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兗州煤業股份有限公司
YANZHOU COAL MINING COMPANY LIMITED
(在中華人民共和國註冊成立的股份有限公司)
(股份代碼: 1171)

DISCLOSEABLE TRANSACTION

CAPITAL INCREASE IN INNER MONGOLIA MINING

THE CAPITAL INCREASE

Reference is made to the announcement dated 4 September 2020 of the Company in relation to proposed participation of the Company in the capital increase of Inner Mongolia Mining through tender process.

After the expiration of the tender period, the Company, being the only qualified investor, finalised the transaction at the floor tender price of RMB 3,962,289,500. As such, the Company shall contribute RMB 3,962,289,500 to the capital increase of Inner Mongolia Mining and hold 51% equity interests in Inner Mongolia Mining after the Capital Increase. On 28 October 2020, the Company entered into the Capital Increase Agreement with Inner Mongolia Dikuang and Inner Mongolia Mining.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated in accordance with the Hong Kong Listing Rules for the Capital Increase is more than 5% but less than 25%, the Capital Increase constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

I. INTRODUCTION

Reference is made to the announcement dated 4 September 2020 of the Company in relation to

proposed participation of the Company in the capital increase of Inner Mongolia Mining through tender process.

After the expiration of the tender period, the Company, being the only qualified investor, finalised the transaction at the floor tender price of RMB3,962,289,500. As such, the Company shall contribute RMB3,962,289,500 to the capital increase of Inner Mongolia Mining and hold 51% equity interests in Inner Mongolia Mining after the Capital Increase. On 28 October 2020, the Company entered into the Capital Increase Agreement with Inner Mongolia Dikuang and Inner Mongolia Mining.

II. CAPITAL INCREASE

The main contents of the Capital Increase and Capital Increase Agreement are as follows:

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| Date: | 28 October 2020 |
| Parties: | (i) the Company; (ii) Inner Mongolia Dikuang; and (iii) Inner Mongolia Mining. |
| Method of Capital Increase: | <p>The Capital Increase was carried out through a public tender process, with a floor tendering price of RMB3,962,289,500. The Company paid a deposit of RMB300 million to the Inner Mongolia Property Rights Trading Center for the Capital Increase. After the expiration of the tender period, the Parties confirmed that the Company was the winner of the tender process and become the final investor of Inner Mongolia Mining. The final transaction price was RMB3,962,289,500, and the Company thus shall contribute RMB3,962,289,500 to the capital increase of Inner Mongolia Mining and hold 51% equity interests in Inner Mongolia Mining after the Capital Increase.</p> <p>The Parties have agreed that the Company subscribed to the increased registered capital of Inner Mongolia Mining RMB3,568,626,100 at the consideration of RMB3,962,289,500. The amount of RMB393,663,400 exceeding the increased registered capital shall include in the capital reserve of Inner Mongolia Mining, which will be owned by all shareholders of Inner Mongolia Mining in proportion to their respective equity interest upon the completion of the Capital Increase.</p> |
| Pricing: | According to the relevant valuation reports issued by Pan-China, the value of net assets of Inner Mongolia Mining (after divesting the Divesting Assets) on the basis of asset-based approach is RMB1,213,345,800, and the value of Inner Mongolia Mining's share of the mining right of Yingpanhao Mine is RMB2,593,559,800 according to the discount cash flow approach (excluding the first tranche of mining right assignment fees and being |

