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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)

**CONNECTED TRANSACTION
FORMATION OF JOINT VENTURE COMPANY**

THE JV AGREEMENT

On 10 March 2017, Hua Ju Energy, a subsidiary of the Company entered into the JV Agreement with Yankuang Group for the formation of the JV Company. Pursuant to the JV Agreement, the JV Company will be owned as to 75% by Yankuang Group and 25% by Hua Ju Energy.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As the controlling shareholder directly and indirectly holding approximately 56.59% equity interest of the Company as at the date of this announcement, Yankuang Group is a connected person of the Company for the purpose of the Hong Kong Listing Rules. Entering into of the JV Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

Since the highest applicable percentage ratio set out in the Hong Kong Listing Rules in respect of the formation of the JV Company exceeds 0.1% but is less than 5%, the transaction is subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

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The JV AGREEMENT

Date: 10 March 2017

Parties: (1) Hua Ju Energy
(2) Yankuang Group

Scope of Business of the JV Company: The proposed scope of business of the JV Company shall include power sale business, investment and operation of distribution network, electricity equipment and facility operation and maintenance, electricity technology consulting and services, clean energy technology services, new energy development and utilization.

Registered Capital: RMB 120,000,000

Capital Contribution: (1) RMB 30,000,000 to be contributed by Hua Ju Energy, representing 25% of the interests in the JV Company; and
(2) RMB 90,000,000 to be contributed by Yankuang Group, representing 75% of the interests in the JV Company;

Payment of Capital Contribution: Pursuant to the JV Agreement, Yankuang Group shall make the capital contribution of RMB90,000,000 in cash and Hua Ju Energy shall make the capital contribution in asset with value equivalent to RMB30,000,000. The contribution shall be made before 31 December 2017.

Distribution of Profits: The profits of the JV Company shall be distributed in proportion to the capital contribution made by each JV Party in accordance with the JV Agreement.

SOURCE OF FUNDING FOR THE CAPITAL CONTRIBUTION TO THE JV COMPANY

The total capital contribution by the Hua Ju Energy will be satisfied by its owned power equipment facilities and related properties with appraised value of RMB30,000,000.

REASONS FOR AND BENEFIT OF ENTERING INTO THE JV AGREEMENT

The formation of the JV Company will fully utilize the national and provisional favorable industrial policy, create synergies between parties and reduce the electricity costs of the Company.

As such, the directors (including the independent non-executive directors) of the Company consider that the terms of the JV Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Mr. Li Xiyong, Mr. Li Wei and Mr. Wu Yuxiang, directors of the Company, being also directors or senior management of Yankuang Group, are regarded as having material interests in the aforesaid connected transaction. Therefore, Mr. Li Xiyong, Mr. Li Wei and Mr. Wu Yuxiang have abstained from voting at the meeting of the board of directors of the Company convened for the purpose of approving such transaction. Save as disclosed above, none of the other directors of the Company has a material interest in such transaction.

INFORMATION OF THE PARTIES

Hua Ju Energy is mainly engaged in thermal power generation and heating supply business with gangue and slurry in the process of coal mining.

Yankuang Group is a state-controlled limited liability company with a registered capital of RMB3,353,388,000 and is principally engaged in business such as overseas investment, production and sales of coal, coal chemicals, coal aluminum, set electro-mechanical equipment manufacture.

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“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;
“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, 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;
“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;
“Hua Ju Energy”	Shandong Hua Ju Energy Company Limited, a company with limited liability incorporated under the laws of PRC in 2002 and a 95.14% owned subsidiary of the Company;
“JV Agreement”	the Shareholders' Contribution Agreement in relation to, among other things, the formation of the JV Company dated 10 March 2017 entered into among Hua Ju Energy and

	Yankuang Group;
“JV Company”	兗礦售電有限公司 (subject to registration with the Administration of Industry and Commerce), Yankuang Power Sale Co. Ltd*, a limited liability company to be established under the laws of the PRC pursuant to the JV Agreement;
“JV Party”	Hua Ju Energy and Yankuang Group, or as the context requires, any one of them;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Yankuang Group”	兗礦集團有限公司, Yankuang Group Corporation Limited, a company with limited liability reformed and established in accordance with the PRC law in 1996, being the controlling shareholder of the Company, directly and indirectly holding approximately 56.59% equity interest of the Company as at the date of this announcement;
“%”	percent.

** For identification purpose only*

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

Zoucheng, Shandong Province, the PRC
10 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. Guo Jun, and the independent non-executive directors of the Company are Mr. Kong Xiangguo, Mr. Jia Shaohua, Mr. Wang Xiaojun and Mr. Qi Anbang.