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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 EXERCISE OF CALL OPTION
FOR THE ACQUISITION OF 28.898% INTEREST IN
WARKWORTH JOINT VENTURE**

BACKGROUND

On 12 June 2017, Yancoal Australia was granted an irrevocable right by MDP to purchase the MDP's Warkworth Interest in Warkworth Joint Venture with an exercise price of US\$230 million. Yancoal Australia may exercise the option at any time from the completion of C&A acquisition, i.e. 1 September 2017, up to 31 December 2018.

EXERCISE OF CALL OPTION FOR THE WARKWORTH ACQUISITION

The Board is pleased to announced that on 26 September 2017, Yancoal Australia exercised the Call Option to acquire MDP's Warkworth Interest from MDP for a consideration of US\$230 million (subject to certain adjustment). Completion of the Warkworth Acquisition is subject to waiver (or non-exercise) of existing pre-emptive rights held by the other minority Warkworth joint venture participants and satisfaction of the condition precedent set out in the ASA and expected to take place by early March 2018.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.73 of the Listing Rules, the exercise of the Call Option will be treated as a transaction and classified by reference to the percentage ratios. As the applicable percentage ratios in respect of the Transaction exceeds 5% but is less than 25%, it constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, C&A, a wholly-owned subsidiary of Yancoal Australia, holds 55.574% of the interest in the Warkworth Joint Venture, and MDP holds 28.898% interest in the Warkworth Joint Venture. Accordingly, MDP is a substantial shareholder of the Warkworth Joint Venture and thus is connected person of the Company at the subsidiary level. As such, the Transaction also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given (i) the Board has approved the exercise of the Call Option and the Warkworth Acquisition; and (ii) the independent non-executive Directors have confirmed that the terms of the Transaction are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole, the Transaction is subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and independent Shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

The completion of the transactions contemplated under the Warkworth Acquisition is conditional upon the satisfaction of the conditions precedent set out in the ASA. Accordingly, the transaction contemplated thereunder may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company. If the Shareholders and potential investors of the Company are in any doubt about their position, they should consult their professional advisors.

BACKGROUND

References are made to the announcements dated 24 January 2017, 24 May 2017, 11 June 2017, 12 June 2017, 20 June 2017, 27 June 2017, 27 July 2017 and 1 August 2017 and 1 September 2017 (collectively, the “**Announcements**”) and the circular dated 2 June 2017 supplemented by the supplementary circular dated 30 June 2017 (the “**Circular**”) of Yanzhou Coal Mining Company Limited (the “**Company**”) in relation to, among others, the acquisition of the total issued share capital of C&A from Rio Tinto Group by Yancoal Australia Limited (“**Yancoal Australia**”) and the completion of C&A acquisition took place on 1 September 2017.

Reference is also made to the announcement dated 12 June 2017. Yancoal Australia was granted an irrevocable right by MDP to purchase the MDP's Warkworth Interest in Warkworth Joint Venture with an exercise price of US\$230 million. Yancoal Australia may exercise the option at any time from the date of completion of C&A, i.e. 1 September 2017, up to 31 December 2018.

Unless otherwise indicated, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements and the Circular.

EXERCISE OF CALL OPTION FOR THE WARKWORTH ACQUISITION

The Board is pleased to announced that on 26 September 2017, Yancoal Australia exercised the Call Option to acquire the MDP's Warkworth Interest from MDP for the consideration of US\$230 million. The ASA will be entered into between MDP and Yancoal Australia in relation to sale and purchase of MDP's Warkworth Interest after the

waiver (or non-exercise) of rights of pre-emption held by other participants in the Warkworth Joint Venture.

Set out below are the principal terms of the Warkworth Acquisition:

Date of ASA

The ASA will be entered into two(2) business days after the waiver (or non-exercise) of rights of pre-emption held by other participants in the Warkworth Joint Venture.

Parties

- (i) Buyer: a wholly owned subsidiary of Yancoal Australia which is to be nominated by Yancoal Australia as the buyer;
- (ii) Buyer's guarantee: Yancoal Australia, being an approximately 65.46% owned subsidiary of the Company
- (iii) Vendor: MDP, being the owner 28.898% interest in Warkworth Joint Venture

Subject matter

The MDP's Warkworth Interest represents the 28.898% interest in Warkworth Joint Venture.

Consideration

The Consideration is US\$230 million and subject to certain adjustment. The Consideration will be paid in cash on the Completion.

The Consideration (including the applicable adjustments) was agreed after arm's length negotiations between parties on normal commercial terms and taking into account, among other things, the following factors:

- (i) financial analysis conducted on Warkworth Joint Venture, including its financial performance, financial conditions and financial ratios; and
- (ii) coal reserves and quality of the coal mine assets held by Warkworth Joint Venture.

Condition precedent

The Completion is subject to receipt of regulatory approvals (comprising Australian Foreign Investment Review Board):

Completion

The Completion will take place on the later of 1 March 2018 and, if the above condition precedent is satisfied six or more Business Days before of a calendar month ends, the last

Business Day of that calendar month, or if it is satisfied less than six Business Days before that calendar month end, the calendar month of following the month.

If the above condition precedent is satisfied before 24 January 2018, parties will use their reasonable endeavours to achieve Completion as soon as possible and consult with each other in good faith to consider whether Completion can occur before 1 March 2018, and if parties are unable to agree, Completion will occur in accordance with the arrangement in the above paragraph.

