

*Australian Securities Exchange, 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.*



## **Yancoal Australia Ltd**

ACN 111 859 119

### **兗煤澳大利亞有限公司\***

*(Incorporated in Victoria, Australia with limited liability)*

(Hong Kong stock code: 3668)

(Australian stock code: YAL)

## **ANNOUNCEMENT PURSUANT TO RULE 3.7 OF THE TAKEOVERS CODE, RULE 13.09 OF THE LISTING RULES AND THE INSIDE INFORMATION PROVISIONS UNDER PART XIVA OF THE SECURITIES AND FUTURES ORDINANCE**

### **RESUMPTION OF TRADING**

This announcement is made by Yancoal Australia Limited ("Yancoal" or the "Company") pursuant to Rule 3.7 of the Hong Kong Code on Takeovers and Mergers ("HK Code") and pursuant to Rule 13.09 of the Rules Governing the Listing of Securities ("HK Listing Rules") on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") and the Inside Information Provisions (as defined under the HK Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Yancoal notes the announcement dated 25 May 2022 by Yancoal's majority shareholder, Yankuang Energy Group Company Limited ("Yankuang Energy") that it is considering a transaction to acquire further Yancoal ordinary shares ("Yancoal Shares") by means of an acquisition structure to be determined by Yankuang Energy, the consideration of which would be satisfied by the issuance of H-Share Convertible Bonds by Yankuang Energy and which may result in the de-listing of Yancoal Shares from the Hong Kong Stock Exchange and/or from the ASX ("Potential Transaction"). A copy of that announcement is attached.

Yancoal confirms it received an unsigned, non-binding expression of interest in relation to the Potential Transaction on 29 April 2022.

**There is no certainty that the Potential Transaction will proceed. Yancoal shareholders should not take any action in respect of the Potential Transaction at this stage and are advised to exercise caution when dealing in Yancoal Shares and/or other securities of Yancoal.**

The Yancoal Board has appointed an Independent Board Committee (“IBC”) to evaluate and respond to the Potential Transaction and, to the extent required, to make a recommendation to the independent shareholders of Yancoal. The IBC is required by Rule 2.8 of the HK Code to comprise all Non-Executive Directors who do not have any direct or indirect interest in the Potential Transaction (other than as a shareholder of Yancoal) and currently comprises all the Independent Non-Executive Directors, namely Mr Gregory Fletcher, Dr Geoff Raby and Ms Helen Gillies. Of the Non-Executive Directors, each of Mr. Baocai Zhang, Mr. Cunliang Lai, Mr. Xiangqian Wu and Mr. Qingchun Zhao are currently or were previously either an officer, an executive or otherwise associated with, or are perceived to be associated with, Yankuang Energy or an entity associated with Yankuang Energy and so are considered to have a direct or indirect interest in the Potential Transaction. The IBC will consult with the Executive of the Hong Kong Securities and Futures Commission to confirm whether Mr. Xing Feng is eligible to be a member of the IBC for the purposes of the HK Code. Yancoal will make any further announcement in relation to the composition of the IBC as and when appropriate.

Since its establishment, the IBC has corresponded with Yankuang Energy seeking clarifications and additional information in relation to the Potential Transaction, including to better understand how Yankuang Energy has assessed the value of Yancoal noting that the Potential Transaction is at a discount to the prevailing trading prices of Yancoal Shares on ASX and the Hong Kong Stock Exchange. In this regard, the IBC notes that the potential consideration of US\$3.60 (equivalent to HK\$28.26 or A\$5.07) per Yancoal Share (to be satisfied in the form of H-Share Convertible Bonds issued by Yankuang Energy) reflects a discount of (i) approximately 14.49% to the latest closing price (on an ex-dividend basis) of HK\$33.05 per Yancoal Share as quoted on the Hong Kong Stock Exchange on 25 May 2022 (“Last Trading Date”) and (ii) approximately 16.61% to the latest closing price (on an ex-dividend basis) of A\$6.08 per Yancoal Share as quoted on the ASX on the Last Trading Date. The IBC, in consultation with its advisers as detailed below, will continue to evaluate the Potential Transaction (including the proposed H-Share Convertible Bond consideration structure) in light of the responses and clarifications provided by Yankuang Energy and will update shareholders in due course. Until then, there is no need for Yancoal shareholders to take any action.

