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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
ENTERING INTO FINANCIAL SERVICES AGREEMENT
WITH YANKUANG GROUP FINANCE**

FINANCIAL SERVICES AGREEMENT

On 31 March 2017, the Company entered into the Financial Services Agreement with Yankuang Group Finance. Pursuant to the Financial Services Agreement, Yankuang Group Finance agreed to provide deposit-taking services, comprehensive credit facility services and miscellaneous financial services (including note discounting services and settlement services) to the Group in accordance with the terms and conditions set out in the Financial Services Agreement.

Yankuang Group is a controlling shareholder of the Company holding directly or indirectly approximately 56.59% of the issued share capital of the Company as at the date of this announcement and thus a connected person of the Company under the Hong Kong Listing Rules. As Yankuang Group holds 70% of the equity interest in Yankuang Group Finance, Yankuang Group Finance is an associate of Yankuang Group and therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

1. Introduction

On 31 March 2017, the Company entered into the Financial Services Agreement with Yankuang Group Finance.

Pursuant to the Financial Services Agreement, Yankuang Group Finance agreed to provide deposit-taking services, comprehensive credit facility services and miscellaneous financial services (including note discounting services and settlement services) to the Group in accordance with the terms and conditions set out in the Financial Services Agreement. Yankuang Group Finance is a non-banking financial institution legally established with the approval of the CBRC and is a professional institution engaged in the provision of corporate financial services.

According to Chapter 14A of the Hong Kong Listing Rules, the Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

The Group utilizes the services of Yankuang Group Finance on a voluntary, non-exclusive basis and is not under any obligation to engage Yankuang Group Finance for any particular service. Yankuang Group Finance is one of a number of financial institutions providing financial services to the Group.

2. The Financial Services Agreement

Date

31 March 2017

Parties

- (1) The Company; and
- (2) Yankuang Group Finance

Effective Date and Term

The Financial Services Agreement shall become effective upon execution by the legal representatives or authorized representatives of the parties and the affixation of their company chops with effect from 1 April 2017 and will expire on 31 December 2017 or the date on which Yankuang Group Finance ceases to be the subsidiary of Yankuang Group, whichever is earlier.

Major terms

1. Pursuant to the Financial Services Agreement, the Group has the right to choose the financial institution for the provision of financial services and to decide the financial institution for deposit-taking services and loan services as well as the amounts involved in such services based on its own business needs.
2. Yankuang Group Finance positions the Group as its key customer and undertakes that the terms for the provision of financial services to the Group shall, at any time, be no less favorable than those for comparable financial services provided by Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China and China Construction Bank etc. to the Group (the “**Major Commercial Banks in the PRC**”).
3. Yankuang Group Finance shall provide the following financial services to the Group during the term of the Financial Services Agreement in accordance with the above principles:

(i) Deposit-taking services:

The maximum daily balance (including accrued interests) of the Group on the settlement account with Yankuang Group Finance shall not exceed RMB1.1 billion during the term of the Financial Services Agreement.

The interest rate for the Group's deposit with Yankuang Group Finance shall be no less than the interest rate promulgated by the People's Bank of China for the same type of deposit for the same period, or the interest rate offered by the Major Commercial Banks in the PRC for the same type of deposit for the same period, or the interest rate offered by Yankuang Group Finance to other group members of Yankuang Group for the same type of deposit for the same period. The interest rate can float up to 35% above the benchmark interest rate for deposits as stipulated by the State.

(ii) Comprehensive credit facility services:

Yankuang Group Finance shall provide comprehensive credit facilities with a maximum daily balance of RMB1 billion (including accrued interests) to the Group during the term of the Financial Services Agreement.

The interest rate for the loan to be provided by Yankuang Group Finance to the Group shall be no more than the interest rate offered by the Major Commercial Banks in the PRC for comparable loan for the same period to the Group and may float down to 10-20% below the benchmark interest rate for loans as stipulated by the State. Yankuang Group Finance shall provide the loans to the Group on normal commercial terms and no security over the assets of the Group will be required.

