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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)

**(1) PROPOSED ADOPTION OF THE RESTRICTED A SHARE INCENTIVE SCHEME;
(2) CONNECTED TRANSACTION - GRANT OF RESTRICTED A SHARES TO THE
CONNECTED PARTICIPANTS UNDER THE INCENTIVE SCHEME**

PROPOSED ADOPTION OF THE RESTRICTED A SHARE INCENTIVE SCHEME

On 1 December 2021, the Board resolved to propose the adoption of the Restricted A Share Incentive Scheme. The Incentive Scheme will be subject to the approvals of the SASAC of Shandong Province and the approvals of the Shareholders at the EGM and the Class Meetings. Before the EGM and the Class Meetings are held for approving the Incentive Scheme, the Company may amend the Incentive Scheme upon the request of the regulatory authorities of the PRC and/or Hong Kong.

GRANT OF RESTRICTED A SHARES TO THE CONNECTED PARTICIPANTS UNDER THE INCENTIVE SCHEME

The Company may grant Restricted A Shares to the Connected Participants under the Incentive Scheme.

IMPLICATIONS UNDER THE LISTING RULES

The Incentive Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules.

Pursuant to Rule 19A.38 of the Listing Rules, the proposed adoption of the Restricted A Share Incentive Scheme is subject to the approvals of the Shareholders at the EGM and the Class Meetings.

Certain Participants, who are the Connected Participants of the Grant, are the Connected Persons of the Company. Grant of Restricted A Shares to the Connected Participants under the Incentive Scheme constitutes a Connected Transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Xiao Yaomeng, Wang Ruolin, Zhao Qingchun and Huang Xiaolong, the Directors who are the Connected Participants of the Incentive Scheme, were considered as having material interests of the Incentive Scheme, and accordingly each of them was required to abstain from voting on the relevant resolutions to approve the proposed adoption of the Restricted A Share Incentive Scheme at the Board meeting. All remaining Directors who were entitled to vote unanimously approved the above resolutions. The format and procedure for passing the resolutions were in compliance with the Company Law and the Articles of Association. Save for the above, no other Directors are interested or deemed to have material interests in the above transaction. In addition, no other Directors have abstained from voting on the remaining resolutions at the abovementioned Board meeting.

An Independent Board Committee will be established to give recommendations to the Independent Shareholders in respect of grant of Restricted A Shares to the Connected Participants under the Incentive Scheme and the transactions contemplated thereunder. An Independent Financial Adviser will also be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the grant of Restricted A Shares to the Connected Participants under the Incentive Scheme are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

EGM AND THE CLASS MEETINGS

An EGM will be convened by the Company and held for the purpose of considering and approving, inter alia, the adoption of the Restricted A Share Incentive Scheme and the related matters. Class Meetings will also be convened by the Company and held for the purpose of considering and approving, inter alia, the adoption of the Restricted A Share Incentive Scheme and the related matters.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder who has a material interest in the Restricted A Share Incentive Scheme shall abstain from voting on the resolution to approve the adoption of the Restricted A Share Incentive Scheme at the EGM. Accordingly, the Connected Participants and their Associates shall abstain from voting in respect of the resolution relating to the adoption of the Restricted A Share Incentive Scheme.

Pursuant to Rule 19A.39A of the Listing Rules, a Circular containing further details of the proposed adoption of the Restricted A Share Incentive Scheme and Grant of Restricted A Shares to the Connected Participants under the Incentive Scheme will be issued by the Company and dispatched to the H Shareholders in due course.

PROPOSED ADOPTION OF THE RESTRICTED A SHARE INCENTIVE SCHEME

I. Purpose of Implementing the Incentive Scheme

For the purpose of further perfecting the medium-term to long-term incentive mechanism, fully mobilising the enthusiasm of the management and key personnel of the Company, aligning the interests of the Shareholders, the Company and the core team, and enhancing the Company's market competitiveness and sustainable development, the Company intends to implement the Incentive Scheme in accordance with relevant requirements of the Company Law, the Securities Law, the Notice and the Administrative Measures.

II. Method of Share Incentive and source of underlying Shares

The method adopted by the Share Incentive Scheme is the Restricted Shares. The source of underlying Shares shall be the Company's RMB-dominated ordinary A Shares to be issued specifically by the Company to the Participants.

III. Number of Restricted Shares to be granted

The number of the Restricted Shares proposed to be granted under the Incentive Scheme is 62,980,000 Shares, representing 1.29% of the Company's total share capital of 4,874,184,100 Shares as at the date of the Incentive Scheme announcement.

After implementation of the Incentive Scheme, the total number of underlying Shares involved under all effective share incentive schemes of the Company shall not exceed 10% of the total share capital of the Company as at the date of the announcement of the draft Incentive Scheme. The total number of Shares of the Company to be granted to any Participant under effective Share Incentive Scheme shall not, in aggregate, exceed 1% of the total share capital of the Company as at the date of the announcement of the draft Incentive Scheme.

