also considered the following:

Historical transactions amounts between Chinacoal Finance and the Parent Group and its associates and the existing financial position of Chinacoal Finance

For the year ended 31 December 2015, the historical maximum balance of loans and finance leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group and its associates reached RMB600.8 million, representing over 75% of the Existing Annual Cap for the year ended 31 December 2015. As at 31 December 2015, the loans balance to the Parent Group and its associates amounted to RMB600 million, representing 75% of the Existing Annual Cap for the year ended 31 December 2015. As advised by the Management, the historical transactions were mainly represented by three loans granted by Chinacoal Finance to two subsidiaries of the Parent primarily engaged in (i) coal import and export businesses; coal import and export agency services; and transshipment trade businesses of coal products; and (ii) supply of materials, coal transportation services, personnel training and provision of staff quarter and warehouse services, respectively. We have obtained and reviewed the loan agreements entered into between Chinacoal Finance and the two subsidiaries of the Parent. We noted that the proceeds were primarily used for working capital and the term of the loans were of one year to three years. We also noted that the interest rates Chinacoal Finance charged were between 4.75% to 4.85%, which were the then lowest interest rates prescribed by PBOC and are consistent with the price determination policy of the 2015 Financial Services Framework Agreement. As confirmed by the Management, there were no defaults of the payment for the loans granted during the year ended 31 December 2015.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the audited account of Chinacoal Finance and have discussed with the Management, there were spare cash within Chinacoal Finance during the year ended 31 December 2015, which were deposited into the banks and financial institutions for interest income. As at 31 December 2015, there were demand deposits of RMB4.64 billion and term deposits of RMB10.20 billion. The interest rates of our term deposits and demand deposits range from 0.72% to 3.7%.

As shown in the above historical figures, the interest rates Chinacoal Finance offered to its customers were higher than the interests rates of our term and demand deposits from banks and financial institutions, Chinacoal Finance would be able to generate a higher return by granting loans to its customers than placing the spare cash at banks or financial institutions as deposits. Chinacoal Finance's available funds (including term and demand deposits) amounted to RMB14.84 billion, together with RMB0.6 billion loans already granted to the Parent Group, have significantly exceeded the Existing Annual Cap of RMB1.0 billion for the year ended 31 December 2016 by more than 1,500%. Therefore, we are of the view that the Revised Annual Caps would allow Chinacoal Finance to make better use of the available funds to increase the profitability of Chinacoal Finance and to lower the overall borrowing cost of the Group.

The development of the coal industry in the PRC

Based on our desktop research, coal is still expected to remain China's primary energy source for some period and trends such as urbanization and industrialization would support energy demand growth. However, as a result of the slowing economic growth, the serious imbalance in the PRC's domestic coal market and the PRC government's efforts to curb pollution by imposing even more stringent requirements on emission, coal demand has and will continue to slow down over the next five years. According to the "Thirteenth Five-Year Plan" of China, the PRC government has further strengthened its efforts to transition the energy structure in China from coal to cleaner energy source. The "Thirteenth Five Year Plan" has set a target of increasing non-fossil energy (renewables and nuclear) to at least 15% by 2020. Therefore, the coal industry is expected to experience structural adjustments, restructuring and upgrading, which include eliminating excess production capacity, building larger power plants and encouraging the development of downstream activities.

In view of the aforementioned, we are of the view that it would be necessary for the Parent Group and the Group to develop into a clean energy supplier by not only upgrading existing facilities for cleaner and efficient use of coal but also to explore alternative clean energy supply.

Development and operation plan of the Parent during the next five years

According to the Letter from the Board, the Parent is committed to becoming a clean energy supplier and a comprehensive energy service provider with strong international competitiveness. During the next five years, the Parent will be devoted to expand its development in non-coal field, actively implement the "one belt, one road" strategy, and exploit the overseas markets.

We have obtained the "Thirteenth Five-Year Development Plan" of the Parent and noted the following key development objectives: (i) increase efforts on promoting coal-power-chemical integrated development by accelerating industrial restructuring and transformation and by balancing the construction of new bases and upgrading of old bases to accelerate the use of advanced clean coal

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

technologies for both production and use of coal and for the compliance with stricter environmental criteria for coal-fired power plant; (ii) focusing on exploring and expanding horizontal non-coal business development such as construction, design and consultancy and research and development in both domestic and foreign market to support the PRC's "One Belt and One Road" development strategy; and (iii) explore opportunities for developing new energy, new materials, intelligent manufacturing and cleaner use of energy and materials in order to achieve sustainable development.

