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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)

### CONTINUING CONNECTED TRANSACTIONS

On 4 May 2018, as part of the joint venture arrangement, CNAO, Anotero and SalesCo entered into the HVO Sales Contract, pursuant to which, each of CNAO and Anotero agrees to sell its entitled portion of coal product in saleable form that is produced by the tenements held by HVO Joint Venture to SalesCo and SalesCo agrees to purchase each of CNAO and Anotero's entitled portion of coal product, subject to the terms of the HVO Sales Contract.

As at the date of this announcement, Yancoal Australia is a controlled subsidiary of the Company while CNAO is a wholly-owned subsidiary of Yancoal Australia. As CNAO holds 51% participating interest in HVO Joint Venture and 51% equity interest in SalesCo, both HVO Joint Venture and SalesCo are therefore indirect subsidiaries of the Company. Glencore, through Anotero, its wholly-owned subsidiary, is indirectly interested in more than 10% of participating interest in HVO Joint Venture and more than 10% equity interest in SalesCo. Therefore, Glencore is a connected person of the Company at the subsidiary level by virtue of being a substantial shareholder of the subsidiaries of the Company pursuant to Rule 14A.07 of the Hong Kong Listing Rules.

The Directors (including the independent non-executive Directors) are of the opinion that the HVO Sales Contract, the transactions contemplated thereunder and the estimated maximum annual transaction amounts are (i) on normal commercial terms or better and in the ordinary and usual course of business of the Group; (ii) fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole.

The highest of the applicable percentage ratios in respect of the transactions under the HVO Sales Contract exceeds 1% on an annual basis. As (i) the continuing connected transaction under the HVO Sales Contract is between the Group and a connected person at the subsidiary level on normal commercial terms or better, (ii) the Board has approved the transaction and (iii) the independent non-executive Directors have given the confirmation as required under Rule 14A.101(2) of the Hong Kong Listing Rules, the HVO Sales Contract, the transactions contemplated thereunder and the estimated maximum annual transaction amounts are subject to the reporting and announcement requirements but are exempt from the shareholders' approval requirement pursuant to Rule 14A.101 of the Hong Kong Listing Rules.

Since the term of the HVO Sales Contract may exceed three years, the Company has appointed the Independent Financial Adviser to explain the reasons why the HVO Sales Contract requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration as required under Rule 14A.52 of the Hong Kong Listing Rules.

## **I. ENTERING INTO THE HVO SALES CONTRACT**

### ***Background***

Reference is made to the announcement of the Company dated 4 May 2018 in relation to the HVO Joint Venture. The relevant mining and exploration licences of HVO Joint Venture are held directly by CNAO and Anotero as tenants in common in proportion to their respective participating interest in the HVO Joint Venture.

On 4 May 2018, as part of the joint venture arrangement, CNAO, Anotero and SalesCo entered into the HVO Sales Contract, pursuant to which, each of CNAO and Anotero agrees to sell its entitled portion of coal product in saleable form that is produced by the tenements held by HVO Joint Venture to SalesCo and SalesCo agrees to purchase each of CNAO and Anotero's entitled portion of coal product, subject to the terms of the HVO Sales Contract.

### ***Date***

4 May 2018

### ***Parties***

(1) CNAO

(2) Anotero

(3) SalesCo

### ***Term***

The HVO Sales Contract was executed on and shall take effect from 4 May 2018 and shall terminate upon the termination of the joint venture agreement in relation to the HVO Joint Venture in accordance with its terms.

Notwithstanding that the term of the HVO Sales Contract may exceed three years, the Company has set the estimated maximum annual transaction amounts for the transactions under the HVO Sales Contract for a term of three years and will comply with the applicable requirements and approval procedures of the regulations in the places of listing of the Company after the expiry of the initial three years.

The Company has appointed the Independent Financial Adviser to explain the reasons why the HVO Sales Contract requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. Details of the opinion of the Independent Financial Adviser is set out in this announcement below.

### ***Pricing***

The amount payable to each of CNAO and Anotero by the SalesCo shall be the total amount received by SalesCo for that party's portion of product under each sales contract entered into between SalesCo and its customers.

### ***Payment***

Payment by SalesCo to CNAO and Anotero shall be no later than three business days after receipt by SalesCo of payment from its customers.

### ***Historical transaction amounts***

As the HVO Sales Contract was entered into on 4 May 2018, there was no historical transaction amount for the three years ended 31 December 2017. The amount of revenue distributed by the SalesCo to Anotero during the period from 4 May 2018 to 30 June 2018 amounted to approximately US\$134.4 million.

