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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**

### **Raw Material Coal Purchase and Chemical Products Sales Agreement**

On 26 March 2021, the Company and The Controlling Shareholder entered into the Raw Material Coal Purchase and Chemical Products Sales Agreement, pursuant to which, for the three years ending 31 December 2023, (i) the Controlling Shareholder sells the Company coal used as raw materials of chemical products; (ii) the Company sells the Controlling Shareholder methanol, glycol, acetic acid, ammonia, ammonium sulfate and other chemical products; and (iii) the Company provides sales agency services of chemical products to the Controlling Shareholder.

### **Listing Rules Implications**

As at the date of this announcement, Yankuang Group is the controlling Shareholder of the Company, directly or indirectly holding 55.86% of the issued share capital of the Company. Accordingly, the transactions contemplated under the Raw Material Coal Purchase and Chemical Products Sales Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual caps for the continuing connected transactions contemplated under the Raw Material Coal Purchase and Chemical Products Sales Agreement is more than 0.1% but less than 5%, such continuing connected transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **I. Raw Material Coal Purchase and Chemical Products Sales Agreement**

### **Background**

On 26 March 2021, the Company and the Controlling Shareholder entered into the Raw Material Coal Purchase and Chemical Products Sales Agreement, pursuant to which, for the three years ending 31 December 2023, (i) the Controlling Shareholder sells the Company coal used as raw materials of chemical products; (ii) the Company sells the Controlling Shareholder methanol, glycol, acetic acid, ammonia, ammonium sulfate and other

chemical products; and (iii) the Company provides sales agency services of chemical products to the Controlling Shareholder.

***Date***

26 March 2021

***Major Terms***

**(a) Subject Matter**

Pursuant to the Raw Material Coal Purchase and Chemical Products Sales Agreement, for the three years ending 31 December 2023, (i) the Controlling Shareholder sells the Company coal used as raw materials of chemical products; (ii) the Company sells the Controlling Shareholder methanol, glycol, acetic acid, ammonia, ammonium sulfate and other chemical products; and (iii) the Company provides sales agency services of chemical products to the Controlling Shareholder.

**(b) Pricing**

Under the Raw Material Coal Purchase and Chemical Products Sales Agreement, sales prices of the coal used as raw materials of chemical products and chemical products shall be determined with reference to the market price.

The market price shall be determined according to the following: (i) the price offered by independent third parties for provision of the same or similar type of services in the same area or in the vicinity thereof under normal commercial terms in the ordinary course of business of such independent third parties; or (ii) if paragraph (i) above is not applicable, the price offered by independent third parties in the PRC for provision of the same or similar type of services under normal commercial terms in the ordinary course of business of such independent third parties.

The sales agency service fees of chemical products under the Raw Material Coal Purchase and Chemical Products Sales Agreement shall be determined with reference to the costs of providing such services plus reasonable profit. Reasonable profit shall be determined through commercial negotiation between parties.

**(c) Undertakings**

The Controlling Shareholder has undertaken that the price of the coal used as raw materials of chemical products under the Raw Material Coal Purchase and Chemical Products Sales Agreement would not be higher than the price offered by the Controlling Shareholder to any independent third parties for the same type of coal under any circumstances. The Controlling Shareholder is not the exclusive supplier of coal used as raw materials of chemical products of the Company.

The Company has undertaken that it will provide relevant services and commodities under the Raw Material Coal Purchase and Chemical Products Sales Agreement to the Controlling Shareholder on normal commercial terms.

**(d) Payment**

Each party shall record all items payable to or from the other party in a calendar month in relation to the transactions under the Raw Material Coal Purchase and Chemical Products Sales Agreement in its accounts on or before the last business day of that calendar month. Save for the payments made for non-completed transactions or disputed payments, all payments incurred in a calendar month shall be settled in full by the

responsible party within the next calendar month.

The sales agency service fees payable by the Controlling Shareholder to the Company shall be paid within one month after the finalisation of the audit results of operation goals accountability by The Controlling Shareholder.

**(e) Term**

Unless otherwise agreed in writing, the Raw Material Coal Purchase and Chemical Products Sales Agreement shall take effect upon execution by the authorised representative or legal representative of the respective party and approval by the Board in accordance with the Listing Rules and internal authorization, with retrospective effect from 1 January 2021 and ending on 31 December 2023.

