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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 THE FINANCE LEASE FRAMEWORK AGREEMENT WITH
YANKUANG GROUP**

On 30 December 2019, Zhongyin Financial Leasing, a wholly-owned subsidiary of the Company, entered into the Finance Lease Framework Agreement with Yankuang Group, pursuant to which Zhongyin Financial Leasing has agreed to provide Finance Leasing Service to Yankuang Group Members during the period from 1 January 2020 to 31 December 2020.

As at the date of this announcement, Yankuang Group is a controlling Shareholder of the Company holding directly or indirectly approximately 53.79% of the total issued share capital of the Company, and thus Yankuang Group constitutes a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the Finance Lease Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) calculated in accordance with the Hong Kong Listing Rules in respect of the transactions contemplated under the Finance Lease Framework Agreement exceed 0.1% but all of the applicable percentage ratios (other than the profits ratio) are less than 5%, pursuant to Rule 14A.76(2)(a) of the Hong Kong Listing Rules, the continuing connected transactions under the Finance Lease Framework Agreement are exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, but are subject to the reporting, announcement and annual review requirements.

I. ENTERING INTO THE FINANCE LEASE FRAMEWORK AGREEMENT

Background

On 30 December 2019, Zhongyin Financial Leasing entered into the Finance Lease Framework Agreement with Yankuang Group, pursuant to which Zhongyin Financial Leasing has agreed to provide Finance Leasing Service to Yankuang Group Members during the period from 1 January 2020 to 31 December 2020.

Date

30December 2019

Parties

- (1) Zhongyin Financial Leasing (as lessor); and
- (2) Yankuang Group (as lessee)

Terms

One year commencing from 1 January 2020 to 31 December 2020.

Arrangements of the Finance Leasing Service

Pursuant to the Finance Lease Framework Agreement, Zhongyin Financial Leasing has agreed to provide Finance Leasing Service to Yankuang Group Members by way of direct finance leasing service and sale-leaseback service.

Under the direct finance leasing service, Zhongyin Financial Leasing (as lessor) will purchase the Leased Assets based on the demands and requirements of Yankuang Group Members (as lessee) from Independent Third Party suppliers, and Zhongyin Financial Leasing will then lease the Leased Assets to Yankuang Group Members for their use in return for periodic lease payments. The ownership of the Leased Assets will be solely vested in Zhongyin Financial Leasing during the lease period. Yankuang Group Members could choose to purchase the Leased Assets after expiry of the lease or upon the consent of Zhongyin Financial Leasing prior to the expiry of the lease, subject to compliance with the then relevant requirements under the Hong Kong Listing Rules.

Under the sale-leaseback service, Yankuang Group Members (as lessee) will sell the Leased Assets to Zhongyin Financial Leasing (as lessor) at a negotiated purchase price with reference to the book value, the appraisal value, and/or the original acquisition costs of the Leased Assets, and Zhongyin Financial Leasing will then lease the Leased Assets back to Yankuang Group Members for their use in return for periodic lease payments. The ownership of the Leased Assets will be solely vested in Zhongyin Financial Leasing during the lease period. Yankuang Group Members could choose to purchase the Leased Assets after expiry of the lease or upon the consent of Zhongyin Financial Leasing prior to the expiry of the lease, subject to compliance with the then relevant requirements under the Hong Kong Listing Rules.

Zhongyin Financial Leasing intends to pay the purchase price for the Leased Assets by way of its internal funds and financing funds.

The principal amount of each Finance Leasing Service will be equal to the respective purchase price of the Leased Assets. The principal and interest with respect to the provision of Finance Leasing Service will be paid by Yankuang Group Members on a quarterly basis.

Zhongyin Financial Leasing will also charge commission fees or consulting fees with respect to the provision of Finance Leasing Service. Such commission fees or consulting fees will be paid by Yankuang Group Members to Zhongyin Financial Leasing upon or prior to Zhongyin Financial Leasing's payment of the purchase price of the Leased Assets.

Separate Individual Agreements

With respect to the provision of each Finance Leasing Service, Zhongyin Financial Leasing and Yankuang Group Members will enter into separate Individual Agreements pursuant to the Finance Lease

Framework Agreement and the transactions contemplated thereunder shall be conducted on normal commercial terms or better and no less favourable to Zhongyin Financial Leasing than the same offered by Yankuang Group Members to Independent Third Parties for receiving comparable finance leasing service.

Interests and fees

The interest rate and relevant fees to be agreed for the Finance Leasing Service shall be fair and reasonable and on normal commercial terms or better. In particular, when determining the effective interest rate, Zhongyin Financial Leasing shall make reference to the following non-exhaustive factors:

- (1) not lower than 5% above the lending rates published by the National Interbank Funding Center at the same period;
- (2) the financing costs of Zhongyin Financial Leasing;
- (3) the quotations for similar finance leasing services offered by Zhongyin Financial Leasing to Independent Third Parties;
- (4) the risk premium of Yankuang Group Members; and
- (5) all other relevant fees, including the commission fees and consulting fees.

The Company will consider the above factors and ensure that the overall terms and conditions for providing the Finance Leasing Service, including the effective interest rates and fees as well as payment conditions and other material terms, are no less favourable to Zhongyin Financial Leasing than the same offered by Yankuang Group Members to Independent Third Parties for receiving comparable finance leasing service.