### ***Estimated maximum annual transaction amount and basis***

The estimated maximum annual transaction amount to be distributed by the SalesCo to Anotero under the HVO Sales Contract for the three years ending 31 December 2018, 2019 and 2020 will not exceed US\$750 million, US\$750 million and US\$750 million, respectively.

The estimated maximum annual transaction amounts are determined mainly based on the expected amount (with reference to the amount of coal reserves of the tenements held by HVO Joint Venture) and the selling price of the coal to be sold (with reference to the price of the coal).

### ***Reasons for and benefits of entering into the HVO Sales Contract***

As HVO Joint Venture is an unincorporated joint venture, it does not have the legal capacity to enter into any coal sales contract to realize the economic interest of the coal product in saleable form that is produced by the tenements held by it. SalesCo was incorporated as a limited liability company with legal capacity to enter into sales contracts. The arrangement under the HVO Sales Contract is for the purpose of making the coal products attributable to each of the HVO Joint Venture participants available to the SalesCo, and thereby facilitating the sale of coal produced by the tenements held by HVO Joint Venture by SalesCo to customers and the distribution of such revenue from SalesCo to the respective HVO Joint Venture participants.

### ***Implications of the Hong Kong Listing Rules***

As at the date of this announcement, Yancoal Australia is a controlled subsidiary of the Company while CNAO is a wholly-owned subsidiary of Yancoal Australia. As CNAO holds 51% participating interest in HVO Joint Venture and 51% equity interest in SalesCo, both HVO Joint Venture and SalesCo are therefore indirect subsidiaries of the Company. Glencore, through Anotero, its wholly-owned subsidiary, is indirectly interested in more than 10% of participating interest in HVO Joint Venture and more than 10% equity interest in SalesCo. Therefore, Glencore is a connected person of the Company at the subsidiary level by virtue of being a substantial shareholder of the subsidiaries of the Company pursuant to Rule 14A.07 of the Hong Kong Listing Rules.

The Directors (including the independent non-executive Directors) are of the opinion that the HVO Sales Contract, the transactions contemplated thereunder and the estimated maximum annual transaction amounts are (i) on normal commercial terms or better and in the ordinary and usual course of business of the Group; (ii) fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole.

The highest of the applicable percentage ratios in respect of the transactions under the HVO Sales Contract exceeds 1% on an annual basis. As (i) the continuing connected transaction under the HVO Sales Contract is between the Group and a connected person at the subsidiary level on normal commercial terms or better, (ii) the Board has approved the transaction and (iii) the independent non-executive Directors have given the confirmation as required under Rule 14A.101(2) of the Hong Kong Listing Rules, the HVO Sales Contract, the transactions contemplated thereunder and the estimated maximum annual transaction amounts are subject to the reporting and announcement requirements but are exempt from the shareholders' approval requirement pursuant to Rule 14A.101 of the Hong Kong Listing Rules.

However, according to the applicable PRC regulations, the Company has submitted the proposal relating to the HVO Sales Contract, the transactions contemplated thereunder and the estimated maximum annual transaction amounts for the independent shareholders' approval and the independent shareholders have approved such proposal at the 2018 second extraordinary general meeting of the Company held on 24 August 2018.

Since the term of the HVO Sales Contract may exceed three years, the Company has appointed the Independent Financial Adviser to explain the reasons why the HVO Sales Contract requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration as required under Rule 14A.52 of the Hong Kong Listing Rules.

## **II. OPINION OF THE INDEPENDENT FINANCIAL ADVISER**

Pursuant to Rule 14A.52 of the Hong Kong Listing Rules, the term of an agreement governing continuing connected transaction of an issuer must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. As it is expected that the term of the HVO Sales Contract may exceed three years, the Company appointed Donvex Capital as the Independent Financial Adviser to explain the reasons why a longer period is required and to confirm that it is normal business practice for agreements of the same type of the HVO Sales Contract to be of such duration.

In order to assess the reasons for the term of the HVO Sales Contract to be more than three years, Donvex Capital has considered the following factors:

(i) According to the competent person's report ("CPR") provided by Yancoal Australia, which is an overall review for the coal mine assets located in Australia, including the "Hunter Valley Operations" operated by HVO Joint Venture, prepared by a competent person as defined under Chapter 18 of the Hong Kong Listing Rules, Donvex Capital notes that the total marketable reserves of coals for Hunter Valley Operations are approximately 554 million tons. Based on the mining forecast as stated in the CPR, the estimated mine life of Hunter Valley Operations is around 43 years from 2018 to 2061.