As mentioned in the "Thirteenth Five-Year Development Plan" of the Parent, it is expected that a significant amount of capital will be invested into achieving the above-mentioned development objectives from 2016 to 2020. The capital requirement of the Parent will be primarily obtained from commercial banks, and loans from Chinacoal Finance are expected to be acquired as a supplement.

As at the Latest Practicable Date, the two loans amounting to RMB600 million were not yet matured. The remaining Existing Annual Caps of RMB400 million will not be sufficient to cover the robust capital requirements of the Parent above-mentioned. We have discussed with the Management and understand that more than RMB2.0 billion or 50% of the Revised Annual Caps will be granted to the Parent Group for achieving the development strategies set out in the "Thirteen Five-Year Development Plan" of the Parent while the remaining is expected to be granted to other members of the Parent Group and its associates for working capital and other corporate purposes.

The Group is not obliged to make loans to the Parent and it remains the Group's discretion to decide whether or not and as to how much loans to be granted to the Parent Group and its associates after considering (i) the amount of cash and facilities available to Chinacoal Finance at that point of time; and (ii) the Group's own capital needs.

Having considered the aforesaid, in particular (i) Chinacoal Finance's available funds (including term deposits and demand deposits) have significantly exceeded the Existing Annual Cap of RMB1.0 billion for the year ended 31 December 2016 by more than 1,500%; (ii) the interest rates charged to our customers are higher than the interest rates on demand deposits and term deposits in commercial banks and other financial institutions; (iii) there is no obligation for Chinacoal Finance to make loans to the Parent Group and its associates; (iv) the Revised Annual Caps allow Chinacoal Finance to generate a higher return on its assets; and (v) the future plans of the Parent with robust capital needs; we are of the view that bases adopted by the Management in determining the Revised Annual Cap are fair and reasonable so far as the Independent Shareholders are concerned. However, Shareholders should note that the Revised Annual Caps relate to future events and they do not represent a forecast of turnover to be generated from the Continuing Connected Transaction.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(C) Reporting requirements and conditions of the Non-exempt Continuing Connected Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive directors must review the Non-exempt continuing connected transactions and confirm in the annual report and accounts that the continuing connected transactions have been entered into:
 - in the ordinary and usual course of business of the listed issuer’s group;
 - on normal commercial terms or better; and
 - according to the agreement governing them on terms that are fair and reasonable and in the interests of the listed issuer’s shareholders as a whole;
- (b) the listed issuer must engage its auditors to report on the continuing connected transaction every year. The auditors must provide a letter to the listed issuer’s board of directors confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions
 - have not been approved by the listed issuer’s board of director;
 - were not, in all material respects, in accordance with the pricing policies of the listed issuer’s group if the transactions involve the provision of goods or services by the listed issuer’s group;
 - were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
 - have exceeded the annual caps;
- (c) the listed issuer must provide a copy of the auditors’ letter to the Exchange at least 10 business days before the bulk printing of its annual report;
- (d) The listed issuer must allow, and ensure that the counterparties to the continuing connected transactions allow, the auditors sufficient access to their records for the purpose of reporting on the transactions; and
- (e) the listed issuer must promptly notify the Exchange and publish an announcement if the independent non-executive directors and/or the auditors cannot confirm the matters as required. The Exchange may require the listed issuer to re-comply with the announcement and shareholders’ approval requirements and may impose additional conditions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the reporting requirements attached to the Non-exempt Continuing Connected Transactions, in particular, (i) the restriction of the maximum value of the Non-exempt Continuing Connected Transactions by way of the Annual Caps; (ii) the ongoing review by the independent nonexecutive Directors and auditors of the Company of the terms of the Non-exempt Continuing Connected Transactions and the Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Non-exempt Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

IV. RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the 2015 Financial Services Framework Agreement was entered in the ordinary and usual course of business of the Company, and that the terms of the 2015 Financial Services Framework Agreement, including the Proposed Revision, are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Proposed Revision, as detailed in the notice of AGM as set out at the end of the Circular.

Yours faithfully,
For and on behalf of
China Everbright Capital Limited
Alvin Kam
Managing Director

Mr. Alvin Kam is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of China Everbright Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance. Mr. Alvin Kam has over thirteen years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER

As at the Latest Practicable Date, none of the Directors, Supervisors or the chief executive officer of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO), which are required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and to the Hong Kong Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers, to be notified to the Company and the Hong Kong Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors, the Supervisors and the chief executive officer of the Company, as at the Latest Practicable Date, the following persons, other than a Director, a Supervisor, or the chief executive officer of the Company, had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of divisions 2 and 3 of Part XV of the SFO, or, who is directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholders	Number of shares	Class of shares	Nature of Interest	Capacity	Percentage of respective type of shares in issue (%)	Percentage of total shares in issue (%)
China National Coal Group Corporation	7,605,207,608	A Share(s)	N/A	Beneficial owner	83.10	57.36
Funde Sino Life Insurance Co., Ltd.	2,012,858,147	H Share(s)	Long position	Interests of controlled corporation by substantial shareholders	49.01	15.18
BlackRock, Inc.	216,560,280	H Share(s)	Long position	Interest of corporation controlled by the substantial shareholder	5.27	1.63
	8,997,000	H Share(s)	Short position	Interest of corporation controlled by the substantial shareholder	0.22	0.07

Notes:

1. As at the Latest Practicable Date, save as Mr. Li Yanjiang, Mr. Peng Yi, Mr. Liu Zhiyong and Mr. Xiang Xujia, there is no other Director who is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.
2. China Coal Group holds 100% equity interest in China Coal Hong Kong Limited, which in turn holds 132,351,000 H Shares, representing 1.00% of the total issued share capital of the Company. Pursuant to the SFO, China Coal Group is deemed to be interested in the H Shares owned by China Coal Hong Kong Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, the Supervisors and the chief executive officer of the Company, there was no other person (other than the Directors, the Supervisors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors and the Supervisors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group was made up.

5. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and the Supervisors nor their respective associates was interested in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group which would require disclosure under the Hong Kong Listing Rules and none of the Directors and the Supervisors nor their respective associates was materially interested in any contract or arrangement at the Latest Practicable Date which was significant to the business of the Group taken as a whole.

6. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors nor the Supervisors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up, or were proposed to be acquired or disposed of by or leased to any member of the Group. None of the Directors nor the Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

7. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors nor the Supervisors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

8. LITIGATION

As far as the Directors are aware, none of the members of the Group is engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

9. EXPERT'S QUALIFICATION AND CONSENT

China Everbright Capital Limited, as the Independent Financial Adviser, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advices and references to its names in the form and context in which it appear.

The following is the qualification of China Everbright Capital Limited who has given its opinions or advices which are contained in this circular:

Name	Qualification
China Everbright Capital Limited	A corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) regulated activities as defined under the SFO

10. EXPERT'S INTERESTS

As the Latest Practicable Date, China Everbright Capital Limited, did not have any direct or indirect interest in any asset which have been acquired, or disposed of by, or leased to any member of the Group, or which are proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2015, the date to which the latest audited financial statements of the Group were made up; and has no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

11. METHOD OF VOTING AT THE AGM

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the AGM will demand a poll in relation to resolutions to be proposed at the AGM.

12. MISCELLANEOUS

- a) The company secretary of the Company is Mr. Zhou Dongzhou. Mr. Zhou Dongzhou, by virtue of his relevant experiences, has been confirmed capable of discharging the functions of company secretary pursuant to the Rule 3.28 of the Hong Kong Listing Rules and qualified for the position of company secretary under the Hong Kong Listing Rules by the Hong Kong Stock Exchange.
- b) The registered office of the Company is situated at No.1 Huangsidajie, Chaoyang District, Beijing, the PRC.
- c) The H share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited which is situated at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Room 2608, 26th Floor, Office Tower Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong during normal business hours on any business day from the date of this circular up to and including 14 May 2016:

- (a) 2015 Financial Services Framework Agreement;
- (b) the Articles of Association;
- (c) the letter from the Independent Board Committee to the Independent Shareholders as set out in this circular;
- (d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out in this circular;
- (e) the letter of consent from the expert referred to under the paragraph headed "Expert's Qualification and Consent" in this appendix; and
- (f) this circular.

NOTICE OF ANNUAL GENERAL MEETING



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)

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2015 Annual General Meeting (the “AGM”) of the shareholders of China Coal Energy Company Limited (the “Company”) will be held at 2:30 p.m. on Tuesday, 21 June 2016 at China Coal Building, No. 1 Huangsidajie, Chaoyang District, Beijing, the People's Republic of China (the “PRC”), for the purpose of passing the following resolutions:

AS ORDINARY RESOLUTIONS

1. To consider and, if thought fit, to approve the report of the board of directors of the Company for the year ended 31 December 2015.
2. To consider and, if thought fit, to approve the report of the supervisory committee of the Company for the year ended 31 December 2015.
3. To consider and, if thought fit, to approve the audited financial statements of the Company for the year ended 31 December 2015.
4. To consider and, if thought fit, to approve the profit distribution proposal of the Company for the year ended 31 December 2015, namely the proposed non-distribution of final dividend for the year 2015 and non-transfer of capital reserves to increase share capital.
5. To consider and, if thought fit, to approve the capital expenditure budget of the Company for the year ending 31 December 2016.
6. To consider and, if thought fit, to approve the appointment of PricewaterhouseCoopers Zhong Tian LLP, as the Company's domestic auditor and PricewaterhouseCoopers, Certified Public Accountants, as the Company's international auditor for the financial year of 2016 and to authorise the board of directors of the Company to determine their respective remunerations.
7. To consider and, if thought fit, to approve the emoluments of the directors of the third session of the board of the Company and the supervisors of the third session of the supervisory committee of the Company for the year of 2016.