***Annual caps and reasons***

In December 2020, the Company completed the acquisition of chemical-related companies and assets from the Controlling Shareholder, resulting in increases in the demand of chemical raw materials and output of chemical products, and improvement in capacity of sales agency services of chemical products. Based on the demand of relevant subsidiaries and estimated prices, the annual caps for transactions under the Raw Material Coal Purchase and Chemical Products Sales Agreement for each of the three years ending 31 December 2023 are set out as below:

<b>Category</b>	<b>Annual Cap</b>
Sale of coal used as raw materials of chemical products by the Controlling Shareholder to the Company	RMB600,000,000
Sale of chemical products by the Company to the Controlling Shareholder	RMB400,000,000
Provision of sales agency services of chemical products by the Company to the Controlling Shareholder	RMB5,000,000

***Reasons and benefits for the Raw Material Coal Purchase and Chemical Products Sales Agreement***

The Raw Material Coal Purchase and Chemical Products Sales Agreement and transactions contemplated thereunder can realise synergy and reduce transaction costs and operation risks. Such agreement and transactions will guarantee the normal production and operation of the Company, improve its sustainable profitability and core competitiveness, and are beneficial to the development strategy of the Company and the interests of all the Shareholders.

The Directors (including the independent non-executive Directors) consider that the Raw Material Coal Purchase and Chemical Products Sales Agreement and the transactions contemplated thereunder are (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms, (iii) fair and reasonable and (iv) in the interests of the Company and the Shareholders as a whole. The Raw Material Coal Purchase and Chemical Products Sales Agreement and the transactions contemplated thereunder will not have an adverse impact on the current and future financial position and operation of Company. The Company is independent of the Controlling Shareholder in terms of business, personnel, assets, organisation, and financial operation, and the Raw Material Coal Purchase and Chemical Products Sales Agreement and the transactions contemplated thereunder will not affect the independence of the Company or cause the Company to rely on the Controlling Shareholder.

***Listing Rules Implications***

As at the date of this announcement, Yankuang Group is the controlling Shareholder of the Company, directly or indirectly holding 55.86% of the issued share capital of the Company. Accordingly, the transactions contemplated under the Raw Material Coal Purchase and Chemical Products Sales Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual caps for the continuing connected transactions contemplated under the Raw Material Coal Purchase and Chemical Products Sales Agreement is more than 0.1% but less than 5%, such continuing connected transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### ***Information on 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 pulverised coal injection.

#### ***Yankuang Group***

Yankuang Group, a state-controlled limited liability company, with the State-owned Assets Supervision and Administration Commission of Shandong Province as its controlling shareholder. The principal business of the Controlling Shareholder includes coal, thermal power generation, coal chemicals, high-end equipment manufacturing, new energy materials, modern logistics and trade.

### ***Internal Approval Procedure***

On 26 March 2021, the eleventh meeting of the eighth session of the Board reviewed and approved the Raw Material Coal Purchase and Chemical Products Sales Agreement with the Controlling Shareholder and relevant annual caps for each year from 2021 to 2023.

All ten Directors of the Company attended the meeting, and four related Directors, namely Li Xiyong, Liu Jian, Wu Xiangqian, and He Jing abstained from voting on the proposal. All other six non-related Directors (including four independent non-executive Directors) voted in favour of the proposal.

## **II. DEFINITIONS**

"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
"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 Stock Exchange and the Shanghai Stock Exchange, respectively
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules

"Controlling Shareholder" or "Yankuang Group"	Yankuang Group Company Limited (兗礦集團有限公司), a company with limited liability reformed and established under the laws of the PRC on 12 March 1996, the the Controlling Shareholder of the Company holding 55.86% shares of the Company
"Director(s)"	the director(s) of the Company
"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 Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"percentage ratios"	has the same meaning ascribed thereto under the Listing Rules
"PRC"	the People's Republic of China, for the purpose of this announcement, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan Region
"Raw Material Coal Purchase and Chemical Products Sales Agreement "	the raw material coal purchase and chemical products sales agreement entered into between the Company and the Controlling Shareholder on 26 March 2021
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	the shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"% "	percentage

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

Zoucheng, Shandong Province, the PRC  
26 March 2021

*As at the date of this announcement, the directors of the Company are Mr. Li Xiyong, Mr. Liu Jian, Mr. Wu Xiangqian, Mr. Zhao Qingchun, Mr. He Jing and Mr. Wang Ruolin, and the independent non-executive directors of the Company are Mr. Tian Hui, Mr. Zhu Limin, Mr. Cai Chang and Mr. Poon Chiu Kwok.*