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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE DEEMED DISPOSAL OF
40.8% EQUITY INTERESTS IN HAINAN INTELLIGENT LOGISTICS**

THE TRANSACTION

The Board is pleased to announce that, on 23 October 2020, the Company entered into the Capital Increase Agreement with Yankuang Group, Taizhong Property, Huaneng Fuel and Hainan Intelligent Logistics. Pursuant to the Capital Increase Agreement, Hainan Intelligent Logistics, a subsidiary of the Company, will increase its registered capital by RMB400 million at the capital increase price determined by the appraised value of total shareholders' equity (i.e. RMB1.4084 per share); the Company and Huaneng Fuel, as the existing shareholders of Hainan Intelligent Logistics, will waive their pre-emptive rights to increase capital to Hainan Intelligent Logistics; Taizhong Property, as an existing shareholder of Hainan Intelligent Logistics, will contribute RMB247.8784 million to Hainan Intelligent Logistics (of which RMB176.00 million will be deemed to be the increased registered capital of Hainan Intelligent Logistics); and Yankuang Group, as a newly-introduced shareholder of Hainan Intelligent Logistics, will contribute RMB315.4816 million to Hainan Intelligent Logistics (of which RMB224.00 million will be deemed to be the increased registered capital of Hainan Intelligent Logistics). Immediately after the Transaction, Hainan Intelligent Logistics will cease to be a subsidiary of the Company.

LISTING RULES IMPLICATION

After the Transaction, the Company's shareholding in Hainan Intelligent Logistics will decrease from 51% to 10.2% and thus the Transaction constitutes a deemed disposal under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio of the Transaction is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

In addition, Yankuang Group is the controlling shareholder of the Company. As of the date of this announcement, Yankuang Group holds directly and indirectly approximately 56.01% of the shares of the Company. In accordance with the Listing Rules, Yankuang Group is a connected person of the Company. As the highest applicable percentage ratio in respect of the Transaction is more than 5%, the Transaction also constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Company has established an Independent Board Committee comprising all independent non-executive Directors to advise the Independent Shareholders on the Transaction. Donvex Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Transaction.

GENERAL

The Company will convene an EGM to propose relevant resolution to seek the approval of Independent Shareholders for the transaction under the Capital Increase Agreement. Yankuang Group and its associates will abstain from voting on the resolution to approve the Capital Increase Agreement and the transaction contemplated thereunder.

A circular containing, among other things, (i) further information on the Transaction; (ii) summary of the Asset Valuation Report on Hainan Intelligent Logistics; (iii) a letter from the Independent Board Committee of the Company to the Independent Shareholders in relation to the Transaction; (iv) a letter of advice from Donvex Capital to the Independent Board Committee and the Independent Shareholders; and (v) other information as required by the Listing Rules, is expected to be despatched to the Shareholders on or before 20 November 2020, which is more than 15 business days after the publication of this announcement, as more time is needed for the preparation of certain information to be included in the circular.

I. INTRODUCTION

The Board is pleased to announce that, on 23 October 2020, the Company entered into the Capital Increase Agreement with Yankuang Group, Taizhong Property, Huaneng Fuel and Hainan Intelligent Logistics. Pursuant to the Capital Increase Agreement, Hainan Intelligent Logistics, a subsidiary of the Company, will increase its registered capital by RMB400 million at the capital increase price determined by the appraised value of total shareholders' equity (i.e. RMB1.4084 per share); the Company and Huaneng Fuel, as the existing shareholders of Hainan Intelligent Logistics, will waive their pre-emptive rights to increase capital to Hainan Intelligent Logistics; Taizhong Property, as an existing shareholder of Hainan Intelligent Logistics, will contribute RMB247.8784 million to Hainan Intelligent Logistics (of which RMB176.00 million will be deemed to be the increased registered capital of Hainan Intelligent Logistics); and Yankuang Group, as a newly-introduced shareholder of Hainan Intelligent Logistics, will contribute RMB315.4816 million to Hainan Intelligent Logistics (of which RMB224.00 million will be deemed to be the increased registered capital of Hainan Intelligent Logistics). Immediately after the Transaction, Hainan Intelligent Logistics will cease to be a subsidiary of the Company.