(iii) Miscellaneous services, including:

- (a) note discounting services: the rate for the note discounting services to be offered by Yankuang Group Finance to the Group shall be no more than the rate for note discounting services provided by the Major Commercial Banks in the PRC, and the fees payable during the term of the Financial Services Agreement for such note discounting services shall not exceed RMB10 million;
- (b) other financial services: Yankuang Group Finance shall provide financial services (including but not limited to note acceptance, financial and financing consultation, credit certification and related consultation, agency services, settlement services such as fund payment and receipt, entrusted loan services, guarantee business services as well as other ancillary services related to settlement services) to the Group, and the relevant agency fees, administrative fees and other services fees payable during the term of the Financial Services Agreement for such services shall not exceed RMB3 million;
- (c) other businesses approved by the CBRC.

The fees charged by Yankuang Group Finance for the provision of miscellaneous financial services to the Group, including settlement service, entrusted loan, entrusted investment, guarantee service, note acceptance and discounting, financial and financing consultation, credit certification and related consultation and agency services, shall comply with the relevant prescribed rates determined by the People's Bank of China or the CBRC (where applicable). In addition, such fees shall be no more than those charged for the provision of comparable financial services by the Major Commercial Banks in the PRC to the Group.

With regard to the deposit-taking services, Yankuang Group Finance will inform the

Company's finance management department the relevant rates set by the People's Bank of China for similar services and provide the Company with the cap value of the interest rate stipulated by the government when the Group's deposits are being placed in Yankuang Group Finance, which rates shall be independently verified by the Company. In addition, the Company will consider the quality of services provided by Yankuang Group Finance and Major Commercial Banks in the PRC or financial institutions in the PRC in making its choice of service provider. With regard to the comprehensive credit facility services, when loans and financing services are required by the Group, the Company's finance management department will check and compare the relevant rates set by the Major Commercial Banks in the PRC for comparable services.

In addition, Yankuang Group Finance will inform the Company's finance management department the balance of the Group's deposits in Yankuang Group Finance and the balance of loans provided by Yankuang Group Finance to the Group on a monthly basis. The finance management department of the Company will designate a person who is specifically responsible to monitor the relevant rates set by the People's Bank of China and/or Major Commercial Banks in the PRC for similar deposit and comprehensive credit facility services and the policy promulgated by the People's Bank of China to ensure that each transaction is conducted in accordance with the abovementioned pricing policy under the Financial Services Agreement.

In respect of the above-mentioned miscellaneous financial services, the Company's finance management department will check the standard fees and charges as specified by PRC regulatory authorities and, if necessary, the fees and charges offered by at least two Major Commercial Banks in the PRC or brokerage companies in the PRC and compare them with the fees and charges offered by Yankuang Group Finance to ensure the service fees and charges will be no less favorable than the terms offered by the Major Commercial Banks in the PRC or brokerage companies in the PRC.

Accordingly, the Directors believe that the above methods and procedures can ensure that the relevant continuing connected transactions will be conducted in accordance with the terms (including pricing policy) of the Financial Services Agreement and such transactions will be conducted on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

Payment

The payment of the relevant interests, charges and service fees for the above services can be

settled by the parties on a one-off basis or by instalment in accordance with specific circumstances. The Company will fund the payment out of its internal resources.

Capital Risk Control Measures

To protect the interests of the Group and the Shareholders, Yankuang Group Finance provided the following representations and warranties under the Financial Services Agreement in relation to the control of the Group's capital risks:

- (1) Yankuang Group Finance shall ensure secured operation of its fund management system to safeguard the funds;
- (2) Yankuang Group Finance shall strictly comply with the risk monitoring indicators and guidelines for financial institutions issued by the CBRC and that its major regulatory indicators such as gearing ratio and liquidity ratio shall comply with the requirements of the CBRC and other relevant laws, administrative regulations, departmental rules and regulatory documents in the PRC;
- (3) the Group's deposits with Yankuang Group Finance shall only be used by Yankuang Group Finance for the purposes of provision of loans, note discounting, settlement services and etc. to the Group. Yankuang Group Finance shall not make investment with the Group's deposits (other than for purchasing government bonds);
- (4) copies of the regulatory reports submitted by Yankuang Group Finance to the CBRC and other relevant regulatory authorities shall be provided to the Group at the same time;
- (5) monthly financial statements of Yankuang Group Finance shall be provided to the Group within ten working days from the beginning of the following month;
- (6) the Group shall be entitled to review and obtain the relevant documents such as account books, financial statements and audit reports of Yankuang Group Finance in accordance with the PRC Company Law and the articles of association of Yankuang Group Finance; and
- (7) Yankuang Group Finance shall notify the Group immediately upon occurrence of any circumstance that may jeopardize the security of the Group's deposits or other situations in which the security of Group's funds held by Yankuang Group Finance

may potentially be affected. The Group shall be entitled to withdraw its deposits with Yankuang Group Finance.

