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兗州煤業股份有限公司

YANZHOU COAL MINING COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1171)

**CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED ACQUISITION OF 10% INTEREST IN THE
MOOLARBEN COAL JOINT VENTURE**

Proposed Acquisition

On 27 March 2020, YancoalMoolarben, a wholly-owned subsidiary of Yancoal Australia and an indirect subsidiary of the Company (as Buyer), Yancoal Australia (as guarantor), MCM (another wholly-owned subsidiary of Yancoal Australia and an indirect subsidiary of the Company) and Sojitz (as Seller) entered into the Joint Venture Interest Sale Deed, pursuant to which the Buyer agreed to purchase Sojitz's 10% interest in the Moolarben Coal Joint Venture for a purchase price of A\$300 million (subject to adjustment). Yancoal Australia (through MCM) currently owns an 85% interest in the Moolarben Coal Joint Venture.

Completion of the Proposed Acquisition is expected to occur on or before 31 March 2020 (or such other date as the Buyer and the Seller may agree), as the conditions, namely, Foreign Investment Review Board approval in Australia and waiver or expiry of the pre-emptive rights procedure in relation to the Proposed Acquisition, have been satisfied.

Listing Rules Implications

As at the date of this announcement, Sojitz is interested in 10% of the Moolarben Coal Joint Venture, a subsidiary of Yancoal Australia and an indirect subsidiary of the Company under the Listing Rules. Sojitz is therefore a connected person of the Company at the subsidiary level by virtue of being a substantial shareholder of the Company's indirect subsidiary. Accordingly, the Proposed Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Acquisition is more than 1% but all of the percentage ratios (other than the profits ratio) are less than 5%, pursuant to Rule 14A.76(2)(a) of the Listing Rules, the Proposed Acquisition is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, but is subject to the reporting, announcement and annual review requirements.

I. JOINT VENTURE INTEREST SALE DEED

Background

On 27 March 2020, YancoalMoolarben, a wholly-owned subsidiary of Yancoal Australia and an indirect subsidiary of the Company (as Buyer), Yancoal Australia (as guarantor), MCM (another wholly-owned subsidiary of the Yancoal Australia and an indirect subsidiary of the Company) and Sojitz (as Seller) entered into the Joint Venture Interest Sale Deed pursuant to which the Buyer agreed to purchase the Sale Interest from the Seller.

Date

27 March 2020

Major Terms

(a) Sale Interest

The Sale Interest comprises the Seller's entire 10% interest as a participant of the Moolarben Coal Joint Venture, including its 10% interest in all of the assets of the Moolarben Coal Joint Venture and the right, title and interest, both present and future, in all assets that are held by or on behalf of the Moolarben Coal Joint Venture, but excluding certain excluded assets as set out in the Joint Venture Interest Sale Deed.

(b) Consideration

The consideration payable by the Buyer for the Sale Interest will be A\$300 million (subject to adjustment) and is payable in cash.

The Group intends to finance the consideration payable for the Proposed Acquisition by using (i) part of the net proceeds which the Group received from the global offering and listing of Yancoal Australia's shares on the Stock Exchange which were allocated for potential acquisitions and (ii) internal funds.

The consideration will be paid by the Buyer to the Seller in four instalments as follows:

- (i) A\$50 million on 31 March 2020 (the "**First Instalment**");
- (ii) A\$50 million on 30 June 2020;
- (iii) A\$100 million on 31 December 2020; and
- (iv) A\$100 million on the first anniversary of the Completion Date.

The consideration was determined by the Buyer and the Seller after arms' length negotiations with reference to the current book value of the Moolarben Coal Joint Venture.

Adjustment Amount

To ensure that the Buyer will receive the economic benefit of the Sale Interest from the Effective Time until Completion, the Buyer and the Seller have agreed an adjustment mechanism whereby (i) any joint venture cash call either due or made between the Effective Time and the Completion Date which have been paid by the Seller pursuant to the Moolarben Coal Joint Venture Agreement prior to the Completion Date will result in an adjustment in favour of the Seller minus (ii) any revenues from the sale of coal from the Moolarben mine recognised after the Effective Time and until the Completion Date will result in an adjustment in favour of the Buyer (the "**Adjustment Amount**").

On Completion, a provisional Adjustment Amount, which is based on the Buyer's good faith estimate, will be paid by way of a separate payment and such amount will not be adjusted against the payment of the First Instalment. If the provisional Adjustment Amount is positive, the Buyer will pay such amount to the Seller and if the provisional Adjustment Amount is negative, the Seller will pay such amount to the Buyer.

The final Adjustment Amount will be determined within 20 business days of Completion and any difference between the final and provisional Adjustment Amount will be paid by either the Buyer or the Seller (as the case may be) within 5 business days. If the parties cannot agree on the adjustment amount, then an expert will be appointed to resolve the matters in dispute.