II. THE TRANSACTION

On 23 October 2020, the Company entered into the Capital Increase Agreement with Yankuang Group, Taizhong Property, Huaneng Fuel and Hainan Intelligent Logistics. The principal terms of the Capital Increase Agreement are summarized as follows:

Date: 23 October 2020

Parties: The Company;
Yankuang Group;
Taizhong Property;
Huaneng Fuel; and
Hainan Intelligent Logistics

Yankuang Group is the controlling shareholder and a connected person of the Company. To the Directors' knowledge, information and belief, and having made all reasonable enquiries, Taizhong Property, Huaneng Fuel and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Transaction: The parties intend to increase the registered capital of Hainan Intelligent Logistics by RMB400 million in cash:

1. The Company waives the pre-emptive rights in respect of the Transaction, and agrees to introduce Yankuang Group as a new shareholder of Hainan Intelligent Logistics to subscribe for the partial capital increase;

2. Huaneng Fuel waives the pre-emptive rights in respect of the Transaction, and agrees to introduce Yankuang Group as a new shareholder of Hainan Intelligent Logistics to subscribe for the partial capital increase;
3. Taizhong Property exercises the pre-emptive rights in respect of the Transaction and subscribes for 50% of the pre-emptive rights in respect of the Transaction waived by Huaneng Fuel, and agrees to introduce Yankuang Group as a new shareholder of Hainan Intelligent Logistics to subscribe for the partial capital increase;
4. Yankuang Group, as a new shareholder of Hainan Intelligent Logistics, subscribes for the pre-emptive rights in respect of the Transaction waived by the Company and 50% of the pre-emptive rights in respect of the Transaction waived by Huaneng Fuel.

Consideration: Yankuang Group and Taizhong Property shall contribute RMB315.4816 million and RMB247.8784 million to Hainan Intelligent Logistics in cash, respectively.

Payment: The actual paid-in capital increase shall be completed within 30 Working Days after the Capital Increase Agreement takes effect.

Conditions precedent: The Capital Increase Agreement shall take effect upon the fulfilment of the following conditions:

1. The legal representatives or authorized representatives of the parties have signed and affixed their official seals;
2. All parties have completed the internal approval procedures.

Closing: 1. The Company shall perform the closing of the Transaction within 5 Working Days after the Capital Increase Agreement becomes effective or on any other date as unanimously agreed by Yankuang Group and the Company.

2. In terms of the unsettled loans, guarantees and other non-operating capital exchanges Hainan Intelligent Logistic has with the Company and member units of the Company, Hainan Intelligent Logistics shall prior to the closing: (1) repay the relevant loans and interests to the Company and its member units in accordance with the commercial terms stipulated in the loan contract/agreement, regardless of whether the loans are due; (2) release the guarantee provided by the Company and its member units for Hainan Intelligent Logistics; (3) settle other non-operating capital exchanges with the Company and its member units to ensure compliance with listing regulatory requirements.
3. Prior to the closing, Hainan Intelligent Logistics shall not have new loans, guarantees and other non-operating capital exchanges with the Company and its member units.

Basis of Determination of the Consideration

The consideration under the Capital Increase Agreement was determined with reference to the result of asset valuation of Hainan Intelligent Logistics, and after arm's length negotiations among the parties based on the principle of fairness. The Company has entrusted Shanghai Orient to prepare the Asset Valuation Report of Hainan Intelligent Logistics, which will be included in the circular to be despatched to the Shareholders regarding the Transaction. Pursuant to the Asset Valuation Report, as at 31 May 2020, being the valuation benchmark date, the book value of total shareholders' equity of Hainan Intelligent Logistics was RMB117.23 million, and the appraised value of total shareholders' equity using the asset-based approach was RMB140.84 million, with an appraised appreciation of RMB23.61 million and an appreciation rate of 20.14%. Based on the above, the Directors (excluding independent non-executive Directors, who will express their views after considering the opinions of Independent Financial Adviser) are of the view that the consideration under the Capital Increase Agreement is fair and reasonable.

III. INFORMATION ON THE PARTIES OF THE TRANSACTION

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.

Yankuang Group

Yankuang Group is a large-scale state-owned enterprise mainly engaged in the mining and trading of coal, supplemented by coal chemical industry, electromechanical equipment manufacturing, electrolytic aluminum (which is gradually transitioning to deep processing of aluminum profiles), material sales, engineering construction and other industries, of which coal business is its core business. As one of the leading enterprises in the coal industry of the PRC, Yankuang Group is a leading enterprise in the energy industry in Shandong Province.