The IBC has appointed Gilbert + Tobin as Australian legal adviser, Freshfields Bruckhaus Deringer as Hong Kong legal adviser and Deloitte Corporate Finance as strategic and commercial adviser in relation to the Potential Transaction. Yancoal has not yet appointed an independent financial adviser to advise the IBC in connection with the Potential Transaction for the purposes of Rule 2.1 of the HK Code. Such an independent financial adviser will be appointed by the Yancoal Board, with the approval of the IBC, in due course as and when required. A further announcement will be made after the appointment of such independent financial adviser.

## Disclosure of relevant securities

As at the date of this announcement, the relevant securities of Yancoal comprise (i) 1,320,439,437 ordinary shares, and (ii) 2,115,455, 2,870,651, 953,669 and 2,434,135<sup>1</sup> outstanding performance rights under the 2020 long-term incentive plan ("LTIP"), the 2021 LTIP, the 2020 deferred short-term incentive plan ("STIP") and the 2021 deferred STIP, respectively, which may be settled in Yancoal Shares or a cash equivalent amount at the discretion of the Yancoal Board. If settled in Yancoal Shares, the holders of the performance rights would receive 8,373,910 Yancoal Shares and the settlement would be satisfied by way of existing Yancoal Shares. Save for the aforesaid, Yancoal has no other relevant securities (as defined in Note 4 to Rule 22 of the HK Code) as at the date of this announcement.

## Hong Kong Dealing Disclosure Requirements

The associates (as defined under the HK Code and including persons holding 5% or more of the relevant securities (as defined in Note 4 to Rule 22 of the HK Code)) of Yancoal are hereby reminded to disclose their dealings in any relevant securities (as defined in Note 4 to Rule 22 of the HK Code) of Yancoal and Yankuang Energy under Rule 22 of the HK Code.

In accordance with Rule 3.8 of the HK Code, reproduced below is the full text of Note 11 to Rule 22 of the HK Code:

*"Responsibilities of stockbrokers, banks and other intermediaries*

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation."*

## Monthly Updates

In compliance with Rule 3.7 of the HK Code, Yancoal will make monthly announcement(s) setting out the progress of the Potential Transaction until an announcement of a firm intention to make an offer under Rule 3.5 of the HK Code or of a decision not to proceed with

---

<sup>1</sup> This includes the proposed grant of up to 133,723 performance rights under the 2021 deferred STIP to Mr Ning Zhang, the Co-Vice Chairman of Yancoal, which are subject to the approval of Yancoal's shareholders at its 2022 annual general meeting to be held on 30 May 2022.

an offer is made. Further announcement(s) will be made by Yancoal as and when appropriate or required in accordance with the HK Listing Rules and/or the HK Code (as the case may be).

### **Resumption of Trading**

At the request of Yancoal, trading in the shares in Yancoal on the Hong Kong Stock Exchange was halted from 9:00 a.m. on 26 May 2022 pending the release of this announcement. An application has been made by the Company to the Hong Kong Stock Exchange for the resumption of trading in the shares on the Hong Kong Stock Exchange with effect from 9:00 a.m. on 30 May 2022.

By order of the Board

**Yancoal Australia Ltd**

**Baocai ZHANG**

Chairman

Hong Kong, 30 May 2022

*As of the date of this announcement, the executive Director is Mr. Ning Zhang, the non-executive Directors are Mr. Baocai Zhang, Mr. Cunliang Lai, Mr. Xiangqian Wu, Mr. Qingchun Zhao and Mr. Xing Feng and the independent non-executive Directors are Mr. Gregory James Fletcher, Dr. Geoffrey William Raby and Ms. Helen Jane Gillies.*

*The directors of Yancoal jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.*

*Unless specified otherwise, conversion of USD into AUD and USD into HKD is based on the exchange rates of US\$1.00 to A\$1.4070 and US\$1.00 to HK\$7.8493, respectively. The exchange rates have been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amount was or may have been exchanged at these or any other rates or at all.*

*\*For identification purposes only*

*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.*

*This announcement appears for information purposes only and is not intended to and does not constitute, or form part of, an invitation or offer to acquire, purchase or subscribe for any securities of Yancoal or Yankuang Energy or the solicitation of any vote or approval in any jurisdiction.*