(ii) SalesCo is solely engaged in facilitating the sales of coal produced under the tenements held by HVO Joint Venture to customers and the distribution of such revenue to the respective HVO Joint Venture participant. As confirmed by the management of the Company, it is expected that SalesCo will enter into certain long term sales contracts with its customers for a term of more than three years. In this regard, the long term nature of the HVO Sales Contract may secure stable and reliable supply of coal products for the sale to customers, which would ultimately enhance the Group's revenue base.

In considering whether it is normal business practice for agreements of the same type of the HVO Sales Contract to be of such duration, Donvex Capital considers that owing to the unique nature of the mining and energy industry, sale contracts of the products commonly serve the long term transactions. It is not practical and commercially sensible for SalesCo to enter into contracts of less than three years duration with Anotero, as the Group usually incurs substantial amount of capital and time in mining and producing coals. As such, a relatively longer payback period is necessary for a mining project in order to achieve the desired investment return.

Besides, Donvex Capital has reviewed certain other sales contracts of coal products, which are similar in the nature with the HVO Sales Contract, entered into between the Group and counterparties, and noted that the term of such comparable sales contract are more than three years.

Taking into account all of the above, Donvex Capital is of the view that the term of the HVO Sales Contract of more than three years is required and justifiable and confirm that it is normal business practice for agreements of the same type of the HVO Sales Contract to be of such duration.

### III. GENERAL

The HVO Sales Contract and the transactions contemplated thereunder were approved at the meeting of the Board held on 6 August 2018.

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

#### Information of the parties

##### *Anotero*

Anotero is a wholly-owned subsidiary of Glencore. Glencore is one of the major coal producer in Australia and all over the world.

##### *CNAO*

CNAO is a wholly-owned subsidiary of Yancoal Australia. Yancoal Australia is a subsidiary of the Company, through which the Company conducts its investment and coal business in Australia. As at the date of this announcement, Yancoal Australia operated nine coal mines in Australia.

##### *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.

##### *SalesCo*

SalesCo is principally engaged in selling coal produced by the HVO Joint Venture on behalf of the participants in the HVO Joint Venture.

### IV. Definitions

In this announcement, unless the context requires otherwise, the following terms have the meanings as set out below:

"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
"Anotero"	Anotero Pty Limited, a company incorporated in Australia and a wholly-owned subsidiary of Glencore
"Board"	the board of Directors of the Company
"CNAO"	Coal & Allied Operations Pty Ltd, a company incorporated in Australia, a wholly-owned subsidiary of Coal & Allied Industries Limited 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 Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
"connected person(s)"			have the same meaning ascribed thereto under the Hong Kong Listing Rules
"Director(s)"			the director(s) of the Company
"Glencore"			Glencore Coal Pty Limited, the indirect substantial shareholder of several subsidiaries of Yancoal Australia
"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 Hong Kong Stock Exchange
"Hong Kong Listing Rules"			the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"			The Stock Exchange of Hong Kong Limited
"HVO Joint Venture"			the unincorporated joint venture established for the purpose of operating coal mines in Australia known as "Hunter Valley Operations", which is an indirect subsidiary of Yancoal Australia and is indirectly held as to 51% and 49% by Yancoal Australia and Glencore, respectively
"HVO Sales Contract"			the sales contract for sale of coal products of HVO Joint Venture entered into among CNAO, Anotero and SalesCo on 4 May 2018 (as amended and supplemented from time to time)
"Independent Adviser" or "Capital"	Financial	"Donvex Capital"	Donvex Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571)
"percentage ratio"			have the same meaning ascribed thereto under the Hong Kong Listing Rules
"PRC"			the People's Republic of China, excluding, for the purposes of this announcement only, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan Region
"SalesCo"			HVO Coal Sales Pty Ltd, a company incorporated in Australia, a subsidiary of Yancoal Australia and is held as to 51% and 49% by Yancoal Australia and Glencore, respectively
"Shareholder(s)"			the shareholder(s) of the Company
"subsidiary(ies)"			have the same meaning ascribed thereto under the Hong Kong Listing Rules
"substantial shareholder(s)"			have the same meaning ascribed thereto under the Hong Kong Listing Rules
"US\$"			United States Dollar, the lawful currency of the United States

"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)

"% "      per cent

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

Zoucheng, Shandong Province, the PRC  
2 November 2018

*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. Cai Chang, Mr. Poon Chiu Kwok and Mr. Qi Anbang.*