

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**兗州煤業股份有限公司**  
**YANZHOU COAL MINING COMPANY LIMITED**

*(A joint stock limited company incorporated in the "PRC with limited liability)*  
(Stock Code: 1171)

**CONNECTED TRANSACTION**  
**CAPITAL INCREASE IN SHANGHAI ZHONGQI**

**THE CAPITAL INCREASE AGREEMENT**

On 4 December 2019, the Company entered into the Capital Increase Agreement with Yankuang Group and Shanghai Zhongqi, pursuant to which the Company and Yankuang Group will make contribution to the registered capital of Shanghai Zhongqi in cash in proportion to their respective shareholding interest in Shanghai Zhongqi as at the date hereof. The Company and Yankuang Group agreed that the value of each share of Shanghai Zhongqi should be determined by the latest audited net assets per share of Shanghai Zhongqi, which is RMB1.62 per share. The respective considerations paid for the Capital Increase by the Company and Yankuang Group are RMB324 million (in which RMB200 million will be accounted for the increased registered capital of Shanghai Zhongqi) and RMB648 million (in which RMB400 million will be accounted for the increased registered capital of Shanghai Zhongqi), respectively. Upon completion of the Capital Increase, the respective shareholding percentages of the Company and Yankuang Group in Shanghai Zhongqi remain unchanged.

**HONG KONG LISTING RULES IMPLICATIONS**

As at the date of the announcement, Yankuang Group holds directly or indirectly approximately 53.79% of the issued share capital of the Company. Shanghai Zhongqi is held as to 33.33% by the Company and as to 66.67% by Yankuang Group. As Yankuang Group is the controlling shareholder of the Company and Shanghai Zhongqi is a subsidiary of Yankuang Group, Yankuang Group and Shanghai Zhongqi constitute connected persons of the Company. Therefore, the transaction contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company.

As the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) is higher than 0.1% but lower than 5%, the transactions contemplated under the Capital Increase Agreement are subject to the reporting and announcement requirements but exempt from independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

## **I. The Capital Increase Agreement**

### **1. Summary**

On 4 December 2019, the Company entered into the Capital Increase Agreement with Yankuang Group and Shanghai Zhongqi, pursuant to which the Company and Yankuang Group will make contribution to the registered capital of Shanghai Zhongqi in cash in proportion to their respective shareholding interest in Shanghai Zhongqi as at the date of the announcement. The Company and Yankuang Group agreed that the value of each share of Shanghai Zhongqi should be determined by the latest audited net assets per share, which is RMB1.62 per share. The respective considerations paid for the Capital Increase by the Company and Yankuang Group are RMB324 million (in which RMB200 million will be accounted for the increased registered capital of Shanghai Zhongqi) and RMB648 million (in which RMB400 million will be accounted for the increased registered capital of Shanghai Zhongqi), respectively. Upon completion of the Capital Increase, the respective shareholding percentages of the Company and Yankuang Group in Shanghai Zhongqi remain unchanged.

### **2. Date**

4 December 2019

### **3. Parties**

- (1) the Company;
- (2) Yankuang Group; and
- (3) Shanghai Zhongqi.

### **4. Capital Increase**

Pursuant to the Capital Increase Agreement, the Company and Yankuang Group will make contribution in cash to the registered capital of Shanghai Zhongqi in proportion to their respective shareholding interest in Shanghai Zhongqi as at the date of the announcement. The respective considerations paid for the Capital Increase by the Company and Yankuang Group are RMB324 million and RMB648 million, respectively, which will increase the registered capital of Shanghai Zhongqi by RMB200 million and RMB400 million, respectively. Upon completion of the Capital Increase, the respective shareholding percentages of the Company and Yankuang Group in Shanghai Zhongqi remain unchanged.

The Company intends to satisfy the Capital Increase by way of its internal funds.

Details of the Capital Increase are as follows:

| <b>Name of Shareholder</b> | <b>Registered Capital Increased in Shanghai Zhongqi</b><br><i>(RMB'000)</i> | <b>Consideration Paid</b><br><i>(RMB'000)</i> | <b>Shareholding Percentage Before and After the Capital Increase</b><br><i>(%)</i> |
|----------------------------|---|---|--|
|----------------------------|---|---|--|

|                |                |                |            |
|----------------|----------------|----------------|------------|
| the Company    | 200,000        | 324,000        | 33.33      |
| Yankuang Group | 400,000        | 648,000        | 66.67      |
| <b>Total</b>   | <b>600,000</b> | <b>972,000</b> | <b>100</b> |

### ***5. Basis of Determining the Amount of the Capital Increase***

The Company and Yankuang Group agreed that the value of each share of Shanghai Zhongqi should be determined by the latest audited net assets per share, which is RMB1.62 per share.

### ***6. Conditions precedent***

The Agreement will come into effect upon the realization of the following conditions:

- (1) The parties to the Capital Increase Agreement have executed and sealed the Capital Increase Agreement; and
- (2) The shareholders' meeting of Shanghai Zhongqi reviews and approves the Capital Increase Agreement.

### ***7. Terms of payment***

The Company and Yankuang shall make payments within 5 business days after the Capital Increase Agreement comes into effect and relevant regulatory agencies files the Capital Increase Agreement.

### ***8. Breach liabilities***

The breaching party to the Capital Increase Agreement shall compensate the other parties for losses incurred as a result of the breach.