*This announcement is not for release, publication or distribution, in whole or in part, in, into or from any jurisdiction where to do so would constitute a violation of the applicable laws or regulations of such jurisdiction.*



兗礦能源集團股份有限公司

**YANKUANG ENERGY GROUP COMPANY LIMITED\***

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

*(Stock Code: 01171)*

**ANNOUNCEMENT PURSUANT TO RULE 3.7 OF THE TAKEOVERS CODE  
AND RULE 13.09 OF THE LISTING RULES AND INSIDE INFORMATION  
PROVISIONS UNDER PART XIVA OF THE SECURITIES AND FUTURES  
ORDINANCE**

Yankuang Energy, the controlling shareholder of Yancoal, wishes to announce that:

- subject to compliance with applicable PRC and overseas laws and regulations and the relevant PRC and overseas regulatory requirements, market conditions, and the satisfaction or (where applicable) waiver of various pre-conditions and conditions, Yankuang Energy is considering a transaction to acquire further Yancoal Shares, by means of an acquisition structure to be determined by Yankuang Energy and which is permitted by law and the Takeovers Code, the consideration of which would be satisfied by the issuance of H-Share Convertible Bonds by Yankuang Energy. Yankuang Energy's aim for the Potential Transactions is to acquire further Yancoal Shares. Depending on the outcome of the Potential Transactions and upon Yankuang Energy owning such percentage of Yancoal Shares as required by the relevant regulatory requirements, the Potential Transactions may result in the withdrawal of the listing of Yancoal Shares from the Stock Exchange and/or from the ASX;
- the Potential Transactions may involve the issuance by Yankuang Energy of H-Share Convertible Bonds as consideration for the acquisition of further Yancoal Shares to Yancoal Shareholders (whose Yancoal Shares would be acquired by Yankuang Energy under the Potential Transactions (should they proceed)) which

are Related/Connected Shareholders, thus the Potential Transactions may constitute a related party transaction under the SSE Listing Rules and a connected transaction under the Listing Rules for Yankuang Energy and may be subject to Yankuang Energy's non-related shareholders' approval and independent shareholders' approval pursuant to the SSE Listing Rules and the Listing Rules, respectively. Shandong Energy Co., Ltd., the controlling shareholder of Yankuang Energy, would not be required to abstain from voting on resolutions relating to the Potential Transactions at the shareholders' meeting, A Share class meeting and H Share class meeting of Yankuang Energy under the SSE Listing Rules and the Listing Rules (if such meetings are convened);

- the Potential Transactions do not constitute a major asset restructuring for Yankuang Energy as stipulated in the Measures for the Administration of Major Asset Restructuring of Listed Companies, but are subject to approval by the shareholders of Yankuang Energy according to the SSE Listing Rules. According to the Listing Rules, the Potential Transactions may constitute a discloseable transaction for Yankuang Energy, and the issuance of the H-Share Convertible Bonds and H Shares of Yankuang Energy under the H-Share Convertible Bonds is subject to approval by Yankuang Energy's shareholders and the filing with, and approval of, the relevant PRC and overseas governmental and regulatory bodies; and
- the Potential Transactions were approved at the 21<sup>st</sup> meeting of the eighth session of the board of directors of Yankuang Energy. The Potential Transactions are subject to, among other things, obtaining Yankuang Energy's shareholders' approvals in its shareholders' meeting, A Share class meeting and H Share class meeting, the filing with, and approval of, the relevant PRC and overseas governmental and regulatory bodies, and the fulfilment or (where applicable) waiver of other pre-conditions and conditions to be determined based on the potential transaction structure if the Potential Transactions proceed.

**WARNING: Shareholders and potential investors of Yankuang Energy and Yancoal should be aware that the Potential Transactions are subject to significant uncertainty. The Potential Transactions are subject to market conditions and any decision to proceed by Yankuang Energy, and may or may not proceed. If the Potential Transactions are finalised and decided by Yankuang Energy to be proceeded with, they will be subject to the fulfilment or (where applicable) waiver of certain pre-conditions (such as obtaining Yankuang Energy's shareholders' approval, the filing with, and approval of, the relevant PRC and overseas governmental and regulatory bodies, and other pre-conditions to be determined based on the potential transaction structure if the Potential Transactions proceed) and conditions, and may or may not be completed. Hence, there is no assurance that the Potential Transactions will proceed, materialise or be consummated, eventually.**

**Shareholders and potential investors of Yankuang Energy and Yancoal are therefore advised to exercise caution when dealing in the shares and/or other securities of Yankuang Energy and Yancoal. Persons who are in doubt as to the**

action they should take should consult their professional stockbroker, bank manager, solicitor or other professional adviser.