During the period from the date of the Incentive Scheme announcement to the completion of registration of the Restricted Shares of the Participants, in case of any conversion of capital reserve into share capital, bonus issue, share split or share consolidation or rights issue made by the Company, the number of Restricted Shares and total number of underlying Shares involved shall be adjusted accordingly.

IV. Details of basis for determining the Participants, scope of the Participants and allocation of the Restricted Shares to be granted among the Participants

(I) Basis for determining the Participants

The Participants of the Incentive Scheme are determined in accordance with the Company Law, the Securities Law, the Administrative Measures as well as other relevant laws, regulations and the Articles of Association by taking into account the actual situation of the Company.

(II) Scope of the Participants

The total number of Participants under the Incentive Scheme shall be 1,268, specifically includes:

1. Directors (excluding external Directors) and senior management;
2. Middle-level management;
3. Key personnel.

The key personnel include key technical staffs, key skilled staffs, and key business personnel. Specific selection criteria are as follows:

- a. Key technical staffs: technical experts of the Company and professional technology (discipline) leaders.
- b. Key skilled staffs: outstanding skilled production personnel who own various workshops such as “innovative workshop” and “model worker workshop”, or are honoured as the “great country craftsmen”, “craftsmen of Shandong Energy” or above, or are awarded titles at the Shandong provincial level and above.
- c. Key business personnel: employees who are at the deputy head level or above in their departments or sections, and have worked in the Company for three years. Also, their annual appraisal results of management and technical personnel should be “competent” or above in 2019 and 2020, and “excellent” for at least one year. Among them, priority will be given to underground team leaders, production line workshop leader, outstanding professional and technical personnel, and model workers (at the Group and prefectural level).

Key personnel of criteria a and b are directly included in the scope of the Participants and those of criteria c are determined to be included in the scope of the Participants after investigation in accordance with relevant procedures.

The Participants under the Incentive Scheme do not include the external Directors, the Supervisors and any Shareholder or actual controller, whether jointly or individually, holding more than 5% of the Shares of the Company, or their respective spouses, parents and children.

Among the above Participants, Directors and senior management must be elected by the Shareholders at General Meetings, employee representative meeting or appointed by the Board. All Participants must be employed by the Company or a controlled subsidiary upon the grant of the Scheme and have entered into a labour contract or an employment contract with the Company or a controlled subsidiary.

All Participants of the Incentive Scheme shall not participate in share incentive schemes of other listed companies at the same time and those who have already participated in share incentive schemes of any other listed companies shall not participate in the Incentive Scheme. If the intended Participant has participated in the mid-term to long-term incentive scheme of an affiliated subsidiary, he/she can only choose between the Incentive Scheme and other mid-term to long-term incentive schemes and should, in principle, choose the Incentive Scheme.

(III) Allocation of the Restricted Shares to be granted among the Participants

The allocation of the Restricted Shares to be granted among the Participants under the Incentive Scheme is set out in the table below:

Name	Position	Total number of the Restricted Shares to be granted (10,000 Shares)	Proportion of the Restricted Shares to be granted to the total number of the Restricted Shares	Proportion of the Restricted Shares to the total share capital
Xiao Yaomeng	Secretary to the Party Committee, director and general manager	20	0.32%	0.004%
Wang Ruolin	Deputy secretary to the Party Committee, chairman of the Labour Union and employee director	16	0.25%	0.003%
Gong Zhijie	Deputy general manager	16	0.25%	0.003%
Zhang Yanwei	Deputy general manager	16	0.25%	0.003%
Zhao Qingchun	Director and chief financial officer	16	0.25%	0.003%
Zhang Chuanchang	Deputy general manager	16	0.25%	0.003%
Tian Zhaohua	Deputy general manager	16	0.25%	0.003%
Liu Qiang	Deputy general manager	16	0.25%	0.003%
Li Weiqing	Deputy general manager	16	0.25%	0.003%
Huang Xiaolong	Director and secretary to the Board	16	0.25%	0.003%
Total of the above Directors and senior management (10 persons)		164	2.60%	0.034%
Total of other Participants (1,258 persons)		6,134	97.40%	1.26%
Total		6,298	100.00%	1.29%

Note: Any difference between the figures shown as totals and the sum of the corresponding figures above results from the rounding of the above data.

V. Grant Price of the Restricted Shares and basis for determination thereof

(I) Grant Price

The Grant Price of the Restricted Shares under the Incentive Scheme is RMB11.72 per Share, i.e., the Participants who have satisfied the conditions of grant can subscribe for the Restricted Shares to be issued by the Company to them at the price of RMB11.72 per Share.