Leased Assets

The Leased Assets include, among others, buildings, structures and mechanical equipment.

Annual caps and reasons

Pursuant to the Finance Lease Framework Agreement, the maximum transaction amount (i.e. the proposed annual cap for the aggregate outstanding daily balance of the principal amount together with the interest, commission fees and consulting fees) and the maximum interest and fees payment (i.e. the proposed annual cap for the aggregate outstanding daily balance of the interest, commission fees and consulting fees) during the period from 1 January 2020 to 31 December 2020 under the Finance Lease Framework Agreement shall be RMB814 million and RMB64 million respectively.

The proposed annual cap was calculated by reference to:

- (1) the current financial situation and development plan of Zhongyin Financial Leasing;
- (2) the capital need of the planned projects of Yankuang Group Members; and
- (3) the current market interest rates and future estimations.

Reasons and benefits for entering into the Finance Lease Framework Agreement

The Finance Lease Framework Agreement will improve the profitability and competitiveness of Zhongyin Financial Leasing, and the interest payment generated from the Finance Leasing Service (after deducting the financing costs) will enable Zhongyin Financial Leasing to obtain a stable cash flow.

Implications under the Hong Kong Listing Rules

As at the date of this announcement, Yankuang Group is a controlling Shareholder of the Company holding directly or indirectly approximately 53.79% of the total issued share capital of the Company, and thus Yankuang Group constitutes a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the Finance Lease Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The Directors (including the independent non-executive Directors) consider that the Finance Lease Framework Agreement, the transactions contemplated thereunder and the proposed annual caps are: (i) on normal commercial terms or better and in the ordinary and usual course of business of the Group; (ii) fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) calculated in accordance with the Hong Kong Listing Rules in respect of the transactions contemplated under the Finance Lease Framework Agreement exceed 0.1% but all of the applicable percentage ratios (other than the profits ratio) are less than 5%, pursuant to Rule 14A.76(2)(a) of the Hong Kong Listing Rules, the continuing connected transactions under the Finance Lease Framework Agreement are exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, but are subject to the reporting, announcement and annual review requirements.

II. GENERAL

The Finance Lease Framework Agreement, the transactions contemplated thereunder and the respective annual caps were approved at the thirtieth meeting of the seventh session of the Board held on 30 December 2019.

At the above meeting of the Board, Mr. Li Xiyong and Mr. Li Wei, also directors or senior management of Yankuang Group, are regarded as having material interests in the aforesaid Finance Lease Framework Agreement and the transactions contemplated thereunder. Therefore, Mr. Li Xiyong and Mr. Li Wei have abstained from voting at the meeting of the Board convened for the purpose of approving such transactions. Save as disclosed above, none of the other Directors has a material interest in such 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.

Zhongyin Financial Leasing

Zhongyin Financial Leasing is principally engaged in the business of financial leasing, leasing, leasing trade consultation and guarantees, and commercial factoring related to principal business. As at the date of this announcement, Zhongyin Financial Leasing is a wholly-owned subsidiary of the Company.

Yankuang Group

Yankuang Group is a state-controlled limited liability company. 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 this announcement, Yankuang Group is the controlling Shareholder of the Company, holding directly or indirectly approximately 53.79% of the total issued share capital of the Company, and is hence a connected person of the Company.

III. DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

"A Shares"	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(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"Board"	the board of Directors
"Company"	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 the Shanghai Stock Exchange, respectively
"connected person(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"controlling Shareholder(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"Director(s)"	the director(s) of the Company
"Finance Lease Framework Agreement"	the finance lease agreement entered into between Zhongyin Financial Leasing and Yankuang Group on 30 December 2019
"Finance Leasing Service"	including but not limited to the sale-leaseback service and direct finance leasing service to be provided by Zhongyin Financial Leasing to Yankuang Group Members in relation to the Leased Assets in accordance with the Finance Lease Framework Agreement
"Group"	the Company and its subsidiaries
"H Shares"	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"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent ThirdParty(ies)"	third party(ies) independent of theCompany and its connected persons
"Individual Agreement(s)"	the separate individual agreement for each Finance Leasing Service to be entered into between Zhongyin Financial Leasing and Yankuang Group Members pursuant to the Finance Lease Framework Agreement
"Leased Asset(s)"	the assets to be leased by Zhongyin Financial Leasing pursuant to the Individual Agreements
"percentage ratios"	has the same meaning ascribed thereto under the Hong Kong Listing Rules
"PRC"	the People's Republic of China, which for the purpose of this announcement, excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	the shareholder(s) of the Company
"subsidiary(ies)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"Yankuang Group"	Yankuang Group Company Limited, 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 this announcement
"Yankuang Group Members"	Yankuang Group, its subsidiaries and associates (excluding the Company and its subsidiaries)
"Zhongyin Financial Leasing"	Zhongyin Financial Leasing Company Limited* (中垠融資租賃有限公司), a wholly-owned subsidiary of the Company
"%"	percent

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

Zoucheng, Shandong Province, the PRC
30 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.

** For identification purposes only*