* for identification purpose only

NOTICE OF ANNUAL GENERAL MEETING

8. To consider and, if thought fit, to approve the revision of the annual caps regarding the maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance Co., Ltd.* (中煤財務有限責任公司) to the China National Coal Group Corporation* (中國中煤能源集團有限公司) (the “**Parent**”) and its subsidiaries (excluding the Company and its subsidiaries) as well as associates of the Parent under the 2015 Financial Services Framework Agreement for the two years ending 31 December 2017.

AS SPECIAL RESOLUTIONS

- 9.00 To consider and, if thought fit, to approve the proposed amendments to the articles of association of the Company (the “**Articles of Association**”).
- 9.01 To approve to add the sale of “fertilizer” into the scope of business operations of the Company in the Articles of Association.
- 9.02 To approve to revise the “Audit Committee” in the Articles of Association and its appendix, being Terms of References of the Board, into “Audit and Risk Management Committee”.
10. To consider and, if thought fit, to approve

“**THAT**”

- a) the Board be and is hereby authorized to issue debt financing instruments in the aggregate amount of not more than RMB40 billion (including RMB40 billion, calculated based on the balance outstanding on the instruments issued and, in the case of an instrument denominated in a foreign currency, based on the median price of the exchange rate announced by the People’s Bank of China on the date of such issuance) (the “**Debt Financing Instruments**”) on an one-off or multi-tranche issuances bases, including but not limited to enterprise bonds, corporate bonds, convertible bonds, exchangeable bonds, ultra-short-term financing bonds, short-term financing bonds, medium-term notes, non-public targeted debt financing instruments, project return notes, project return bonds and other domestic and/or overseas debt financing instruments in RMB or foreign currency permitted to be issued by the regulatory authorities;
- b) the Board (which be and is hereby agreed to further authorize the management of the Company) be and is hereby authorized generally and unconditionally, with full power and authority, to deal with the matters in connection with the issuances of the Debt Financing Instruments in accordance with the specific needs of the Company and other capital market conditions in the valid period of the resolutions, including but not limited to:
- i. to decide whether to issue and to determine, modify and adjust the type of issuance, size of issuance, specific term, type and size, detailed terms, conditions and other matters relating to the issuance of the Debt Financing Instruments (including, but not limited to, the issue amount, actual total amount, face value,

NOTICE OF ANNUAL GENERAL MEETING

currency, issue price, interest rate or mechanism for determining the interest rate and whether or not to adjust the interest rate during the duration of the bonds, transfer price, issue place, issue targets, issue timing, term, whether or not to issue in multiple tranches and number of tranches, whether or not to set repurchase, redemption and extension terms, priorities for repayment of creditors, credit rating, security matter, terms and method of repayment of the principal and interests, online and offline issue proportion, specific methods of subscription, whether or not to be listed, where to be listed, specific arrangement of proceeds raised within the scope of use approved by the general meeting, detailed placing arrangements, underwriting arrangements, bonds' listing and all other matters relating to the issuance);

- ii. to carry out all necessary and ancillary actions and procedures relating to the application, issuance, trading and circulation of the Debt Financing Instruments (including, but not limited to, to engage intermediary institutions, handle all approval, enrollment, registration and filing procedures with the relevant regulatory authorities in connection with application, issuance, trading and circulation on behalf of the Company, formulate, sign, execute, revise and complete all necessary documents, contracts/agreements, deeds and other legal documents in connection with application, issuance, trading and circulation, approve, execute and dispatch announcements and circulars relevant to this issuance in accordance with the regulatory rules of the place of listing of the Company as well as make related disclosure in accordance with applicable laws and regulations, select bonds trustee manager for the issuance, formulate rules for the bondholders' meeting and handle any other matters relating to application, issuance, trading and circulation);
- iii. to approve, confirm and ratify the actions and procedures, if any action or procedure in connection with the issuances of the Debt Financing Instruments as mentioned above had been already taken by the Board or the management of the Company;
- iv. to make corresponding adjustments to the detailed proposals and other related matters for the issuance of the Debt Financing Instruments in accordance with the comments from the relevant regulatory authorities or then market conditions within the authorities granted at a general meeting, in the case of any change in policies of regulatory authorities in relation to the issuance or any change of market conditions, except where re-voting at a general meeting is required by any relevant laws and regulations and the Articles of Association;
- v. to determine and handle all relevant matters relating to the trading and circulation of the Debt Financing Instruments upon the completion of the issuance, to formulate, sign, execute, revise and complete all necessary documents, contracts/agreements and deeds in connection with the trading and circulation, and to make related disclosure in accordance with applicable laws and regulations;