(II) Basis for determining the Grant Price

The Grant Price shall not be lower than the nominal value of the Shares, and shall not be lower than 50% of the higher of:

- Basis 1: the average trading price of the Company's underlying Shares on the trading day preceding the date of the announcement of the draft Incentive Scheme;
- Basis 2: one of the average trading prices of the Company's underlying Shares in the 20 trading days, 60 trading days or 120 trading days prior to the date of the announcement of the draft Incentive Scheme.

Details are set out in the table below:

Currency: RMB Unit: Yuan/Share

	Basis 1	Basis 2			The lowest Grant Price
	Average trading price of the Company's Shares on the trading day preceding the date of the announcement of the draft Incentive Scheme	Average trading price of the Company's Shares in the 20 trading days prior to the date of the announcement of the draft Incentive Scheme	Average trading price of the Company's Shares in the 60 trading days prior to the date of the announcement of the draft Incentive Scheme	Average trading price of the Company's Shares in the 120 trading days prior to the date of the announcement of the draft Incentive Scheme	
A Shares	23.44	23.29	27.03	22.55	11.72

VI. Schedule of the Incentive Scheme

(I) Validity period

The validity period of the Scheme is from the date of registration of the first Grant of the Restricted Shares to the date when all the Restricted Shares which have been granted to the Participants are unlocked or repurchased and cancelled, and shall not exceed 60 months in any event.

(II) Grant Date

The Grant Date shall be determined by the Board after the Incentive Scheme has been reviewed and approved by Shandong Energy, filed by SASAC of Shandong Province, and considered and approved at the General Meetings. The Grant Date shall be a trading day.

Within 60 days after the Scheme is considered and approved at the General meetings, and the conditions for the grant are satisfied, the Company shall convene a Board meeting to grant the Restricted Shares to Participants under the Incentive Scheme according to relevant provisions and complete registration, announcement and other relevant procedures. If the Company fails to complete the aforesaid tasks within 60 days, the Incentive Scheme will be terminated and the ungranted Restricted Shares shall lapse.

The Company shall not grant the Restricted Shares during following periods:

1. 30 days prior to the publication of periodic reports of the Company. Where there is a delay in publishing such reports due to special circumstances, the period shall be 30 days prior to the original date of publication to the day before the actual date of publication.
2. 10 days prior to the publication of the Company's estimated operating results announcements or preliminary performance results announcements.
3. the period from the date of occurrence of any significant event which may have a material impact on the trading prices of the Company's Shares and their derivatives or the date on which the relevant decision-making procedures begin, to the second trading day after disclosure is made in accordance with laws.
4. other periods as stipulated by the CSRC and the SSE.

The abovementioned periods within which the Company is restricted from granting the Restricted Share are excluded from the 60-day limit.

(III) Lock-up Periods

The Lock-up Periods of the Incentive Scheme shall be 24 months, 36 months and 48 months from the date of completion of registration of the grant of the Restricted Shares. The Restricted Shares granted to the Participants under the Scheme shall not be transferred, pledged or used for repayment of debt during the Lock-up Period.

The Shares and dividends obtained by the Participants due to the grant of the Restricted Shares not yet unlocked to them arising from conversion of capital reserve into share capital, bonus issue, share split, etc. shall be subject to locking in accordance with this Incentive Scheme. If the Company repurchases the Restricted Shares not yet unlocked, such shares shall be repurchased and cancelled at the same time.

(IV) Unlocking arrangements

The Unlocking Periods of the Restricted Shares to be granted under Incentive Scheme and arrangements for each Unlocking Period are set out in the table below:

Unlocking arrangements	Unlocking Periods	Proportion of Restricted Shares to be unlocked
First Unlocking Period	Commencing from the first trading day upon the expiry of 24 months from the date of the completion of registration of the Restricted Shares to the last trading day upon the expiry of 36 months from the date of the completion of registration of the Restricted Shares	33%
Second Unlocking Period	Commencing from the first trading day upon the expiry of 36 months from the date of the completion of registration of the Restricted Shares to the last trading day upon the expiry of 48 months from the date of the completion of registration of the Restricted Shares	33%
Third Unlocking Period	Commencing from the first trading day upon the expiry of 48 months from the date of the completion of registration of the Restricted Shares to the last trading day upon the expiry of 60 months from the date of the completion of registration of the Restricted Shares	34%

(V) Black-out periods

The black-out period refers to the period during which the shares are restricted from being sold after the Grant of Shares to the Participants. The provisions for black-out periods under the Incentive Scheme shall be implemented in accordance with the Company Law, the Securities Law and other relevant laws, regulations and regulatory documents and the Articles of Association, including but not limited to:

- (1) If a Participant is a Director or a member of senior management, the number of Shares that may be transferred each year during the term of office of the Participant shall not exceed 25% of the total number of Shares held by such Participant. No Shares shall be transferred within the six months after the Participant has left his or her office.
- (2) If a Participant is a Director and a member of senior management and sells any Shares which were purchased within the last six months, or purchases Shares in the six months following a disposal, all gains arising therefrom shall belong to the Company and be recovered by the Board.
- (3) If, during the validity period of the Incentive Scheme, there is any change in the provisions of the Company Law, the Securities Law and other relevant laws, regulations and regulatory documents and the Articles of Association regarding transfer of the Shares held by a Director or a member of senior management, the relevant Participants shall comply with the relevant amended provisions prevailing at the time of share transfer.