Taizhong Property

Taizhong Property is a group company established in the PRC principally engaged in energy trade, investment and finance. Its controlling shareholder, Mount East Holding Pty Ltd, is a company established in Australia whose principal business is the international trade of bulk commodities such as energy, metals and agricultural products.

Huaneng Fuel

Huaneng Fuel is a limited liability company established in the PRC with coal wholesale, import and export, and warehousing services as its principal business, and with China Huaneng Group Co., Ltd. being its actual controller. China Huaneng Group Co., Ltd. is a large state-owned enterprise principally engaged in power development, investment, construction, operation and management, and production and sales of electric power (heat).

Hainan Intelligent Logistics

As at the date of this announcement, Hainan Intelligent Logistics is a controlled subsidiary of the Company. It was incorporated in Haikou, Hainan Province on 27 September 2018 and with a registered capital of RMB100 million. It is principally engaged in bonded warehousing, storage and transportation, and coal wholesale operations; supply chain management; coal supply chain consulting services; sales of cotton, unprocessed beans, coke and fuel oil, mineral products, general equipment, special equipment, and other businesses.

The audited consolidated major financial data of Hainan Intelligent Logistics and its two subsidiaries as at 31 December 2018 and 2019 and 31 May 2020, prepared in accordance with Chinese accounting standards, are summarized as follows:

RMB0'000

	For the year ended		For the
	31 December		five months
	2018	2019	ended 31 May
			2020
Operating income	335.94	506,981.25	349,308.13
Total profit	25.66	2,083.51	623.33
Net profit	23.08	1,387.63	357.70
	As at 31 December		As at 31 May
	2018	2019	2020
Total assets	46,175.31	295,171.50	463,977.07
Total liabilities	36,152.24	283,760.79	452,208.66
Net assets	10,023.07	11,410.71	11,768.41

The audited major financial data of Hainan Intelligent Logistics as at 31 December 2018 and 2019 and 31 May 2020, prepared in accordance with Chinese accounting standards, are summarized as follows:

RMB0'000

	For the year ended		For the
	31 December		five months
	2018	2019	ended 31 May
			2020
Operating income	335.94	506,929.89	349,233.82
Total profit	25.66	2,054.38	591.65
Net profit	23.08	1,365.88	334.21
	As at 31 December		As at 31 May
	2018	2019	2020
Total assets	46,175.31	295,130.18	429,467.33
Total liabilities	36,152.24	283,741.22	417,744.16
Net assets	10,023.07	11,388.96	11,723.17

Subsequent to the Transaction, the registered capital of Hainan Intelligent Logistics will amount to RMB500 million. As at the date of this announcement and immediately after the Transaction, the shareholding structure of Hainan Intelligent Logistics is/will be as follows:

RMB0'000

Shareholder	As at the date of this announcement		Immediately after the Transaction	
	Capital contribution	Capital contribution ratio	Capital contribution	Capital contribution ratio
The Company	5,100	51%	5,100	10.2%
Taizhong Property	3,900	39%	21,500	43%
Huaneng Fuel	1,000	10%	1,000	2%
Yankuang Group	—	—	22,400	44.8%
Total	10,000	100%	50,000	100%

IV. BENEFITS OF AND REASONS FOR THE TRANSACTION

The gross profit margin and cash flow contribution of Hainan Intelligent Logistics are relatively low. The Transaction will benefit the Company in further optimizing its industrial layout, focusing on the development of its principal businesses, and enhancing its core competitiveness. The Transaction has a relatively small impact on the total profit of the Company, which is in line with the Company's development strategies and in the interests of all Shareholders.

V. FINANCIAL IMPACT OF THE TRANSACTION ON THE COMPANY

Immediately after the Transaction, Hainan Intelligent Logistics will cease to be a subsidiary of the Company, and its accounts will no longer be consolidated into the accounts of the Group.

As equity method will be adopted by the Group to account for Hainan Intelligent Logistics after the Transaction in accordance with Chinese accounting standards, the Transaction has no impact on the Group's profit or loss for the current period, and has no material impact on the Group's assets and liabilities.

The exact financial impact of the Transaction is subject to the review by the Company's auditors.

VI. APPROVAL FROM THE BOARD

The Transaction was considered and approved at the sixth meeting of the eighth session of the Board of the Company on 23 October 2020. Li Xiyong and Wu Xiangqian, the related Directors of the Company, abstained from voting on the resolution relating to the Transaction, and the non-related Directors voted thereof. The Board of the Company are of the view that the Capital Increase Agreement is fair and reasonable, and is entered into on normal commercial terms or better, and in the interests of the Company and Shareholders as a whole.