NOTICE OF ANNUAL GENERAL MEETING

- vi. in the case of issuance of corporate bonds, during duration of the corporate bonds, to determine not to distribute dividends to the Shareholders and make other decisions to safeguard repayment of debts as required under the relevant laws and regulations in the event that the Company expects to fail, or does fail to pay the principal and coupon interests of such bonds as they fall due; and
- vii. to deal with other matters in relation to the application, issuance, trading and circulation of the domestic and overseas Debt Financing Instruments.

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

As at the date of this notice, the executive directors of the Company are Li Yanjiang and Gao Jianjun; the non-executive directors of the Company are Peng Yi, Liu Zhiyong and Xiang Xujia; and the independent non-executive directors of the Company are Zhang Ke, Zhao Pei, and Ngai Wai Fung.

Beijing, the PRC
29 April 2016

Notes:

1. ELIGIBILITY FOR ATTENDING THE AGM

Holders of H shares of the Company whose names appear on the register of members of the Company maintained by Computershare Hong Kong Investor Services Limited, the H Share registrar and transfer office of the Company in Hong Kong, on Sunday, 22 May 2016 shall be entitled to attend the AGM.

To qualify for attendance and vote at the AGM to be held on Tuesday, 21 June 2016, all transfers of H shares of the Company accompanied by the relevant share certificate must be lodged with Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 20 May 2016.

2. PROXY

- (1) Shareholders entitled to attend and vote at the AGM may appoint one or more proxies in writing to attend and vote at the meeting on his behalf. The proxy need not be a shareholder of the Company.
- (2) A proxy shall be appointed by a shareholder by a written instrument signed by the appointor or his attorney duly authorised in writing. In case of a corporation, the same must be either under its common seal or under hand of its director(s) or duly authorised attorney(s). If the written instrument is signed by an attorney of the appointor, the power of attorney or other documents of authorisation of such attorney shall be notarised.
- (3) To be valid, the notarized power of attorney or other document(s) of authorisation (if any) and the form of proxy shall be delivered to (i) the registered office address of Company for holders of A shares of the Company; and (ii) Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong, for holders of H shares of the Company, no less than 24 hours before the

NOTICE OF ANNUAL GENERAL MEETING

time fixed for convening the AGM or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the meeting if he so desires.

- (4) If a shareholder appoints more than one proxy, such proxies shall only exercise their voting rights by a poll.

3. REGISTRATION PROCEDURES FOR ATTENDING THE AGM

- (1) A shareholder or his proxy shall produce his identification document when attending the AGM. Where a shareholder is a legal person, the legal representative of that shareholder or the person authorised by its board of directors or other governing body shall produce a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.
- (2) Holders of H shares of the Company intending to attend the AGM shall return to Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong the reply slip stating their attendance on or before Tuesday, 31 May 2016.
- (3) Holders of A shares of the Company intending to attend the AGM shall return to the registered office of the Company at No. 1 Huangsidajie, Chaoyang District, Beijing, 100120, the PRC the reply slip stating their attendance.
- (4) A shareholder may return the above reply slip in person, by post or by facsimile to the Company.

4. CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Sunday, 22 May 2016 to Tuesday, 21 June 2016 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attendance and vote at the AGM to be held on Tuesday, 21 June 2016, all transfers of H shares of the Company accompanied by the relevant share certificate must be lodged with Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 20 May 2016.

5. METHOD OF VOTING AT THE AGM

Pursuant to Rule 13.39 (4) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting of the Company must be taken by way of poll. Accordingly, the chairman of the AGM will demand a poll in relation to the resolutions to be proposed at the AGM.

6. MISCELLANEOUS

- (1) The AGM of the Company is expected to be held for less than half a day. Shareholders attending the AGM shall be responsible for their own travelling and accommodation expenses.
- (2) The address of the Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong is situated at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (3) The registered office and the contact details of the Company are:

No. 1 Huangsidajie
Chaoyang District
Beijing, 100120
the PRC
Telephone: (+8610) 8223 6028
Fax: (+8610) 8225 6479