VII. Conditions of Grant and unlocking of Restricted Shares under Incentive Scheme

(I) Conditions of the Grant

Restricted Shares shall only be granted to Participants when the following conditions of the Grant are satisfied. In other words, no Restricted Shares shall be granted to the Participants if any of the following conditions of grant has not been satisfied.

1. There is no occurrence of any of the following on the part of the Company:
 - (1) issuance of an auditors' report with an adverse opinion or a disclaimer of opinion by certified public accountants in respect of the Company's financial accounting report for the most recent accounting year;
 - (2) issuance of an auditors' report with an adverse opinion or a disclaimer of opinion by certified public accountants in respect of the Company's internal control over financial reporting for the most recent accounting year;
 - (3) failure to carry out profit distribution in accordance with the laws and regulations, the Articles of Association or public undertakings during the 36 months after listing;
 - (4) prohibition from implementation of any equity incentive scheme by applicable laws and regulations; and

- (5) any other circumstances as prescribed by the CSRC.
2. A Participant shall not be a person who:
 - (1) has been deemed as an inappropriate candidate by the SSE in the last 12 months;
 - (2) has been deemed as an inappropriate candidate by the CSRC or any of its dispatch agencies in the last 12 months;
 - (3) has been imposed with administrative penalties or a ban from entry into the securities market by the CSRC or any of its dispatch agencies due to material breach of laws and regulations in the last 12 months;
 - (4) is prohibited from acting as a director or a member of the senior management of the Company under the Company Law;
 - (5) is not allowed to participate in any equity incentive scheme of a listed company under laws and regulations; or
 - (6) falls under any other circumstances as prescribed by the CSRC.
 3. The operation results of the Company shall have reached the appraisal conditions, that is:
 - (1) In 2020, the net profit of the Company shall not less than RMB6.5 billion, and the growth rate shall not less than the industry average in 2019;
 - (2) The Company's earnings per share in 2020 shall not less than RMB1.3 per share and shall not less than the industry average.

Notes:

- (1) With reference to all listed companies under the classification of "mining industry – coal mining and dressing industry" according to the industry classification of the CSRC. If there are major changes in business structures of the peer sample companies or extreme values with excessive performance variation, the Board of the Company will remove or change such sample during the assessment, hereinafter the same.
- (2) "The growth rate on net profits" indicator is calculated based on the net profits attributable to the Shareholders, net of non-recurring gains and losses, hereinafter the same.
- (3) Earnings per share refer to the ratio of the net profits attributable to the ordinary Shareholders of the Company to the total share capital of the Company after deducting non-recurring gains and losses. During the validity period of the Incentive Scheme, in cases of any conversion of capital reserve into share capital, bonus issue and stock issue which will affect the total number of share capital of the Company, the Company's total number of share capital involved will be adjusted accordingly, and the target value of earnings per share will be adjusted in accordance with the adjustment of the Company's total number of share capital, hereinafter the same.

(II) Unlocking Conditions

Within the Unlocking Periods, the Restricted Shares granted to a Participant may be unlocked only when all of the following conditions are satisfied:

1. There is no occurrence of any of the following on the part of the Company:
 - (1) issuance of an auditors' report with an adverse opinion or a disclaimer of opinion by certified public accountants in respect of the Company's financial accounting report for the most recent accounting year;
 - (2) issuance of an auditors' report with an adverse opinion or a disclaimer of opinion by certified public accountants in respect of the Company's internal control over financial reporting for the most recent accounting year;
 - (3) failure to carry out profit distribution in accordance with the laws and regulations, the Articles of Association or public undertakings during the 36 months after listing;
 - (4) prohibition from implementation of any equity incentive scheme by applicable laws and regulations;
 - (5) any other circumstances as prescribed by the CSRC.
2. A Participant shall not be a person who:
 - (1) has been deemed as an inappropriate candidate by the SSE in the last 12 months;
 - (2) has been deemed as an inappropriate candidate by the CSRC or any of its dispatch agencies in the last 12 months;
 - (3) has been imposed with administrative penalties or a ban from entry into the securities market by the CSRC or any of its dispatch agencies due to material breach of laws and regulations in the last 12 months;
 - (4) is prohibited from acting as a director or a member of the senior management of the Company under the Company Law;
 - (5) is not allowed to participate in any equity incentive scheme of a listed company under laws and regulations;
 - (6) falls under any other circumstances as prescribed by the CSRC.