(c) Completion

Completion will take place on or before 31 March 2020, or such other date the Buyer and the Seller may agree in writing, as the conditions, namely, Foreign Investment Review Board approval in Australia and waiver or expiry of the pre-emptive rights procedure in relation to the Proposed Acquisition, have been satisfied.

(d) Guarantee and Indemnity by Yancoal Australia

Yancoal Australia has agreed to guarantee the obligations of the Buyer and MCM under the Joint Venture Interest Sale Deed and indemnify the Seller against the failure of the Buyer or MCM to perform its obligations thereunder. Yancoal Australia has no liability under the guarantee unless and until Completion occurs. Yancoal Australia's liability under the guarantee is capped at A\$250 million and the cap is reduced by the amount of each purchase price instalment received by the Seller after Completion. Yancoal Australia is released and discharged from the guarantee upon payment of the final purchase price instalment to the Seller.

Reasons and benefits for the Proposed Acquisition

Located within the Western Coalfields of New South Wales, the Moolarben mine is a world class low cost, long life open-cut and underground coal asset producing export quality thermal coal. The Moolarben mine was the leading contributor to Yancoal Australia's attributable saleable coal production during 2019. The Proposed Acquisition will enable Yancoal Australia to optimise its high-quality and high-margin assets, so as to improve the financial indicators of Yancoal Australia and maximize the overall benefits of the Group.

Implications of the Listing Rules

As at the date of this announcement, Sojitz is interested in 10% of the Moolarben Coal Joint Venture, a subsidiary of Yancoal Australia and an indirect subsidiary of the Company under the Listing Rules. Sojitz is therefore a connected person of the Company at the subsidiary level by virtue of being a substantial shareholder of the Company's indirect subsidiary. Accordingly, the Proposed Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Acquisition is more than 1% but all of the percentage ratios (other than the profits ratio) are less than 5%, pursuant to Rule 14A.76(2)(a) of the Listing Rules, the Proposed Acquisition is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, but is subject to the reporting, announcement and annual review requirements.

The Directors (including the independent non-executive Directors) consider that the terms of the Joint Venture Interest Sale Deed are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

II. GENERAL

The Joint Venture Interest Sale Deed and the Proposed Acquisition were approved at the thirty-second meeting of the seventh session of the Board held on 27 March 2020.

At the aforesaid Board meeting, none of the Directors was regarded as having a material interest in the abovementioned connected transaction and therefore, none of the Directors has abstained from voting at the aforesaid Board meeting convened for the purpose of approving the Proposed Acquisition.

Information on the Moolarben Coal Joint Venture

As the Moolarben Coal Joint Venture is an unincorporated joint venture, it does not have any share capital. The initial acquisition cost in respect of the Moolarben Coal Joint Venture, being the total application fees initially paid by the participants for obtaining the exploration licenses in accordance with the Australian laws and regulations, was approximately A\$75,210.

As the Moolarben Coal Joint Venture is an unincorporated joint venture, it does not itself earn any revenue or profits. The operating cost incurred by Moolarben Coal Joint Venture for the financial years ended 31 December 2018 and 2019 prepared in accordance with the Australian Accounting Standards were A\$1,026.7 million and A\$1,001.1 million, respectively. Moolarben Coal Sales Pty Ltd (“MCS”), a wholly-owned subsidiary of Yancoal Australia, sells the coal on behalf of the participants of the Moolarben Coal Joint Venture and distributes revenue and profits directly to the participants in proportion to their respective participating interests in the Moolarben Coal Joint Venture. The participants of the Moolarben Coal Joint Venture directly pay the tax on the profits received from MCS and MCS does not include tax in its financial statements. Based on the audited financial statements of MCS for the financial years ended 31 December 2018 and 2019 prepared in accordance with the Australian Accounting Standards, the net profits before taxation and extraordinary items of MCS (which are the amounts received by the participants of the Moolarben Coal Joint Venture) for the financial years ended 31 December 2018 and 2019 are set out below:

	For the year ended 31 December	
	2018	2019
	<i>A\$ (million)</i>	<i>A\$ (million)</i>
Net profit before taxation and extraordinary items	1,894.8	1,535.7

For the financial years ended 31 December 2018 and 2019, the Group had income tax expense of approximately A\$462 million and A\$393 million in respect of its proportion of the revenue received from MCS, respectively.

Based on the audited financial statements of the Moolarben Coal Joint Venture for the financial year ended 31 December 2019 prepared in accordance with the Australian Accounting Standards, the audited net assets of the Moolarben Coal Joint Venture as at 31 December 2019 was approximately A\$1,232 million.