Shareholders and potential investors of Yankuang Energy and Yancoal should also be aware that this announcement: (i) is not intended to constitute, and does not constitute, an offer capable of acceptance or to otherwise give rise to any binding contract or commitment; and (ii) is not intended to constitute, and does not constitute, a proposal to make a takeover bid for the purposes of section 631 of the *Australian Corporations Act 2001* (Cth) or any firm intention to make any offer under the Takeovers Code in Hong Kong.

Reference is made to (i) the announcement made by Yankuang Energy Group Company Limited (“**Yankuang Energy**”) on the Shanghai Stock Exchange in relation to the Potential Transactions pursuant to the securities regulatory requirements in the People’s Republic of China (the “**PRC**”), and (ii) the announcement made by Yankuang Energy on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**” or “**HKEX**”) in relation to the Potential Transactions, both dated the date of this announcement. This announcement is made by Yankuang Energy pursuant to Rule 3.7 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”) and pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Yankuang Energy, the controlling shareholder of Yancoal Australia Ltd (“**Yancoal**”, HKEX stock code: 03668; ASX stock code: YAL), wishes to announce the following:

## OVERVIEW OF THE POTENTIAL TRANSACTIONS

In order to further optimise the overall asset structure of Yankuang Energy, enhance shareholder equity value and support the development of Yancoal, subject to compliance with applicable PRC and overseas laws and regulations and the relevant PRC and overseas regulatory requirements, market conditions, and the satisfaction or (where applicable) waiver of various pre-conditions and conditions, Yankuang Energy is considering a transaction to acquire further shares in Yancoal (“**Yancoal Shares**” and holders of Yancoal Shares, “**Yancoal Shareholders**”), by means of an acquisition structure to be determined by Yankuang Energy and which is permitted by law and the Takeovers Code, the consideration of which would be satisfied by the issuance of H-Share Convertible Bonds (as defined below) by Yankuang Energy (the “**Potential Transactions**”). Yankuang Energy’s aim for the Potential Transactions is to acquire further Yancoal Shares. Depending on the outcome of the Potential Transactions and upon Yankuang Energy owning such percentage of Yancoal Shares as required by the relevant regulatory requirements, the Potential Transactions may result in the withdrawal of the listing of Yancoal Shares from the Stock Exchange and/or from the Australian Securities Exchange (the “**ASX**”). As at the date of this announcement, the structure of the Potential Transactions is yet to be determined and finalised.

The Potential Transactions may involve the issuance by Yankuang Energy of H-Share Convertible Bonds to Yancoal Shareholders (whose Yancoal Shares would be acquired by Yankuang Energy under the Potential Transactions (should they proceed)) who are related parties (under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (the “**SSE Listing Rules**”)) and/or connected persons (under the Listing Rules) of Yankuang Energy (such Shareholders, “**Related/Connected Shareholders**”), thus the Potential Transactions may constitute a related party transaction under the SSE Listing Rules and a connected transaction under the Listing Rules for Yankuang Energy and may be subject to Yankuang Energy’s non-related shareholders’ approval and independent shareholders’ approval pursuant to the SSE Listing Rules and the Listing Rules, respectively. Shandong Energy Co., Ltd., the controlling shareholder of Yankuang Energy, would not be required to abstain from voting on resolutions relating to the Potential Transactions at the shareholders’ meeting, A Share class meeting and H Share class meeting of Yankuang Energy under the SSE Listing Rules and the Listing Rules (if such meetings are convened).