VII. LISTING RULES IMPLICATIONS

After the Transaction, the Company's shareholding in Hainan Intelligent Logistics will decrease from 51% to 10.2% and thus the Transaction constitutes a deemed disposal under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio of the Transaction is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

In addition, Yankuang Group is the controlling shareholder of the Company. As of the date of this announcement, Yankuang Group holds directly and indirectly approximately 56.01% of the shares of the Company. In accordance with the Listing Rules, Yankuang Group is a connected person of the Company. As the highest applicable percentage ratio in respect of the Transaction is more than 5%, the Transaction also constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

VIII. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion and advice contained in this announcement.

Name	Qualification
Shanghai Orient Appraisal Co., Ltd.	Qualified independent valuer in the PRC

To the Directors' knowledge and belief, as at the date of this announcement, the above expert is not beneficially interested in the Company and its subsidiaries nor does it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company and its subsidiaries.

As at the date of this announcement, the above expert did not have any direct or indirect interest in any assets which have been since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to the Company and its subsidiaries.

The expert mentioned above has given and has not withdrawn its consent to the publication of this announcement with inclusion of its letter, report or statement(s) and all references to its name and logo in the form and context in which it appears.

IX. INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Company has established an Independent Board Committee comprising all independent non-executive Directors to advise the Independent Shareholders on the Transaction. Donvex Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Transaction.

X. GENERAL

The Company will convene an EGM to propose relevant resolution to seek the approval of Independent Shareholders for the transaction under the Capital Increase Agreement. Yankuang Group and its associates will abstain from voting on the resolution to approve the Capital Increase Agreement and the transaction contemplated thereunder.

A circular containing, among other things, (i) further information on the Transaction; (ii) summary of the Asset Valuation Report on Hainan Intelligent Logistics; (iii) a letter from the Independent Board Committee of the Company to the Independent Shareholders in relation to the Transaction; (iv) a letter of advice from Donvex Capital to the Independent Board Committee and the Independent Shareholders; and (v) other information as required by the Listing Rules, is expected to be despatched to the Shareholders on or before 20 November 2020, which is more than 15 business days after the publication of this announcement, as more time is needed for the preparation of certain information to be included in the circular.

XI. DEFINITIONS

“A Share(s)”	domestic share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“Asset Valuation Report”	the asset valuation report on Hainan Intelligent Logistics prepared by Shanghai Orient, for inclusion in the circular of the Company to be despatched to the Shareholders in relation to the Transaction
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Capital Increase Agreement”	the capital increase agreement dated 23 October 2020 entered into among the Company, Yankuang Group, Taizhong Property, Huaneng Fuel and Hainan Intelligent Logistics

“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 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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting to be convened by the Company to consider and approve, among other things, the Capital Increase Agreement and the transaction contemplated thereunder
“Group”	the Company and its subsidiaries
“Hainan Intelligent Logistics”	Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd. (兗礦(海南)智慧物流科技有限公司)
“H Share(s)”	the overseas listed foreign invested share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Huaneng Fuel”	China Huaneng Group Fuel Co., Ltd. (中國華能集團燃料有限公司)
“Independent Board Committee”	the board committee comprising all the independent non-executive Directors who are independent in relation to the Capital Increase Agreement and the transaction contemplated thereunder, which is set up to consider the Capital Increase Agreement and the transaction contemplated thereunder
“Independent Financial Adviser” or “Donvex Capital”	Donvex Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, which is appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Capital Increase Agreement and the transaction contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than Yankuang Group and its associates, who are neither involved nor interested in the Capital Increase Agreement and the transaction contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time

“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Orient”	Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司)
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Taizhong Property”	Hainan Taizhong Property Group Co., Ltd. (海南泰中物產集團有限公司)
“Transaction”	the transaction contemplated under the Capital Increase Agreement
“Working Day(s)”	any day(s) except Saturday, Sunday and statutory holiday(s) in the PRC
“Yankuang Group”	Yankuang Group Company Limited (兗礦集團有限公司), a state-controlled limited liability company and the controlling shareholder of the Company holding directly and indirectly approximately 56.01% of the total issued share capital of the Company as at the date of this announcement
“%”	per cent

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

Zoucheng, Shandong, the PRC
23 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.