The Board considers that the above capital risk control measures adopted by the Company in respect of the continuing connected transactions contemplated under the Financial Services Agreement are appropriate and that the Company will duly monitor the relevant procedures and measures for such continuing connected transactions to provide sufficient assurance to the Shareholders.

3. Reasons and benefits for entering into the Financial Services Agreement

The reasons for the Company to enter into the Financial Services Agreement with Yankuang Group Finance are as follows:

- (1) the rate or fees offered or charged by Yankuang Group Finance for the provision of deposit, loans and miscellaneous financial services to the Group is equivalent to or more favourable than those offered or charged by the Major Commercial Banks in the PRC for the provision of comparable financial services and no less favourable than those offered or charged by Yankuang Group Finance for the provision of comparable financial services to other group members;
- (2) Yankuang Group Finance is governed by the CBRC and the People's Bank of China and provides services within its approved scope in accordance with its operational requirements. The clientele of Yankuang Group Finance is limited to members of Yankuang Group and the members of the Group. Therefore, the operational risks are relatively low;
- (3) the Company directly holds 25% equity interest in Yankuang Group Finance and will be able to benefit from the profits of Yankuang Group Finance.

4. Historical amount, proposed cap and reasons

The categories, transaction caps and actual amount of the connected transactions between the Company and Yankuang Group Finance in the 12-month period from 1 April 2016 to 31 March 2017 are summarized as follows:

Categories	Transaction Caps (RMB 10 thousand)	Actual Amount (RMB 10 thousand)
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Deposit Balance	80,000	79,861
Comprehensive credit facility	40,000	22,252
Miscellaneous finance services	-	-
- note discounting service	1,000	0
- settlement service	400	0

The Board, having considered (1) the maximum daily balance of deposits and the historical amounts of actual deposits of the Group under the deposit-taking service in accordance with the Existing Financial Services Agreements for the 12-month period from 1 April 2016 to 31 March 2017; (2) the monetary funds of the Group as at 31 December 2016; and (3) having considered that (a) the interest rate offered by Yankuang Group Finance in respect of the deposits should not be lower than those offered by Major Commercial Banks in the PRC for comparable deposits; and (b) the Company holds 25% equity interest in Yankuang Group Finance, and will enjoy investment revenue from the business operations of Yankuang Group Finance, the Company plans to place more of its deposits at Yankuang Group Finance instead of Major Commercial Banks in the PRC. The Board proposed that the maximum daily deposit balance (including accrued interests) of the Group's deposits in the settlement account with Yankuang Group Finance under the Financial Services Agreement shall not exceed RMB1.1 billion during the term of the Financial Services Agreement.

The Board, having considered the level of the market rate for the note discounting services and the Company's note discounting business, proposed that the fees payable to Yankuang Group Finance by the Group for the provision of note discounting and miscellaneous financial services under the Financial Services Agreement shall not exceed RMB10 million and RMB3 million respectively during the term of the Financial Services Agreement.

Implication under the Hong Kong Listing Rules

Yankuang Group is a controlling shareholder of the Company holding directly or indirectly approximately 56.59% of the issued share capital of the Company as at the date of this announcement and thus a connected person of the Company under the Hong Kong Listing Rules. As Yankuang Group holds 70% of the equity interest in Yankuang Group Finance, Yankuang Group Finance is an associate of Yankuang Group and therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the relevant percentage ratios calculated in accordance with the Hong Kong Listing Rules

for deposit-taking services (calculated on the basis of the maximum daily deposit balance (including accrued interests)) under the Financial Services Agreement exceed 0.1% but are less than 5%, the deposit-taking services to be provided by Yankuang Group Finance to the Group are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As the comprehensive credit facility services to be provided by Yankuang Group Finance to the Group are conducted on normal commercial terms comparable to or more favourable than those offered by independent commercial banks for the provision of comparable services in the PRC and are for the benefit of the Group, and no security over the assets of the Group is or will be granted in respect of such services, the comprehensive credit facility services including the annual comprehensive credit facility limit to be provided by Yankuang Group Finance to the Group under the Financial Services Agreement are exempt from all reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules, and no annual cap is required to be set for the provision of such services.