In case of occurrence of any of the circumstances as stipulated in paragraph 1 above to the Company, all the Restricted Shares that have been granted to the Participants but not yet unlocked under the Incentive Scheme shall be repurchased and cancelled by the Company. In case of occurrence of any of the circumstances as stipulated in paragraph 2 to a Participant, the Restricted Shares that have been granted to such Participant but not yet unlocked under the Incentive Scheme shall be repurchased and cancelled by the Company.

3. Performance appraisal requirements at the Company’s level

The appraisal period for unlocking the Restricted Shares granted under the First Grant of the Incentive Scheme is the three accounting years from 2022 to 2024. Annual appraisal shall be conducted in each accounting year for Participants to achieve the Company’s performance assessment targets as the condition to unlock Restricted Shares.

Performance appraisal targets at the Company’s level for each year are set out below:

Unlocking Period	Performance appraisal conditions
First Unlocking Period	<ol style="list-style-type: none"> On the basis of the net profit for 2020, the growth rate of net profit for 2022 shall not be lower than 20% as well as the industry average level; Earnings per share for 2022 will be no less than RMB1.60 per share and no less than the industry average level.
Second Unlocking Period	<ol style="list-style-type: none"> On the basis of the net profit for 2020, the growth rate of net profit for 2023 shall not be lower than 30% as well as the industry average level; Earnings per share for 2023 will be no less than RMB1.74 per share and no less than the industry average level.
Third Unlocking Period	<ol style="list-style-type: none"> On the basis of the net profit for 2020, the growth rate of net profit for 2024 shall not be lower than 40% as well as the industry average level; Earnings per share for 2024 will be no less than RMB1.87 per share and no less than the industry average level.

If the Company’s performance assessment targets for a particular Unlocking Period of the Restricted Shares are not met, all the Restricted Shares of the Participants for that period shall not be unlocked and shall be repurchased by the Company for cancellation at the Grant Price.

4. Performance appraisal requirements at individual level

Participants are assessed by year in accordance with the Company’s “Regulations Governing the Implementation of the 2021 Restricted A Share Incentive Scheme”, and the assessment results are determined in accordance with the individual’s performance appraisal indicators, with the following appraisal references:

Assessment Result	Excellent (A)	Good (B)	Pass (C)	Fail (D)
Unlocked Ratio	1.0	1.0	0.8	0

The actual amount of Restricted Shares to be released by an individual in the year = standard coefficient x the amount of Restricted Shares to be unlocked by the individual in the year. Restricted Shares that cannot be unlocked in the current period due to the results of the individual's performance appraisal shall be repurchased by the Company for cancellation at the Grant Price.

5. Scientific and reasonable basis of appraisal indicators

The appraisal indicators for the Restricted Shares of the Company are divided into two levels, i.e. performance appraisal at the Company's level and performance appraisal at the Participant's individual level.

Performance appraisal indicators at the Company's level include the growth rate of net profits and earnings per Share. The growth rate of net profits reflects the actual profitability of the company while the earnings per share reflects the return to Shareholders and the level of value creation of the Company, which forms a well-established indicator system. In setting the performance appraisal indicators, the Company has taken into account the development and prospects of the industry in which the Company operates, the level of the Company's future performance and the Company's strategic development directions, and has set the Company's performance appraisal indicators under the Plan in a reasonable manner from the perspective of being conducive to the Company's sustainable development while being feasible and achievable. The setting of the abovementioned performance indicators of the Company is in line with the Company's current operating conditions and future development plans, and is conducive to strengthening the Company's profitability and maximising the interests of all Shareholders.

In addition to the performance appraisal at the Company's level, the Incentive Scheme has established a structured performance appraisal system for individuals, which evaluates comprehensively the performance of the Participants in an accurate and all-round manner. The Company will determine whether the Participants meet the Unlocking Conditions and the specific percentage of Restricted Shares based on their performance appraisal results for the previous year.

VIII. Methods and procedures of the Incentive Scheme

(I) Methods of adjusting the number of Restricted Shares

During the period from the date of the announcement of the Incentive Scheme to the completion of registration of the Restricted Shares held by the Participants, in case of any conversion of capital reserve into share capital, bonus issue, share split, rights issue, share consolidation, etc. made by the Company, the number of Restricted Shares shall be adjusted accordingly. The adjustment methods are set out below:

1. Conversion of capital reserve into share capital, bonus issue and share split

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 represents the number of the Restricted Shares before the adjustment; n represents the ratio of conversion of capital reserve into share capital, bonus issue or share split per Share (i.e. increase in the number of Shares for each Share held upon conversion of capital reserve into share capital, bonus issue or share split); Q represents the number of the Restricted Shares after the adjustment.