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| | valued at RMB585,842,700)(Calculation: RMB7,314,015,300 * percentage of interest in resources 43.47% - RMB585,842,700). Thus, the value of Inner Mongolia Mining is RMB3,806,905,600; and the value of 51% equity interests in Inner Mongolia Mining is RMB3,962,289,500. |
| Payment: | <p>The Parties agree that the consideration shall be paid as stipulated below:</p> <ol style="list-style-type: none"> 1. Within 15 working days after the signing of the Capital Increase Agreement, both the Company and Inner Mongolia Dikuang shall apply to the Inner Mongolia Property Right Exchange Center to transfer the paid deposit of RMB300,000,000 to Inner Mongolia Dikuang as part of the consideration of the Capital Increase; 2. Within 15 working days after the signing of the Capital Increase Agreement, the Company shall pay the remaining 30% of the total consideration, being RMB1,098,686,850; 3. The remaining amount of the consideration, being RMB2,563,602,650 (if the relevant guarantee mentioned in the Capital Increase Agreement cannot be released in time, the amount involved in the guarantee shall be dealt with in accordance with the "Guarantee" section), shall be paid by the Company within 15 working days from the date when all the following conditions are fulfilled: <ul style="list-style-type: none"> (1) The Capital Increase and the formalities of increasing registered capital of Inner Mongolia Mining to RMB6,997,306,100 (the Company's capital contribution is RMB3,568,626,100) are completed, which shows that the Company holds 51% equity interests in Inner Mongolia Mining; the Inner Mongolia Mining and Inner Mongolia Dikuang register and file with the company registration authority for the revised articles of association of Inner Mongolia Mining for the capital increase, as well as the director(s), supervisor(s), senior management appointed/nominated by the Company to Inner Mongolia Mining; (2) All special matters (as illustrated below) involved in the Capital Increase as stipulated in the Capital Increase Agreement have been completed. |
| Closing: | <p>The Parties confirm that, one day after the effective date of the Capital Increase Agreement shall be the date of closing. Inner Mongolia Dikuang and Inner Mongolia Mining are responsible for handling the relevant closing procedures with the Company, including but not limited to:</p> <ol style="list-style-type: none"> 1. signing the revised articles of association of Inner Mongolia Mining by both the Company and Inner Mongolia Dikuang for the Capital Increase |

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| | <p>and recording the 51% equity interests held by the Company in the Inner Mongolia Mining's shareholder register as well as the corresponding capital contribution;</p> <ol style="list-style-type: none"> 2. handing over the business licenses and all other certificates, qualifications, account books, chop(s), seals, asset lists and asset ownership certificates of Inner Mongolia Mining and its subsidiaries to the Company or its designated personnel; and 3. handing over all documents related to the assets and subsidiaries of Inner Mongolia Mining, such as approval documents, to the Company or its designated personnel. <p>Since date of closing, the Company shall become a shareholder of Inner Mongolia Mining holding 51% of equity interests and entitle to shareholders' rights and assume obligations in proportion to its shareholding.</p> |
| <p>Profit and Loss during Transition Period:</p> | <p>During the period from the Valuation Benchmark Date to the date of closing, the increase or decrease in net assets realized by Inner Mongolia Mining shall be borne by the Inner Mongolia Mining after Capital Increase (subject to the confirmation in the audit report). If the last day of the transition period is not the last calendar day of the relevant month, the newly-added profit and loss attributable to the transition period in the relevant month is the arithmetic average of the daily profit and loss calculated on the number of the calendar days of the month multiplied by the number of calendar days in the transition period in the relevant month.</p> |
| <p>Arrangement of Special Matters:</p> | <ol style="list-style-type: none"> 1. Debt settlement: Inner Mongolia Dikuang and Inner Mongolia Mining agree and undertake to complete the offsetting and settling of each other's debt obligations within 5 working days after the date of the Capital Increase Agreement. <p>After the debt offsetting between Inner Mongolia Dikuang and Inner Mongolia Mining, the remaining debt amount of Inner Mongolia Dikuang to Inner Mongolia Mining is approximately RMB170 million (the actual amount at the time of the offsetting between the two parties prevails). Inner Mongolia Dikuang and Inner Mongolia Mining shall sign a loan agreement for the above amount with a term of one year and an annual interest rate of 6.00%; after the expiration of the term, if Inner Mongolia Dikuang is unable to repay, it agrees to sell its 39.50% equity interests in Inner Mongolia Yitai CTL Co., Ltd., and pay such debt first with the equity transfer consideration; as an alternative, or Inner Mongolia Dikuang may transfer its equity interests in its affiliates of the same value to Inner Mongolia Mining at nil consideration.</p> <p>Before the expiration of such debt, if Inner Mongolia Dikuang disposes of its</p> |