As the relevant percentage ratios (if applicable) calculated in accordance with the Hong Kong Listing Rules in respect of the total service fees for the provision of miscellaneous financial services including the note discounting services and settlement services by Yankuang Group Finance to the Group under the Financial Services Agreement during the term of the Financial Services Agreement on an annual basis is less than 0.1%, such transactions are exempted from all reporting, announcement and the independent shareholders' approval requirements.

The Directors (including the independent non-executive Directors) consider that the Financial Services Agreement was entered into on normal or better commercial terms in the ordinary and usual course of business of the Group. The terms of the Financial Services Agreement, the transactions contemplated thereunder, the proposed cap of the daily deposit balance (including accrued interests) and the proposed cap of the service fees for the provision of miscellaneous financial services payable during the term of the Financial Services Agreement are also fair and reasonable and in the interests of the Company and the Shareholders as a whole.

General

The Financial Services Agreement and the transactions contemplated thereunder were

approved at the thirtieth meeting of the sixth session of the Board held on 31 March 2017.

At the aforesaid Board meeting, Mr. Li Xiyong, Mr. Li Wei and Mr. Wu Yuxiang, Directors of the Company, being also director or senior management of Yankuang Group, is regarded as having a material interest in the aforesaid continuing connected transactions. Therefore, each of Mr. Li Xiyong, Mr. Li Wei and Mr. Wu Yuxiang has abstained from voting at the meeting of the Board convened for the purpose of approving the Financial Services Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the aforesaid continuing connected transactions.

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.

Yankuang Group Finance

Yankuang Group Finance is a non-banking financial institution legally established with the approval of the CBRC and is a professional institution engaged in the provision of corporate financial services, the registered capital of which is RMB1 billion.

The business scope of Yankuang Group Finance includes provision of financial services and financing consultancy services, credit certification and related consultancy and agency services to member companies; provision of assistance to member companies in payment and receipt of transaction proceeds; provision of approved insurance agency services; provision of guarantees to member companies; provision of intra-group entrusted loan; provision of note acceptance and discounting services to member companies; provision of intra-group transfer and settlement services and design of related clearing and settlement schemes; provision of deposit-taking services to member companies; provision of loans and finance lease to member companies; provision of inter-bank loans.

DEFINITIONS

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

“A Shares”	means 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;
“associate”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“Board”	means the board of Directors;
“CBRC”	means the China Banking Regulatory Commission;
“Company”	means 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 Shanghai Stock Exchange, respectively;
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“Director(s)”	means the director(s) of the Company;
“Financial Services Agreement”	means the “Financial Services Agreement” entered into between the Company and Yankuang Group Finance on 31 March 2017;
“Existing Financial Services Agreement”	means the “Financial Services Agreement” entered into between the Company and Yankuang Group Finance on 27 March 2015 (as amended and supplemented by the supplemental agreement entered into by the parties on 29 March 2016);
“Group”	means the Company and its subsidiaries;

“H Shares”	means 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”	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Major Commercial Banks in the PRC”	means Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China and China Construction Bank etc.t;
“PRC”	means the People’s Republic of China;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Shareholders”	means the shareholders of the Company;
“subsidiary(ies)”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“Yankuang Group”	means 兗礦集團有限公司, Yankuang Group Corporation Limited, a wholly state-owned corporation and the controlling shareholder of the Company holding directly or indirectly approximately 56.59% of the total issued share capital of the Company as at the date of this announcement;
“Yankuang Group Finance”	兗礦集團財務有限公司, Yankuang Group Finance Co., Ltd., a limited liability company incorporated in the PRC, which is owned as to 70%, 25% and 5% by Yankuang Group, the Company and China Credit Trust Co., Ltd. respectively as at the date of this announcement. Yankuang Group Finance is a non-banking financial institution legally established with the approval of the CBRC and is a professional institution engaging in corporate financial services;
“%”	means per cent.

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

Zoucheng, Shandong Province, the PRC
31 March 2017

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. Guojun, and the independent non-executive directors of the Company are Mr. Kong Xiangguo, Mr. Jia Shaohua, Mr. Wang Xiaojun and Mr. Qi Anbang.