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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)**

## **ANNOUNCEMENT ON**

## **RESOLVING EXCESS CAPACITY OF COAL**

<p>This announcement is made pursuant to 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.</p>
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Adhering to the spirit of the *Opinions on Resolving Excess Capacity in Coal Industry to Realize Development by Extricating the Coal Industry from Difficulties* issued by the State Council of People's Republic of China (Guo Fa [2016] No. 7) and the *Notice on Ensuring Completion of Work Objectives on Resolving Coal Overcapacity Problem of 2016* issued by the Coal Industry Bureau of Shandong Province (Lu Mei Gui Fa Zi [2016] No. 75), Yanzhou Coal Mining Company Limited ("**Yanzhou Coal**" or the "**Company**") proposes to shut down Beisu coal mine of the Company, resolving excess capacity of coal for one million tonnes.

### **1. Basic information of Beisu coal mine**

Beisu coal mine, a wholly-owned mine of the Company and a non-independent legal person, is currently in production. With a coalfield area of 29.3 square kilometers, it is an

underground coal mine which was put into production in 1976. Beisu coal mine has an assessed annual production capacity of one million tonnes of raw coal and as at 31 December 2015, the recoverable coal reserves were 11.55 million tonnes.

The following table sets out the production and operation of Beisu coal mine:

### **Coal Business Operation Results for the Last Three Years and A Half**

	<b>Raw coal production</b> ( kilotonne )		<b>Salable coal sales volume</b> ( kilotonne )		<b>Coal business income</b> ( RMB'000 )	
	<b>Beisu coal mine</b>	<b>Percentage of the Group<sup>Notes</sup></b> ( % )	<b>Beisu coal mine</b>	<b>Percentage of the Group</b> ( % )	<b>Beisu coal mine</b>	<b>Percentage of the Group</b> ( % )
2013	990	1.34	980	0.94	440,170	0.81
2014	790	1.09	770	0.63	272,850	0.47
2015	660	0.96	670	0.77	193,680	0.59
For the first half of 2016	300	0.95	290	0.89	84,870	0.80

Notes:

(1) The Group refers to the Company and its subsidiaries.

(2) The percentage of the Group set out in the above table was calculated based on the relevant data of the Group disclosed in its annual report and interim report for the corresponding years.

## **2. Reasons for shutting down Beisu coal mine**

The main coal product of Beisu coal mine is high-sulphur coal, which is in short market demand. Besides, the coal seam is thin, of which the occurrence conditions are complicated and the exploitation expense is immense.

To actively respond to national structural reform of supply front, fully utilize policies of production capacity reduction of coal industry and optimize production layout and resources allocation of the Company, the Company initiatively applied for shutting down Beisu coal mine and received the approval from relevant government authorities.

## **3. Arrangements for shutting down Beisu coal mine**

(1) Time schedule

The Company proposes to complete relevant work about shutting down Beisu coal mine by the end of March 2017. The final completion date is subject to the decision-making process of the Company and progress of consideration and approval on the shutdown plan by relevant government authorities.

(2) Staff settlement

A. Internal reposition of personnel;

B. For those who meet the conditions and voluntarily terminate their employment contract, the Company will provide indemnity according to relevant requirements.

(3) Implementation of special rewards and subsidies

Yankuang Group Company Limited (**“Yankuang Group”**), the controlling shareholder of the Company, is appropriated special rewards and subsidies for structural adjustments of industrial enterprises amounting to RMB149.05 million by the Finance Bureau of Shandong Province. Pursuant to *Circular on Issuing the Administrative Measures for Special Rewards and Subsidies for Structural Adjustments of Industrial Enterprises issued by the Ministry of Finance* (Cai Jian [2016] No. 253), *Circular on Strengthening the Administration over the Use of Special Rewards and Subsidies for Structural Adjustments of Industrial Enterprises issued by the Ministry of Finance* (Cai Jian [2016] No. 321) and *Notice on Administrative Rules for Special Rewards and Subsidies for Structural Adjustments of Industrial Enterprises in Shandong Province issued by Finance Bureau of Shandong Province* (Lu Cai Gong [2016] No. 4), Yankuang Group will make overall use of such special rewards and subsidies.

Regarding updates on shutting down Beisu coal mine, the Company will comply with necessary procedures for consideration and approval and discharge its obligation of information disclosure in accordance with relevant requirements.

By order of the Board

**Yanzhou Coal Mining Company Limited**

**Li Xiyong**

*Chairman of the Board*

Zoucheng, Shandong Province, the PRC

10 October 2016

*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. Zhao Qingchun, Mr. Guo Dechun and Mr. Guo Jun, and the independent non-executive directors of the Company are Mr. Wang Lijie, Mr. Jia Shaohua, Mr. Wang Xiaojun and Mr. Qi Anbang.*