The Potential Transactions do not constitute a major asset restructuring for Yankuang Energy as stipulated in the Measures for the Administration of Major Asset Restructuring of Listed Companies, but are subject to approval by the shareholders of Yankuang Energy according to the SSE Listing Rules. According to the Listing Rules, the Potential Transactions may constitute a discloseable transaction for Yankuang Energy, and the issuance of the H-Share Convertible Bonds and H Shares of Yankuang Energy under the H-Share Convertible Bonds is subject to approval by Yankuang Energy’s shareholders and the filing with, and approval of, the relevant PRC and overseas governmental and regulatory bodies.

## **KEY FEATURES OF THE STRUCTURE OF THE POTENTIAL TRANSACTIONS**

As at the date of this announcement, the number of Yancoal Shares in issue which are not held by Yankuang Energy amount to 498,281,722 Yancoal Shares, representing approximately 37.74% of Yancoal Shares in issue. Shareholders’ approval to be sought from Yankuang Energy’s shareholders will be for a consideration in the form of H-Share Convertible Bonds for a principal amount of US\$3.6 per Yancoal Share, which will be the consideration for the Potential Transactions (the “**Potential Consideration**”). Assuming all the Yancoal Shares in issue (other than those already owned by Yankuang Energy) remain unchanged and were to be acquired by Yankuang Energy, the total Potential Consideration will be in the amount of approximately US\$1.794 billion. If any cash dividend or other distribution is made or paid by Yancoal prior to the completion of the payment of the Potential Consideration, the Potential Consideration would be reduced by the amount of such dividend or distribution.

The Potential Consideration would be satisfied by the issuance by Yankuang Energy of corporate bonds convertible into overseas listed foreign shares of Yankuang Energy (the “**H Shares**”) (the “**H-Share Convertible Bonds**”). The structure of the issuance of the H-Share Convertible Bonds shall, subject to finalisation and the Potential Transactions proceeding, be as follows:



- |  |   |
|--|---|
| <b>1. Issuer</b>   | Yankuang Energy.  |
| <b>2. Size of issuance</b>   | Assuming all the Yancoal Shares in issue (other than those already owned by Yankuang Energy) remain unchanged and were to be acquired by Yankuang Energy, the principal amount of the H-Share Convertible Bonds under the Potential Transactions is approximately US\$1.794 billion.  |
| <b>3. Type of issuance</b>   | Senior unsecured convertible bonds.   |
| <b>4. Conversion shares</b>  | H Shares of Yankuang Energy, the final size of issuance of which shall be determined according to the conversion price pricing mechanism to be finalised.   |
| <b>5. Conversion price</b>   | A price at not less than a 50% premium over the volume-weighted average price of the H Shares of Yankuang Energy for 20 trading days prior to the latest practicable date in the composite document as determined by any one director of Yankuang Energy as authorised or approved by Yankuang Energy's shareholders with reference to the market conditions at the time of the Potential Transactions. The conversion price will be subject to adjustment arising from certain events arising after the issuance of the H-Share Convertible Bonds, including but not limited to share placements, share issuances, bonus issues, dividends, share splits, capital reduction in respect of the shares of Yankuang Energy, based on the adjustment mechanism to be determined. |
| <b>6. Target of issuance</b>   | Eligible Yancoal Shareholders (other than Yankuang Energy) whose Yancoal Shares would be acquired by Yankuang Energy under the Potential Transactions (should they proceed).  |
| <b>7. Purpose</b>  | To satisfy the payment of the Potential Consideration in full without any fundraising.  |
| <b>8. Maturity, coupon interest, redemption, payment, listing and other terms in relation to the issuance of H-Share Convertible Bonds</b> | To be determined by any one director of Yankuang Energy as authorised or approved by Yankuang Energy's shareholders with reference to the market conditions at the time of the Potential Transactions.  |

The Potential Consideration of US\$3.60 (equivalent to HK\$28.26) per Yancoal Share (to be satisfied in the form of H-Share Convertible Bonds) under the Potential Transactions (if they proceed) represents:

(a) a premium of approximately 2.38% over the average closing price (on an ex-dividend basis) of approximately HK\$27.60 per Yancoal Share as quoted on the Stock Exchange for the 60 trading days immediately prior to and including 25 May 2022 (the “**Last Trading Date**”);

(b) a premium of approximately 21.86% over the average closing price (on an ex-dividend basis) of approximately HK\$23.19 per Yancoal Share as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Date; and

(c) a premium of approximately 36.36% over the average closing price (on an ex-dividend basis) of approximately HK\$20.72 per Yancoal Share as quoted on the Stock Exchange for the 120 trading days immediately prior to and including the Last Trading Date.

