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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)

**EXERCISE OF OPTION**

On 8th July, 2004, BNP Paribas Peregrine as the sole placing agent exercised the Option in full to require the Company to issue 51,000,000 additional new H Shares at the Placing Price of HK\$8.30 per H Share.

This announcement is made further to the Announcement in connection with the Placing dated 7th July, 2004.

The Directors announce that the Option was exercised in full by BNP Paribas Peregrine on 8th July, 2004 in respect of the entire 51,000,000 Over-allotment Shares at the Placing Price of HK\$8.30 per H Share.

The Placing Shares (including the shares issued pursuant to the Option ("Over-allotment Shares")) represent 20.0% and about 7.1% of the existing H Shares in issue and the entire registered capital of the Company respectively prior to the Placing and about 16.7% and 6.6% of the H Shares and the entire registered capital of the Company respectively as enlarged by the Placing (after full exercise of the Option). The aggregate number of the Placing Shares including those placed on both 7th July, 2004 and 8th July, 2004 is 204,000,000. Completion of the Over-allotment Shares is expected to take place on the same date as the completion of the Placing Shares, which is on the second business day after the date of grant of listing approval for the Placing Shares (including the Over-allotment Shares) and is currently expected to take place on or before 14th July, 2004 or such other time or date as the Company and BNP Paribas Peregrine shall agree.

Set out below are the shareholding structures of the Company (a) immediately before the Placing, (b) immediately after the Placing but before the exercise of the Option, and (c) immediately after the Placing and upon full exercise of the Option:

Shareholders	Immediately before the Placing		Immediately after the Placing but before the exercise of the Option		Immediately after the Placing and upon full exercise of the Option	
	Number of Shares held (shares)	Percentage of shareholding (%)	Number of Shares held (shares)	Percentage of shareholding (%)	Number of Shares held (shares)	Percentage of shareholding (%)
Yankuang Group Corporation Limited	1,670,000,000	58.2	1,670,000,000	55.2	1,670,000,000	54.3
Public (A Share)	180,000,000	6.3	180,000,000	6.0	180,000,000	5.9
Public (H Share)	1,020,000,000	35.5	1,173,000,000	38.8	1,224,000,000	39.8
Total	<u>2,870,000,000</u>	<u>100.0</u>	<u>3,023,000,000</u>	<u>100.0</u>	<u>3,074,000,000</u>	<u>100.0</u>

The aggregate net proceeds from the Placing (inclusive of the estimated net proceeds of about HK\$0.41 billion upon the exercise of the Option in full) is estimated to be about HK\$1.65 billion.

By the Order of the Board  
**Chen Guangshui**  
*Secretary of the Board of Directors*

Zoucheng, Shandong, the PRC  
 8th July, 2004

*Note:* As at the date of this announcement, the board of Directors of the Company comprised of Mr. Wang Xin, Mr. Geng Jiahui, Mr. Yang Deyu, Mr. Mo Liqi, Mr. Wang Bangjun, Mr. Yang Jiachun, Mr. Wu Yuxiang, Mr. Wang Xinkun and Mr. Dong Yunqing as directors and Mr. Fan Weitang, Mr. Cui Jianmin, Mr. Wang Xiaojun and Mr. Wang Quanxi as independent non-executive directors.

Please also refer to the published version of this announcement in South China Morning Post dated 9 July 2004.