Information on the parties

The Company

The Company is principally engaged in the business of mining, preparation, processing and sales of coal and coal chemicals. The Company's main products are steam coal for use in large-scale power plants, coking

coal for metallurgical production and prime quality low sulphur coal for use in pulverized coal injection.

Yancoal Australia

Yancoal Australia is a controlled subsidiary of the Company and is principally engaged in the production of thermal and metallurgical coal for use in the power generation and steel industries in Asian markets. Yancoal Australia's shares have been listed on the Australian Securities Exchange and the Stock Exchange since 2012 and 2018, respectively.

Yancoal Moolarben

Yancoal Moolarben is a special purpose vehicle established by Yancoal Australia for the purpose of the Proposed Acquisition, and will be the holder of the Sale Interest.

Sojitz

Sojitz is a wholly-owned subsidiary of Sojitz Corporation. Sojitz Corporation is a general trading company and the Sojitz Corporation group is engaged in a wide range of businesses globally, including buying, selling, importing, and exporting goods, manufacturing and selling products, providing services, and planning and coordinating projects, in Japan and overseas. The Sojitz Corporation group also invests in various sectors including those related to automobiles, plants, aerospace, medical infrastructure, energy, mineral resources, chemicals, foodstuff resources, agricultural and forestry resources, consumer goods, and industrial parks. Sojitz Corporation's shares are listed on the Tokyo Stock Exchange.

III. DEFINITIONS

"A Shares"	domestic shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
"A\$"	Australian dollars, the lawful currency of Australia
"Board"	the board of Directors
"Buyer" or "Yancoal Moolarben"	Yancoal Moolarben Pty Ltd, a company incorporated in Australia with limited liability and a wholly-owned subsidiary of Yancoal Australia
"Company"	兗州煤業股份有限公司, Yanzhou Coal Mining Company Limited, a joint stock limited company established under the laws of the PRC in 1997, and the H Shares and A Shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively
"Completion"	completion of the Proposed Acquisition
"Completion Date"	the date on which Completion occurs

"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"Effective Time"	12:00 a.m. on 1 January 2020
"Group"	the Company and its subsidiaries
"H Shares"	overseas listed foreign invested shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
"Joint Venture Interest Sale Deed"	the joint venture interest sale deed entered into between the Buyer, the Company, MCM and Sojitz on 27 March 2020 in relation to the Proposed Acquisition
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Korean Consortium"	a consortium of South Korean companies comprising Korea Resources Corporation, Korea Southern Power Co., Ltd, Korea Midland Power Co., Ltd, Korea Western Power Co., Ltd and Korea South-East Power Corporation, which owns a 5% interest in the Moolarben Coal Joint Venture as at the date of this announcement
"MCM"	Moolarben Coal Mines Pty Ltd, a company incorporated in Australia with limited liability and a wholly-owned subsidiary of Yancoal Australia
"Moolarben Coal Joint Venture"	the unincorporated joint venture which owns the Moolarben mine and which is owned as to 85% by the Company (through MCM), 10% by Sojitz and 5% by the Korean Consortium as at the date of this announcement
"Moolarben Coal Joint Venture Agreement"	the Moolarben Coal Joint Venture Agreement dated 21 September 2007 (as amended and supplemented from time to time) entered into by the participants of the Moolarben Coal Joint Venture
"percentage ratios"	has the same meaning ascribed thereto under the Listing Rules
"PRC"	the People's Republic of China

"Proposed Acquisition"	the proposed acquisition of the Sale Interest by the Buyer pursuant to the Joint Venture Interest Sale Deed
"Remaining Participants"	MCM and the Korean Consortium
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Interest"	the Seller's entire 10% interest as a participant of theMoolarben Coal Joint Venture
"Shareholder(s)"	the shareholder(s) of the Company
"Sojitz" or "Seller"	SojitzMoolarben Resources Pty Ltd, a company incorporated in Australia with limited liability and a wholly-owned subsidiary of Sojitz Corporation
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Yancoal Australia"	Yancoal Australia Limited, a controlled overseas subsidiary of the Company, the shares of which are listed on the Australian Stock Exchange (Stock Code: YAL) and the Stock Exchange (Stock Code: 03668)
"%"	percentage

By order of the Board
Yanzhou Coal Mining Company Limited
Li Xiyong
Chairman

Zoucheng, Shandong Province, the PRC
27 March 2020

As at the date of this announcement, the directors of the Company are Mr. Li Xiyong, Mr. Li Wei, Mr. Wu Xiangqian, Mr. Liu Jian, Mr. Guo Dechun, Mr. Zhao Qingchun and Mr. Guo Jun, and the independent non-executive Directors of the Company are Mr. Kong Xiangguo, Mr. Cai Chang, Mr. Poon Chiu Kwok and Mr. Qi Anbang.