The Potential Consideration of US\$3.60 (equivalent to A\$5.07) per Yancoal Share (to be satisfied in the form of H-Share Convertible Bonds) under the Potential Transactions (if they proceed) represents:

(a) a premium of approximately 4.08% over the average closing price (on an ex-dividend basis) of approximately A\$4.87 per Yancoal Share as quoted on the ASX for the 60 trading days immediately prior to and including the Last Trading Date;

(b) a premium of approximately 26.03% over the average closing price (on an ex-dividend basis) of approximately A\$4.02 per Yancoal Share as quoted on the ASX for the 90 trading days immediately prior to and including the Last Trading Date; and

(c) a premium of approximately 44.86% over the average closing price (on an ex-dividend basis) of approximately A\$3.50 per Yancoal Share as quoted on the ASX for the 120 trading days immediately prior to and including the Last Trading Date.

## **REASONS FOR AND BENEFITS OF THE POTENTIAL TRANSACTIONS**

### ***For Yankuang Energy***

Yancoal has a significant resources reserve, with 6.013 billion tonnes of coal resources (in terms of measured, indicated and inferred coal resources) and 819 million tonnes of saleable coal reserves (in terms of marketable proved and probable coal reserves) in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition (the JORC Code) as of the end of 2021. Yancoal is currently Australia’s largest pure coal company with 63.2 million tonnes of raw coal production (calculated on the basis of Yancoal holding 100% interests in various coal mines) and 38.6 million tonnes of equity saleable coal production in 2021, comprising 31.1 million tonnes of thermal coal and 7.5 million tonnes of metallurgical coal. Yancoal’s Hunter Valley Operations, Mount Thorley Warkworth and Moolarben mines are all world-class coal assets with long mine life, low operating costs and well-developed operations. Yancoal targets the global seaborne coal market, with the main markets being Japan, Taiwan of China, Korea, Singapore and other regions. Yancoal has maintained good operating conditions, having completed the acquisition of Rio Tinto's Coal & Allied Industries Limited in 2017, consolidated its business in 2018-2019 and

overcome the challenges posed by the pandemic and natural disasters in 2020. In 2021, Yancoal's operating performance significantly improved, attaining audited profit after tax of A\$791 million.

As a result of the Potential Transactions, Yankuang Energy would acquire further Yancoal Shares, and the shareholders of Yankuang Energy would enjoy an increased equity interest in coal resources and reserves, production and economic benefits. The assets of Yancoal would provide complementary and risk-hedging benefits to Yankuang Energy in terms of geographical location, coal types and sales markets. The acquisition of further Yancoal Shares would help Yankuang Energy to further consolidate its resources, strengthen the synergy amongst its assets, increase its core competitiveness and risk resistance and achieve sustainable development, all of which would be in the long-term interests of Yankuang Energy and its shareholders.

### ***For Yancoal***

The current market environment, including macro-economic policies, the attitude of capital market players towards carbon emissions and the position of investment institutions towards traditional energy assets or securities, have made the operation and development environments for coal producers, including Yancoal, increasingly challenging.

For Yankuang Energy, which is a large-scale international energy company with strong financial resources, coal has been a part of its long-term strategy. Yankuang Energy has been consistently supporting the long-term development of Yancoal. The Potential Transactions would demonstrate Yankuang Energy's confidence in Yancoal's development and its determination to provide continued support to Yancoal, which would better position Yancoal to operate its assets, to realise its development potential and to continue to contribute to the Australian economy and its local communities as a leading Australian coal mining company.

The Potential Transactions would provide Yancoal Shareholders a more flexible and diversified investment opportunity. Under the Potential Transactions, Yancoal Shareholders would receive H-Share Convertible Bonds as consideration which would provide additional flexibility as well as a liquidity solution to Yancoal Shareholders. Yancoal Shareholders who wish to avoid exposure to the price fluctuations of the coal industry can choose to hold the H-Share Convertible Bonds and receive fixed interest and principal payments. They can also choose to exit their investment by selling their H-Share Convertible Bonds over-the-counter. Yancoal Shareholders may also choose to convert their H-Share Convertible Bonds into Yankuang Energy's H Shares, thereby holding the shares of an energy company with a larger scale, more diversified asset portfolio and stronger risk resistance, and enjoying the benefit of a portfolio of energy assets comprising Yankuang Energy's assets in China and Yancoal's assets.