2. Rights issue

$$Q = Q_0 \times P_1 \times (1 + n) \div (P_1 + P_2 \times n)$$

Where: Q_0 represents the number of the Restricted Shares before the adjustment; P_1 represents the closing price on the date of share registration; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e., the ratio of the number of Shares issued under the rights issue to the Company's total share capital before the rights issue); Q represents the number of the Restricted Shares after the adjustment.

3. Share consolidation

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of the Restricted Shares before the adjustment; n represents the share consolidation ratio (i.e., one Share of the Company will be consolidated into n Share); Q represents the number of the Restricted Shares after the adjustment.

4. Issuance of new shares

In case of issuance of new shares, the number of the Restricted Shares shall not be adjusted.

(II) Method of Adjusting the Grant Price

During the period from the date of the announcement of the draft Incentive Scheme to the completion of registration of the Restricted Shares held by the Participants, in case of any dividend distribution, conversion of capital reserve into share capital, bonus issue, share split, rights issue, share consolidation, etc. made by the Company, the Grant Price of the Restricted Shares shall be adjusted accordingly. The adjustment methods are set out below:

1. Conversion of capital reserve into share capital, bonus issue and share split

$$P = P_0 \div (1 + n)$$

Where: P_0 represents the Grant Price before the adjustment; n represents the ratio of conversion of capital reserve into share capital, bonus issue or share split per Share; P represents the Grant Price after the adjustment.

2. Rights issue

$$P = P_0 \times (P_1 + P_2 \times n) \div [P_1 \times (1 + n)]$$

Where: P_0 represents the Grant Price before the adjustment; P_1 represents the closing price on the date of share registration; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e., the ratio of the number of Shares issued under the rights issue to the Company's total share capital before the rights issue); P represents the Grant Price after the adjustment.

3. Share consolidation

$$P = P_0 \div n$$

Where: P_0 represents the Grant Price before the adjustment; n represents the share consolidation ratio; P represents the Grant Price after the adjustment.

4. Dividend distribution

$$P = P_0 - V$$

Where: P_0 represents the Grant Price before the adjustment; V represents the dividend per Share; P represents the Grant Price after the adjustment. P shall be larger than 1 after the adjustment for dividend distribution.

5. Issuance of new shares

In case of issuance of new Shares, the Grant Price of the Restricted Shares shall not be adjusted.

(III) Adjustment procedures for the Incentive Scheme

The General Meetings authorise the Board to make adjustments to the number of Restricted Shares and the Grant Price upon occurrence of any of the aforementioned circumstances. The Company shall engage legal advisers to give professional advice to the Board regarding whether such adjustments are in compliance with the requirements under the Administrative Measures, the Articles of Association and the requirements under the Scheme. If necessary adjustments need to be made to the number of the share options and the exercise price for matters other than the above circumstances, such adjustments shall be determined by the Board and be considered and approved at the General Meetings.

IX. Implementation procedures for the Incentive Scheme

(I) Procedures for effectuating the Scheme

The Remuneration Committee established by the Board shall be responsible for preparing the Incentive Scheme.

The Board shall arrive at a resolution on the Incentive Scheme in accordance with the laws. When the Board is considering the Incentive Scheme or matters in relation to the implementation of the Incentive Scheme, any Director who is a Participant of the Scheme shall abstain from voting.

The independent Directors and the Supervisory Committee shall issue opinions in respect of whether the Incentive Scheme is beneficial to the Company's sustainable development and whether there is any apparent prejudice to the interests of the Company and all Shareholders.

The Company shall carry out self-investigation on the trading of shares of the Company and its derivatives by insiders during the 6-month period prior to the announcement of the draft Incentive Scheme illustrate whether there is any insider trading. Those who trade in the shares of the Company while possessing insider information shall not become the Participants, except where laws, administrative regulations and relevant judicial interpretations deem not to be insider information. Those who leak insider information that results in insider trading shall not become the Participants.

The implementation of the Incentive Scheme is subject to the verification and approval of the Shandong Energy, filing by the SASAC and consideration and approval at the General Meetings. The Company shall internally publicise the list of Participants through the Company's website or other channels for a period of not less than 10 days prior to the convention of the General Meetings. The Supervisory Committee shall verify the list of Participants and thoroughly consider opinions from the public. The Company shall disclose the explanation of the Supervisory Committee on the verification and publication in respect of the list of Participants 5 days before the Scheme is considered at the General Meetings.