INFORMATION ON WARKWORTH JOINT VENTURE

Financial information on Warkworth Joint Venture

Set out below is the unaudited financial information of Warkworth Joint Venture (on 100% basis):

	For the year ended 31 December	
	2016	2015
	(unaudited)	(unaudited)
	<i>AUD' million</i>	<i>AUD' million</i>
Profit before tax	120.9	86.4
Profit after tax ¹	84.6	60.5

Note:

1. As Warkworth is not an incorporated entity, profit after tax is calculated by 30% corporate income tax of Australia for illustrative purpose only.

As at 30 June 2017, the unaudited total assets value of Warkworth Joint Venture (on 100% basis) amounted to AUD431.5 million.

INFORMATION OF THE COMPANY AND YANCOAL AUSTRALIA

The Company is one of the main coal producers and sellers in China and Australia. The principal business of the Company includes coal mining, coal washing and process and coal sales. Yancoal Australia is an investment platform of the Company in Australia.

INFORMATION ON MDP

MDP is a wholly-owned subsidiary of Mitsubishi Corporation and the holding company of MDP's mineral resources investments in Australia. MDP specializes in developing coking coal assets for use in making steel, and thermal coal for use in generating electrical power. In addition to MDP's interests in HVO and Warkworth, it also holds interest in the Hay Point Coal Terminal and Clermont Coal Mine in Queensland, Australia.

MDP is ultimately part of Mitsubishi Corporation, a global integrated business enterprise that develops and operates businesses across many industries, including industrial finance, energy, metals, machinery, chemicals, and daily living essentials.

REASONS FOR AND THE BENEFITS OF THE TRANSACTION

After the acquisition of C&A by the Group, the Group, through C&A, indirectly owns 55.574% interest in Warkworth Joint Venture. Upon the Completion, the interest of the Group in Warkworth Joint Venture will further increase to approximately 84.5%, which will increase the Group's share of coal production from the integrated Mount Thorley Warkworth operations from 64.1% to 82.9%. The total saleable coal production in Mount Thorley Warkworth in 2016 was 12.3 million tonnes (100% basis).

The Board considers that by exercising the Call Option and acquire the MDP Warkworth Interest, Yancoal Australia will be able to further strengthen its position within the Hunter Valley and ultimately strengthen the market position of the Group in Australian coal industry.

In addition, the Directors (including the independent non-executive Directors) are of the view that the terms of the Transaction is fair and reasonable and in the interest of the Company and the Shareholders as a whole, and independent non-executive Directors have confirmed that the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group.

No Director has any material interest in connection with the Transaction which prohibits him/her from voting on the resolutions of the Board to approve the Transaction and no Director has abstained from approving such Board resolution.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.73 of the Listing Rules, the exercise of the Call Option will be treated as a transaction and classified by reference to the percentage ratios. As the applicable percentage ratios in respect of the Transaction exceeds 5% but is less than 25%, it constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, C&A, a wholly-owned subsidiary of Yancoal Australia, holds 55.574% of the interest in Warkworth Joint Venture, and MDP which holds 28.898% interest in the Warkworth Joint Venture. Accordingly, MDP is a substantial shareholder of the Warkworth Joint Venture and thus is connected person of the Company at the subsidiary level. As such, the Transaction also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given (i) the Board has approved the exercise of the Call Option and the Warkworth Acquisition; and (ii) the independent non-executive Directors have confirmed that the terms of the Transaction are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole, the Transaction are subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and independent Shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

DEFINITION

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“A Share(s)”	domestic shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and fully paid in RMB and are listed on the Shanghai Stock Exchange;
“ASA”	the asset sale agreement to be entered into among Yancoal Australia, a wholly owned subsidiary of Yancoal Australia nominated by Yancoal Australia as the buyer and MDP in respect of the Warkworth Acquisition;
“ASX”	Australian Securities Exchange;
“AUD”	Australian dollars, the lawful currency of Australia
“Board”	the board of Directors of the Company;
“Business Day”	a day which is not a Saturday, Sunday or a public holiday in Brisbane, Queensland, Australia;
“Call Option”	the right granted by MDP to Yancoal Australia to acquire the MDP's Warkworth interest under the terms and conditions of the Call Option Deed;
“Call Option Deed”	the call option deed dated 12 June 2017 (as amended on 29 August 2017) entered into between MDP and Yancoal Australia in respect of the grant of the Call Option;
“Completion”	the completion of the Warkworth Acquisition;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“H Share(s)”	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 Hong Kong Stock Exchange;

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“MDP”	Mitsubishi Development Pty Ltd (ACN 009 779 873), a wholly-owned subsidiary of Mitsubishi Corporation, and is the holding company of Mitsubishi’s coal investments in Australia;
“MDP’s Warkworth Interest”	28.898% of the interest in Warkworth Joint Venture owned by MDP;
“PRC”	the People’s Republic of China, excluding, for the purposes of this announcement only, Hong Kong, Macau Special Administrative Region and Taiwan Region;
“Transaction”	the exercise of the Call Option and the Warkworth Acquisition;
“Yancoal Australia”	Yancoal Australia Limited (ACN 111 859 119), a company with limited liability incorporated under the laws of Australia in 2004 and an approximately 65.46% owned subsidiary of the Company. The shares of Yancoal Australia are traded on the ASX;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holders of Shares of the Company;
“Shares”	A Shares and H Shares;
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules;
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules

“US\$”	United States dollars, the lawful currency of the United States of America;
“Warkworth Acquisition”	acquisition of MDP's Warkworth Interest under the terms and conditions of the ASA;
“Warkworth Joint Venture”	the unincorporated joint venture and associated joint venture companies established pursuant to the Warkworth Joint Venture Agreement executed on 15 March 1977, as amended from time to time; and
“%”	per cent.

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

Zoucheng, Shandong Province, the PRC
26 September 2017

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