## **APPROVAL PROCESS AND PRE-CONDITIONS AND CONDITIONS FOR THE POTENTIAL TRANSACTIONS**

The Potential Transactions were approved at the 21<sup>st</sup> meeting of the eighth session of the board of directors of Yankuang Energy. The independent directors of Yankuang Energy have issued independent opinions on the relevant resolutions of Yankuang Energy's shareholders relating to the related party transactions contemplated under the Potential Transactions pursuant to the SSE Listing Rules. Yankuang Energy has established an independent board committee, comprising all the independent non-executive directors of Yankuang Energy. The independent board committee will, after considering the advice of the independent financial adviser to be engaged by it, advise the independent shareholders of Yankuang Energy on whether the connected transactions contemplated under the Potential Transactions are in the interests of Yankuang Energy and its shareholders as a whole and whether the terms thereof are on normal commercial terms and are fair and reasonable so far as the independent shareholders of Yankuang Energy are concerned pursuant to the Listing Rules.

If Yankuang Energy decides to proceed with the Potential Transactions subject to market conditions, the Potential Transactions remain subject to the obtaining of the relevant approvals and the satisfaction or (where applicable) waiver of certain pre-conditions including:

1. approval of the Potential Transactions in the shareholders meeting, the A Share class meeting and the H Share class meeting of Yankuang Energy;
2. the filing with, and approval of, the relevant PRC and overseas governmental and regulatory bodies in relation to the Potential Transactions;
3. the filing with, and approval of, the relevant PRC and overseas governmental and regulatory bodies in relation to the issuance of the H-Share Convertible Bonds and the H Shares upon conversion;
4. execution of an implementation deed between and by Yankuang Energy and Yancoal;
5. compliance with the requirements under the Takeovers Code and the circular, independent financial advice and independent shareholders' approval requirements under the Listing Rules in relation to the Potential Transactions; and
6. other pre-conditions to be determined based on the potential transaction structure if the Potential Transactions proceed.

Given the nature of these pre-conditions, it is not currently possible to specify whether or when these pre-conditions will be satisfied or (where applicable) waived.

If the Potential Transactions are to proceed, they will also be subject to a number of conditions. Those conditions will include (among other things) (i) receipt of regulatory approvals and completion of regulatory filings, (ii) no "prescribed occurrences" (being the matters listed in section 652C of the Australian *Corporations Act 2001* (Cth)) occurring in relation to Yancoal and (iii) the Stock Exchange granting the listing of and permission to deal in the H Shares arising from the conversion of the H-Share Convertible Bonds on the Stock Exchange. The full terms of the Potential Transactions (including a full list of the pre-conditions and conditions) will be set out in a further announcement to the market should Yankuang Energy decide to proceed with the Potential Transactions.

To the extent permitted by law and the Takeovers Code, Yankuang Energy reserves the right to waive any pre-condition or condition.

## **DISCLOSURE OF RELEVANT SECURITIES AND DEALINGS**

As of the date of this announcement, Yankuang Energy holds 822,157,715 Yancoal Shares, representing approximately 62.26% of Yancoal Shares in issue.

In compliance with Rule 3.8 of the Takeovers Code, the relevant securities of Yancoal in issue as at the date of this announcement comprise (i) 1,320,439,437 Yancoal Shares, and (ii) 2,115,455, 2,870,651, 953,669 and 2,434,135 outstanding performance rights under the 2020 long-term incentive plan (“**LTIP**”), the 2021 LTIP, the 2020 deferred short-term incentive plan (“**STIP**”) and the 2021 deferred STIP, respectively, which may be settled in Yancoal Shares or a cash equivalent amount at the discretion of Yancoal’s board of directors. If settled in Yancoal Shares, the holders of the performance rights would receive 8,373,910 Yancoal Shares and the settlement would be satisfied by way of existing Shares. Save for the aforesaid, Yancoal has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of this announcement.