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| | <p>equity interests in Inner Mongolia Yitai Coal Co., Ltd., it shall first repay the debt mentioned in the preceding paragraph with relevant proceeds.</p> <p>2. Release of encumbrances on the equity interests: Inner Mongolia Dikuang undertakes and guarantees that the encumbrances on the pledged and frozen equity interests in Inner Mongolia Mining held by Inner Mongolia Dikuang will be released within 5 days from the signing date of the Capital Increase Agreement.</p> <p>3. Disposal of the Divested Assets: Inner Mongolia Dikuang and Inner Mongolia Mining warrant that the complete divestiture of the Divested Assets shall be completed within 5 days from the signing date of the Capital Increase Agreement and the divestiture of the divested assets shall not create any burden, obligation, loss, liability or responsibility to Inner Mongolia Mining and its affiliates (excluding the Divested Assets).</p> <p>4. Personnel placement: All existing employees of the Inner Mongolia Mining (except for those who resign voluntarily) are transferred as the employees of the Inner Mongolia Mining after the Capital Increase.</p> |
| <p>Arrangement of the Guarantee:</p> | <p>On 25 September 2018, Inner Mongolia Mining entered into a guarantee agreement with Minsheng Bank, pursuant to which Inner Mongolia Mining provided joint and several liability guarantee for debts under the loan agreement between Inner Mongolia Geological Survey Co., Ltd, a wholly-owned subsidiary of Inner Mongolia Mining and Minsheng Bank. The scope of guarantee covered the principal and interest of such loan agreement. The guarantee period is two years from the date when the debtor's debt performance period as stipulated in the loan agreement expires; the debtor's debt performance period as stipulated in the loan contract is from 25 September 2018 to 25 September 2023.</p> <p>As at the date of the Capital Increase Agreement, the remaining principal amount of the aforesaid loan agreement is RMB400 million, the relevant interests is RMB29,600,000 and the aggregated amount is RMB429,600,000.</p> <p>Handling measures: Inner Mongolia Dikuang shall allocate funds as soon as possible to repay all the principal and interests under the aforesaid loan agreement in advance, so as to release the joint and several guarantee obligations of Inner Mongolia Mining.</p> <p>Prior to the release of joint guarantee obligations of Inner Mongolia Mining by Inner Mongolia Dikuang in the above manner, the Company shall not pay the equivalent amount of RMB429.6 million for the Capital Increase consideration to Inner Mongolia Mining. Within 5 working days from the date when Inner Mongolia Dikuang releases the joint and several guarantee obligations of Inner Mongolia Mining in the aforesaid manner, the Company</p> |

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| | <p>shall pay the Capital Increase consideration of RMB429.6 million to the account of Inner Mongolia Mining in full.</p> <p>The Company, Inner Mongolia Dikuang and Inner Mongolia Mining agree that if Inner Mongolia Dikuang fails to release the joint and several guarantee obligations of Inner Mongolia Mining and causes Inner Mongolia Mining to actually assume the repayment obligation, the actual repayment amount of Inner Mongolia Mining shall be deemed as capital reduction from Inner Mongolia Dikuang, the Company shall no longer pay RMB429.6 million to Inner Mongolia Mining and reduce its share in the registered capital in the same proportion at that time. Inner Mongolia Dikuang and Inner Mongolia Mining shall unconditionally cooperate in the capital reduction process, and the shareholding ratios of the Company and Inner Mongolia Dikuang in Inner Mongolia Mining will remain unchanged in that circumstances.</p> |
| <p>Breach Liabilities:</p> | <p>1. In the event that the Inner Mongolia Dikuang and the Inner Mongolia Mining fail to complete the relevant matters in accordance with the arrangement of special matters in respect of the Capital Increase pursuant to the Capital Increase Agreement, the Company shall have the right to unilaterally terminate the Capital Increase Agreement, and it shall be deemed as failure to complete the Capital Increase due to the reasons caused by Inner Mongolia Mining. The Company shall no longer pay the Capital Increase consideration, Inner Mongolia Dikuang shall return the Capital Increase consideration paid (including the deposit) within 3 working days from the date of receipt of the Company's cancellation notice, and Inner Mongolia Dikuang shall be jointly and severally liable for the return of the aforesaid amount.</p> <p>2. If, for whatever reason, the Company has made the actual payment in accordance with the Capital Increase Agreement, but Inner Mongolia Dikuang and Inner Mongolia Mining fail to complete the registration procedures for the change of shareholding in connection with the Capital Increase and the registration procedures for the change of the articles of association, directors, supervisors and senior management of the Company within the time limit set out in the Capital Increase Agreement, the Company shall have the right to terminate the Capital Increase Agreement. The Capital Increase consideration (including the deposit) and the interest on bank loans for the same period shall be refunded in full by Inner Mongolia Dikuang to the Company within 3 working days from the date of receipt of the written notice. Inner Mongolia Dikuang shall be jointly and severally liable for the repayment of the aforesaid amount..</p> |