When voting on the Restricted Shares Incentive Scheme at the General Meetings, independent Directors shall solicit proxy rights from all Shareholders in respect of the Restricted Shares Incentive Scheme, and the Company shall provide online voting method when on-site voting is provided. The contents of the Incentive Scheme as stipulated in Article 9 of the Administrative Measures shall be voted at the General Meetings, and shall be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting. The voting of shareholders other than the directors, supervisors and senior management of the Company and shareholders individually or jointly holding more than 5% of the shares of the Company shall be separately counted and disclosed.

When considering the Incentive Scheme at the General Meetings of the Company, the Shareholders who are Participants or have a connected relationship with any Participants shall abstain from voting.

When the Incentive Scheme is considered and approved at the General Meetings and the grant conditions stipulated in the Incentive Scheme are satisfied, the Company shall grant the Restricted Shares to the Participants within the prescribed time. The Grant Date shall be on a trading day and in compliance with regulations.

(II) Procedures for granting

Upon consideration and approval of the Incentive Scheme at the General Meetings, the Company shall sign the Agreement on Grant of Restricted Shares with the Participants to stipulate the rights and obligations of both parties. The Board shall handle the specific matters in respect of the grant of the Restricted Shares in accordance with the authorization by the General Meetings.

Before the Company grants any Restricted Shares to the Participants, the Board shall consider and announce whether the conditions for the grant of entitlements to the Participants as set out in the Incentive Scheme have been fulfilled before the Company grants benefits to the Participants. The independent Directors and the Supervisory Committee shall issue explicit opinions simultaneously. The law firm shall issue legal opinions on whether the conditions for the grant of entitlements to the Participants have been fulfilled.

The Supervisory Committee of the Company shall verify and issue opinions on the date of granting the Restricted Shares and the list of Participants.

In the event of any discrepancy between the grant of entitlements by the Company to the Participants and the arrangements under the Incentive Scheme, the independent Directors, the Supervisory Committee (in case of any change of the Participants) and the law firm shall issue explicit opinions simultaneously.

Upon consideration and approval of the Incentive Scheme at the General Meetings, the Company shall grant the Restricted Shares to the Participants and complete the announcement and registration within 60 days. The Board of the Company shall disclose an announcement on the implementation thereof in a timely manner upon the completion of registration of the Restricted Shares granted. If the Company fails to complete the above work within 60 days, the Incentive Scheme shall be terminated, and the Board shall disclose the reason for such failure in a timely manner and shall not consider and disclose the Incentive Scheme again within 3 months.

After the Grant of the Restricted Shares, the Company shall make an application to the SSE and the CSDC shall handle the registration and clearing matters upon confirmation by the SSE.

If the registered capital is designated to change upon completion of the registration of the Restricted Shares granted, the Company shall handle the registration procedures in relation to the changes of the Company with the industry and commerce registration department.

(III) Procedures for unlocking the Restricted Shares

Prior to the date of unlocking, the Company shall confirm whether the Participants have satisfied the conditions for unlocking the Restricted Shares. The Board shall consider whether the conditions for unlocking the Restricted Shares under the Incentive Scheme have been fulfilled, and the independent Directors and the Supervisory Committee shall issue explicit opinions simultaneously. The law firm shall issue legal opinions on whether the conditions for unlocking the Restricted Shares to the Participants have been fulfilled. For the Participants who have fulfilled the conditions for unlocking the Restricted Shares, the Company shall solely handle the matters related to the unlocking of the Restricted Shares;

and for the Participants who have not fulfilled the conditions for unlocking the Restricted Shares, the Company shall repurchase the Restricted Shares as held by them correspondingly to the unlocking. The Company shall disclose an announcement on the implementation thereof in a timely manner.

The Company shall apply to the SSE before unlocking the Restricted Shares held by the Participants. The CSDC will handle the registration and settlement matters upon the confirmation of the SSE.

Participants may transfer their unlocked Restricted Shares, whereas the transfer of the Restricted Shares held by the Directors and senior management shall comply with the requirements of the relevant laws, regulations and regulatory documents.

(IV) Procedures for amending the Scheme

Any proposed amendment to the Incentive Scheme by the Company prior to consideration of the Incentive Scheme at the General Meetings shall be subject to consideration and approval of the Board.

Any proposed amendment to the Incentive Scheme by the Company after consideration and approval of the Incentive Scheme at the General Meetings shall be subject to consideration and determination at the General Meetings, provided that such amendment shall not:

- (1) result in premature unlocking of restriction;
- (2) reduce the Grant Price.

The independent Directors and the Supervisory Committee shall issue explicit opinions in respect of whether the amended Scheme is beneficial to the Company's sustainable development and whether there is any apparent prejudice to the interests of the listed company and all Shareholders.

The law firm shall issue professional opinions in respect of whether the amended Scheme is in compliance with the provisions of the Administrative Measures, the relevant laws and regulations, and whether there is any apparent prejudice to the interests of the Company and all Shareholders.