In compliance with Rule 3.8 of the Takeovers Code, the relevant securities of Yankuang Energy in issue as at the date of this announcement comprise 3,048,703,640 A shares (“**A Shares**”), 1,900,000,000 H Shares and outstanding options under its 2018 A share option scheme which are exercisable into 13,225,500 A Shares. Save for the aforesaid, Yankuang Energy has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of this announcement.

For the purpose of the Takeovers Code, the offer period has commenced on the date of this announcement, being 25 May 2022.

In accordance with Rule 3.8 of the Takeovers Code, associates (including persons holding 5% or more of a class of relevant securities (as defined in Note 4 to Rule 22 to the Takeovers Code)) of Yancoal and Yankuang Energy are hereby reminded to disclose their dealings in the relevant securities of Yancoal and Yankuang Energy pursuant to the requirements of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

### *“Responsibilities of stockbrokers, banks and other intermediaries*

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to cooperate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

## **MONTHLY UPDATES**

In compliance with Rule 3.7 of the Takeovers Code, Yankuang Energy will make monthly announcement(s) setting out the progress of the Potential Transactions until an announcement of a firm intention to proceed with the Proposed Transactions under Rule 3.5 of the Takeovers Code or of a decision not to proceed with the Proposed Transactions is made. Further announcement(s) will be made by Yankuang Energy as and when appropriate or required in accordance with the Listing Rules and/or the Takeovers Code (as the case may be).

**WARNING: Shareholders and potential investors of Yankuang Energy and Yancoal should be aware that the Potential Transactions are subject to significant uncertainty. The Potential Transactions are subject to market conditions and any decision to proceed by Yankuang Energy, and may or may not proceed. If the Potential Transactions are finalised and decided by Yankuang Energy to be proceeded with, they will be subject to the fulfilment of certain pre-conditions (such as obtaining Yankuang Energy’s shareholders’ approval, the filing with, and approval of, the relevant PRC and overseas governmental and regulatory bodies, and other pre-conditions to be determined based on the potential transaction structure if the Potential Transactions proceed) and conditions, and may or may not be completed. Hence, there is no assurance that the Potential Transactions will proceed, materialise or be consummated, eventually.**

Shareholders and potential investors of Yankuang Energy and Yancoal are therefore advised to exercise caution when dealing in the shares and/or other securities of Yankuang Energy and Yancoal. Persons who are in doubt as to the action they should take should consult their professional stockbroker, bank manager, solicitor or other professional adviser.

Shareholders and potential investors of Yankuang Energy and Yancoal should also be aware that this announcement: (i) is not intended to constitute, and does not constitute, an offer capable of acceptance or to otherwise give rise to any binding contract or commitment; and (ii) is not intended to constitute, and does not constitute, a proposal to make a takeover bid for the purposes of section 631 of the *Australian Corporations Act 2001* (Cth) or any firm intention to make any offer under the Takeovers Code in Hong Kong.

By order of the Board  
**Yankuang Energy Group Company Limited\***  
**Li Wei**  
*Chairman of the Board*

Zoucheng, Shandong Province, the  
PRC

25 May 2022

*\* For identification purposes only*

*As of the date of this announcement, the directors of Yankuang Energy are Mr. Li Wei, Mr. Liu Jian, Mr. Xiao Yaomeng, Mr. Zhu Qingrui, Mr. Zhao Qingchun, Mr. Wang Ruolin and Mr. Huang Xiaolong, and the independent non-executive directors of Yankuang Energy are Mr. Tian Hui, Mr. Zhu Limin, Mr. Cai Chang, and Mr. Poon Chiu Kwok.*

*The directors of Yankuang Energy jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.*

*The information relating to Yancoal in this announcement has been extracted from or based on the published information of Yancoal, including its annual report for the year ended 31 December 2021, monthly return for the month ended 30 April 2022 and announcements relating to the rights under the LTIP and STIP.*

*Unless specified otherwise, conversion of USD into AUD and USD into HKD is based on the exchange rates of US\$1.00 to A\$1.4070 and US\$1.00 to HK\$7.8493, respectively. The exchange rates have been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amount was or may have been exchanged at these or any other rates or at all.*

*This announcement is originally prepared in English. In case of any inconsistency between the English version and the Chinese version, the English version shall prevail.*