III. VALUATION OF THE MINING RIGHT OF YINGPANHAO MINE

According to the relevant regulations in the PRC, the Valuation Report on the mining right of

Yingpanhao Mine shall be prepared in accordance with the discounted cash flow approach. The Valuation Report on the mining right of Yingpanhao Mine is issued by Pan-China, a qualified independent valuation firm in the PRC, and the assumptions adopted are set out as follows:

1. The policies, laws and systems that are in place will remain unchanged and there will be no material changes in the social, political, economic context and coal selection and washing techniques and conditions;
2. The market conditions set by the evaluation are fixed at the time point of the Valuation Benchmark Date; that is, the market environment and production capacity at the time of the valuation of mining right are based on the market level and the set productivity level on the Valuation Benchmark Date;
3. The production method, investment production plan, and product plan set by the valuation target remain unchanged and the valuation target continues to operate during the valuation calculation period;
4. Balanced production and sales; that is, it is assumed that all products produced each year are sold in the relevant period;
5. The valuation updated funds of the mining right of Yingpanhao Mine is estimated adopting the unvariable price principle;
6. There are no other material impacts arising from force majeure and unforeseen factors;
7. Assuming that the Yingpanhao Mine completes the exploration and mining procedures on schedule, and obtains the relevant procedures and certificates for mining;
8. Yingpanhao Mine will complete the survey, construction and production within the scheduled follow-up survey period, construction period, and production period.

According to the Valuation in the Valuation Report, the aggregate appraised value of the mining right of Yingpanhao Mine is RMB7,314,015,300. Since Inner Mongolia Mining holds 43.37% of the total resources of Yingpanhao Mine, the mining right of Yingpanhao Mine held is correspondingly valued at RMB2,593,559,800 according to the discounted cash flow approach (excluding the 20% first tranche of mining right assignment fees of RMB585,842,700).

IV. 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.

Inner Mongolia Dikuang

Inner Mongolia Dikuang is a company incorporated in the PRC with limited liability, and its principal business includes mining rights management, investment management and mineral geological survey and exploration. The ultimate beneficial owner of Inner Mongolia Dikuang is the State-owned Assets Supervision and Administration Commission of the People's Government of Inner Mongolia Autonomous Region.

To the Directors' knowledge and belief, and having made all reasonable enquiries, Inner Mongolia and its respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Inner Mongolia Mining

Inner Mongolia Mining is a company incorporated in the PRC with limited liability, and its principal business is investment and management of mineral resources and sales of mineral products and import and export trading. Before the Capital Increase, Inner Mongolia Mining is a wholly-owned subsidiary of Inner Mongolia Dikuang. Following the Capital Increase, the shareholding structure of Inner Mongolia Mining is as follows:

| Name of shareholder | Capital contribution (RMB0'000) | Actual amount of capital contribution (RMB0'000) | Proportion of equity interests | Form of contribution |
|------------------------|------------------------------------|---|--------------------------------|----------------------|
| The Company | 356,862.61 | 356,862.61 | 51% | Cash |
| Inner Mongolia Dikuang | 342,868 | 342,868 | 49% | Cash |

Upon the completion of the Capital Increase, Inner Mongolia Mining will become a subsidiary of

the Company, and will be consolidated into the financial statements of the Company. The following table sets forth the audited consolidated financial information of Inner Mongolia Mining for two financial years ended 31 December 2019 prepared under the China Accounting Standards for Business Enterprises:

| | For the year ended 31 December 2018 | For the year ended 31 December 2019 |
|-----------------------|--|--|
| | <i>(RMB)</i> | <i>(RMB)</i> |
| Net profit before tax | (910,050,300) | (614,632,600) |
| Net profit after tax | (916,372,700) | (620,952,100) |

V. BENEFITS OF AND REASONS FOR THE TRANSACTION

The Capital Increase shall benefit the Company as follows:

- (I) The Capital Increase is conducive to the synergy advantage, mutual benefit and win-win cooperation of the Company and Inner Mongolia Mining. On the one hand, the Company can utilize the coal resources, nonferrous metal resources and the coordination platform of Inner Mongolia Mining to upgrade the industry structure of the Company; on the other hand, the Capital Increase can give full play to the Company's advantages in human resources, capital, technology, management and other aspects and to launch a batch of comprehensive demonstration projects integrating coal, coal chemicals and power generation businesses.
- (II) The Capital Increase is conducive to developing the Shaanxi-Inner Mongolia Base into a strategic core base of the Company. The Capital Increase can expand the coal resources reserve of the Company in the Shaanxi-Inner Mongolia Base and improve its sustainability. The Capital Increase can strengthen the Shaanxi-Inner Mongolia Base and make it a strategic core region absorbing industries, talents and economic benefits to support the development of the Company.
- (III) The Capital Increase is conducive to the absolute control of Yingpanhao Company, a subsidiary of the Company. Inner Mongolia Mining owns 984.11 million tons of reserve in the Yingpanhao Coal Mine, accounting for 43.47% of the entire reserve. The Capital

Increase can ensure the Company's absolute control of Yingpanhao Company and provide guarantee to resources development and project operation.

The Directors are of the view that the Capital Increase Agreement is entered into on normal commercial terms, is fair and reasonable and in the interests of the Company and Shareholders as a whole.

VI. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated in accordance with the Hong Kong Listing Rules for the Capital Increase is more than 5% but less than 25%, the Capital Increase constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

VII. DEFINITIONS

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| “Board” | the board of directors of the Company |
| “Capital Increase” | the capital increase of Inner Mongolia Mining contemplated under the Capital Increase Agreement |
| “Capital Increase Agreement” | the agreement regarding the Capital Increase of Inner Mongolia Mining entered into between the Company, Inner Mongolia Dikuang and Inner Mongolia Mining on 28 October 2020 |
| “Company” | Yanzhou Coal Mining Company Limited (兗州煤業股份有限公司), a joint stock limited company established under the laws of PRC in 1997, and the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively |
| “Divested Assets” | the equity interests or interests in Shenhua Xinjie Energy Co., Ltd., Inner Mongolia Yitai CTL Co., Ltd., Inner Mongolia Mining International Co., Ltd., Inner Mongolia Mining Wubulin Water Supply Co., Ltd., Inner Mongolia Mining Group Green Energy Non-ordinary Natural Gas Exploitation and Development Co., Ltd., Inner Mongolia Mining Assets Management Co., Ltd. and Inner Mongolia Mining Group Xing'an Energy and Chemicals Co., Ltd. held by Inner Mongolia Mining |

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| “Group” | the Company and its subsidiaries |
| “Hong Kong Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Minsheng Bank” | Beijing Branch of China Minsheng Banking Corp., Ltd. |
| “Inner Mongolia Dikuang” | Inner Mongolia Geological Mining (Group) Company Limited (內蒙古地質礦產（集團）有限責任公司) |
| “Inner Mongolia Mining” | Inner Mongolia Mining (Group) Company Limited (內蒙古礦業(集團)有限公司) |
| "Parties" | the parties to the Capital Increase Agreement |
| “PRC” | the People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Pan-China” | Pan-China Appraisal Co., Ltd. |
| “Valuation Benchmark Date” | the valuation benchmark date of the Valuation Report, being 31 October 2019 |
| “Valuation Report” | the valuation report on the coal resources mining right of Yingpanhao Mine (Tian Xing Kuang Ping Zi (2020) No. 0011) issued by Pan-China Appraisal Co., Ltd. adopting the discounted cash flow approach |
| “Yingpanhao Mine” | Yingpanhao Mine located in Nalinhe Mining Area, Dongsheng Coalfield, Inner Mongolia Autonomous Region |
| “Yingpanhao Company” | Erdos Yingpanhao Coal Co., Ltd. |
| “%” | per cent |

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

Zoucheng, Shandong Province, the PRC
28 October 2020

As at the date of this announcement, the directors of the Company are Mr. Li Xiyong, Mr. Wu Xiangqian, Mr. Liu Jian, Mr. Zhao Qingchun, Mr. He Jing and Mr. Wang Ruolin, and the independent non-executive directors of the Company are Mr. Tian Hui, Mr. Zhu Limin, Mr. Cai Chang and Mr. Poon Chiu Kwok.