## **II. Implication of Hong Kong Listing Rules**

As at the date of the announcement, Yankuang Group holds directly or indirectly approximately 53.79% of the issued share capital of the Company. Shanghai Zhongqi is held as to 33.33% by the Company and as to 66.67% by Yankuang Group. As Yankuang Group is the controlling shareholder of the Company and Shanghai Zhongqi is a subsidiary of Yankuang Group, Yankuang Group and Shanghai Zhongqi constitute connected persons of the Company. Therefore, the transaction under the Capital Increase Agreement constitutes a connected transaction of the Company.

As the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) is higher than 0.1% but lower than 5%, the transaction contemplated under the Capital Increase Agreement is subject to the reporting and announcement requirements but exempt from independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

## **III. Reasons and Benefits of the Capital Increase**

The reasons for the Company to enter into the Capital Increase Agreement with Yankuang Group and Shanghai Zhongqi are as follows:

1. After the Capital Increase, Shanghai Zhongqi will focus on investment in infrastructure and promotion of business to improve the quality of its services, client reliance and profitability, which will bring favourable investment returns to the Company;
2. The Capital Increase will increase the registered capital of Shanghai Zhongqi and optimize its capital structure, lowering its gearing ratio and improving its capacity in risk-resistance and business promotion. The Capital Increase will help the Company to utilize the futures market to mitigate the risks in price fluctuation of coal and related products and to control price risks through the professional platform of Shanghai Zhongqi;
3. The Capital Increase is funded by internal resources of the Company and will not exert material impact on the cash flow or major financial indicators of the Company.

The Directors (including the independent non-executive Directors) consider that the transaction under the Capital Increase Agreement is entered into after arm's length negotiations and based on normal commercial terms, and therefore the terms of such transaction are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

#### **IV. General Information**

The Capital Increase Agreement has been approved by the twenty-ninth meeting of the seven session of the Board of the Company held on 4 December 2019.

At the aforesaid Board meeting, Mr. Li Xiyong and Mr. Li Wei, also directors or senior management of Yankuang Group, were regarded as having a material interest in the Capital Increase Agreement and therefore have abstained from voting at the aforesaid Board meeting convened for the purpose of approving such transaction.

#### **V. Information of 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.

##### ***Shanghai Zhongqi***

Shanghai Zhongqi is a subsidiary of the Yankuang Group registered and established in Shanghai on 19 September 1995 with registered capital of RMB600 million. As at the date of the announcement, Shanghai Zhongqi is held as to 33.33% by the Company and 66.67% by Yankang Group. The principal business of Shanghai Zhongqi includes futures brokerage, futures investment consultancy assets management, risks management and other businesses. The financial information of Shanghai Zhongqi for the years ended 31 December 2017 and

2018 and for the six months ended 30 June 2019 is shown in the following table (prepared according to Chinese accounting standards):

*Unit: RMB0'000*

|  | <b>For the year ended 31 December</b> |                       | <b>For the six months ended 30 June</b> |
|--|---------------------------------------|-----------------------|---|
|  | <b>2017 (audited)</b>                 | <b>2018 (audited)</b> | <b>2019 (unaudited)</b>                 |
| <b>Net Profit (before tax and extraordinary items)</b> | 12,473.42                             | 11,367.24             | 1,087.69                                |
| <b>Net Profit (after tax and extraordinary items)</b>  | 9,324.15                              | 8,489.01              | 833.34                                  |

Based on the 2018 audit report of Shanghai Zhongqi, as at 31 December 2018, the book value of the net assets of Shanghai Zhongqi was approximately RMB969,641,000.

### ***Yankuang Group***

Yankuang Group is a state-controlled limited liability company with a registered capital of RMB7,769.2 million and its legal representative is Mr. Li Xiyong. The principal business of Yankuang Group includes the exploration, processing, trade and provision of auxiliary services of mining (coal and nonferrous metal), high-end chemical industry, modern logistics, and engineering and technology services. As at the date of the announcement, Yankuang Group is the controlling Shareholder of the Company, holding directly or indirectly approximately 53.79% of the issued share capital of the Company.

## **VI. Definitions**

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

|                              |   |
|------------------------------|---|
| "Board"                      | the board of Directors of the Company   |
| "Capital Increase"           | the increase of registered capital of Shanghai Zhongqi under the Capital Increase Agreement   |
| "Capital Increase Agreement" | The capital increase agreement entered into among the Company, Yankuang Group and Shanghai Zhongqi dated 4 December 2019  |
| "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 Hong Kong Stock Exchange (stock code: 1171) and the Shanghai Stock Exchange (stock code 600188), respectively |
| "Director(s)"                | the director(s) of the Company  |
| "Hong Kong Listing"          | the Rules Governing the Listing of Securities on The Stock  |

|                    |   |
|--------------------|---|
| Rules"             | Exchange of Hong Kong Limited   |
| "PRC"              | the People's Republic of China  |
| "RMB"              | Renminbi, the lawful currency of the PRC  |
| "Shanghai Zhongqi" | Shanghai Zhongqi Futures Company Limited* (上海中期期貨股份有限公司), a company with limited liability incorporated under the laws of the PRC in 1995 which, as at the date of the announcement, is held as to 33.33% by the Company and as to 66.67% by Yankuang Group                     |
| "Shareholder(s)"   | shareholder(s) of the Company   |
| "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 53.79% of the total issued share capital of the Company as at the date of the announcement |
| "%"                | per cent  |

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

Zoucheng, Shandong Province, the PRC  
4 December 2019

*As at the date of this announcement, the directors of the Company are Mr. Li Xiyong, Mr. Li Wei, Mr. Wu Xiangqian, Mr. Liu Jian, 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.*