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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)

INSIDE INFORMATION

DEBT FINANCING TRANSACTION OF AN OVERSEAS SUBSIDIARY RECONSOLIDATION OF WATAGAN

This announcement is made pursuant to the disclosure obligations under Part XIVA of the Securities and Futures Ordinance and Rules 13.09(2)(a) and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**").

References are made to the announcements of Yanzhou Coal Mining Company Limited (the "**Company**") dated 17 February 2016, 1 April 2016, 30 September 2016, 4 January 2019 and 7 January 2019 in relation to the debt financing transaction of an overseas controlled subsidiary of the Company. Unless otherwise specified, capitalized terms used herein shall have the same meaning as defined in the announcements mentioned above.

The board of directors of the Company hereby announced that on 16 December 2020, Watagan Mining Company Pty Ltd and its subsidiaries (collectively, "**Watagan**") will be re-consolidated into Yancoal Australia Limited ("**Yancoal Australia**"), a subsidiary of the Company, and Yancoal Australia will include the Watagan entities in its cross guarantee.

I. RE-CONSOLIDATION OF WATAGAN

i. Reasons for de-consolidation of Watagan in the past

In 2016, Watagan completed the issue of US\$775 million of secured debt bonds (the "**Watagan Bonds**") to three external financiers (the "**Bondholders**"). Pursuant to relevant agreements, the Bondholders were entitled to appoint two to four directors at the board of Watagan, and Yancoal Australia was entitled to appoint one director. If Yankuang Group Co. Ltd ("**Yankuang Group**")

becomes the sole holder of the Watagan Bonds as the Bondholders exercise their put option and complete the closing, Yankuang Group will automatically forfeit its right to appoint directors as a Bondholder.

As a result, through the above arrangements, the Bondholders, by appointing the majority of the directors, controlled the board of Watagan and the major decision-making of the operation and strategy of Watagan. Upon completion of the abovementioned transaction, Watagan was de-consolidated from Yancoal Australia. Yankuang Group granted the put option to the Bondholders to require Yankuang Group to purchase the Watagan Bonds they held when the conditions stipulated in the relevant agreements are satisfied.

ii. Reasons for re-consolidation of Watagan

On 4 January 2019, a Bondholder notified Watagan and Yankuang Group that it exercised the put option in relation to its US\$200 million Watagan Bonds. Yankuang Group purchased such Watagan Bonds on 1 April 2019 and became the holder.

On 16 December 2020, Yankuang Group, Yancoal Australia, Watagan and Bondholders entered into a series of supplemental agreements, pursuant to which the other two Bondholders would exercise their put options after execution of such agreements, and Yankuang Group or its designated entity would purchase the US\$575 million Watagan Bonds they held (the "**Put Bonds**") and became the only holder of the Watagan Bonds. Pursuant to the relevant supplemental agreements, the directors nominated by Bondholders would step down upon the exercise of the put option, and Yancoal Australia regained the right to appoint one or more directors.

As a result, based on the above arrangements, Yankuang Group, as the sole holder of the Watagan Bonds, could not appoint directors. Yancoal Australia obtained the control of the board of Watagan and the decision-making power in the major operation and strategy of Watagan. Watagan will be re-consolidated into Yancoal Australia on 16 December 2020 and included into the cross guarantee by Yancoal Australia. Yankuang Group will not have any rights to guarantee and security or other rights under the Put Bonds.

On 16 December 2020, Yancoal Australia and Yankuang Group entered into a re-financing agreement (the "**Re-financing Agreement**"), pursuant to which Yankuang Group will provide a US\$775 million loan facility to Yancoal (the "**New Yankuang Loan**") for a duration of six years. The interest rate on the New Yankuang Loan will be 4.65% for the first 36 months (being the five-year loan prime rate announced by the National Inter-bank Lending Center as at the date of the agreement of the New Yankuang Loan, the "**Five-year LPR**") and at the then applicable Five-year LPR for the final 36 months.

Pursuant to the Re-financing Agreement and relevant agreements, Yancoal Australia shall direct the New Yankuang Loan to Watagan for its redemption of the Watagan Bonds held by Yankuang or the entity nominated by Yankuang Group.

II. IMPACT OF RE-CONSOLIDATION OF WATAGAN ON THE COMPANY

Yancoal Australia will account for the re-consolidation of Watagan as an acquisition at its fair value in accordance with Australian accounting standards. Austar and Donaldson mines of Watagan are on care and maintenance, and Ashton mine is the only producing mine. For the year 2019 and the first half of 2020, Watagan realized operating revenue of AU\$277 million and AU\$150 million, respectively, and recorded a loss of AU\$ 112 million and AU\$154 million, respectively. Such re-consolidation is expected to result in the recognition of a one-off, non-cash loss in Yancoal Australia's 2020 financial results in the range of A\$1.3 – 1.5 billion, as the estimated value of the liabilities exceeds the estimated value of the assets acquired.

Currently the operation and production of the Company remain stable. The Company holds 62.26% of the equity interests in Yancoal Australia, and the stipulated income tax rate of Yancoal Australia is 30%. The Company consolidated the financial results of Shaanxi Future Energy Co., Ltd., Yankuang Lunan Chemicals Co., Ltd. and other companies due to acquisition under the same control. Based on the calculation under PRC accounting standards, the Company realized a net profit attributable to shareholders of parent company of RMB5.6904 billion for the first three quarters of 2020.

III. HONG KONG LISTING RULES IMPLICATIONS

As the Watagan Bonds and the New Yankuang Loan are on normal commercial terms and no security is given by the Company, Yancoal Australia or Watagan in favour of Yankuang Group under the terms of the Put Bonds or the New Yankuang Loan, the Put Bonds and the New Yankuang Loan will constitute fully exempt connected transactions of the Company for the purpose of the Hong Kong Listing Rules.

In addition, as Watagan has remained wholly-owned by Yancoal Australia notwithstanding that it ceased to be consolidated by Yancoal Australia within its financial statements since 2016, such deconsolidation did not constitute a disposal transaction by Yancoal Australia or the Company at that time for the purposes of the Hong Kong Listing Rules. Accordingly, the reconsolidation of Watagan by Yancoal Australia as a subsidiary within its consolidated financial statements will not constitute an acquisition by Yancoal Australia or the Company for the purposes of the Hong Kong Listing Rules.

Shareholders and investors should exercise caution when dealing in the shares of the Company.

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

Zoucheng, Shandong Province, the PRC

16 December 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.