(V) Procedures of termination

Any proposed termination of the Incentive Scheme by the Company prior to consideration of the Incentive Scheme at the General Meetings shall be subject to consideration and approval of the Board.

Any proposed termination of the Incentive Scheme by the Company after consideration and approval of the Incentive Scheme at the General Meetings shall be subject to consideration and determination at the General Meetings.

The law firm shall issue professional opinions in respect of whether the termination of the Incentive Scheme is in compliance with the provisions of the Administrative Measures, the relevant laws and regulations, and whether there is any apparent prejudice to the interests of the Company and all Shareholders.

Upon termination of the Incentive Scheme, the Company shall repurchase the Restricted Shares which have not been unlocked and shall be dealt with in accordance with the requirements under the Company Law.

The Company shall apply to the SSE before repurchasing the Restricted Shares. The CSDC shall handle the registration and settlement matters upon the confirmation of the SSE.

When the Company is required to repurchase the Restricted Shares, it shall promptly convene a board meeting to consider the repurchase plan, submit the same to the General Meetings for approval in accordance with the law, and make a timely announcement.

X. Respective rights and obligations of the Company and the Participants

(I) Rights and obligations of the Company

The Company shall have the right to require the Participants to perform their responsibilities based on the requirements of the positions it employs. If the Participant is incompetency in performing his/her position or fails the examination, the unlocked Restricted Shares of the Participant shall be repurchased by the Company for cancellation upon approval by the Board.

The Company shall have the right to construe and execute the Incentive Scheme and to appraise the performance of the Participants based on the requirements under the Incentive Scheme. If the Participant fails to fulfill the unlocking conditions required under the Incentive Scheme, the Company will repurchase and cancel the Restricted Shares, which have not been unlocked by the Participants, in accordance with the requirements under the Incentive Scheme.

If the Participants violate the laws and professional ethics, leak confidential information of the Company, and are negligent or gross misconduct in performance of duties, which may cause serious damage to the interests or reputation of the Company, the Company shall repurchase and cancel the unlocked Restricted Shares of the Participants and required the Participants to return the gains from the unlocked Restricted Shares upon approval of the Board.

The Company shall withhold and pay, on behalf of the Participants, the individual income tax and other taxes and fees payable in accordance with the provisions of the national tax regulations.

The Company undertakes not to provide loans, guarantee for loans and any other forms of financial assistance to the Participants for acquiring the Restricted Shares under the Incentive Scheme.

The Company shall discharge its obligations in a timely manner in relation to reporting and information disclosure under the Restricted Shares Incentive Scheme in accordance with the relevant requirements.

The Company shall actively support the Participants who have fulfilled the unlocking conditions to unlock the Restricted Shares in accordance with the relevant requirements including those under the Incentive Scheme, the CSRC, the SSE, and the CSDC. However, the Company disclaims any liability for losses incurred by the Participants who fail to unlock the Restricted Shares at their own wills due to reasons on part of the CSRC, the SSE and the CSDC.

The Company confirms that the eligibility of the Participants under the Scheme does not represent the right of such Participants to continue to serve the Company and does not constitute a commitment of employment for a fixed term by the Company. The employment relationship between the Company and a Participant is still governed by the employment contract between the parties.

Other relevant rights and obligations under the laws and regulations.

(II) Rights and obligations of the Participants

The Participants shall comply with the requirements of his/her position as stipulated by the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make contribution to the development of the Company.

Source of funds shall be self-financed by the Participants.

The Restricted Shares granted to the Participants shall enjoy the entitlements of the shares after registration of transferal by the CSDC, including but not limited to the rights to dividend and rights issue of such shares etc.

Prior to the unlocking of the Restricted Shares, the Restricted Shares granted to the Participants under the Incentive Scheme shall not be transferred, used as guarantee or used for repayment of debts. The shares obtained by the Participants due to the grant of the Restricted Shares not yet unlocked to them arising from conversion of capital reserve into share capital, bonus issue, share split, etc. shall be subject to locking in accordance with the Incentive Scheme.

Any gains of the Participants generated from the Incentive Scheme are subject to the individual income tax and other taxes and fees payable in accordance with the provisions of the national tax regulations.

The Participants undertake, where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant of the entitlements, the Participants concerned shall return to the Company all interests gained through the Incentive Scheme calculated from the date when it is confirmed that the relevant information disclosure documents of the Company contain false statement or misleading representations or material omissions.

Upon consideration and approval of the Incentive Scheme at the General Meetings, the Company will enter into the Agreement on Grant of Restricted Shares with each of the Participants to specify their respective rights and obligations under the Incentive Scheme and other relevant matters.

Other relevant rights and obligations under the laws and regulations.

XI. Handling Unusual Changes to the Company and the Participants

(I) Handling Unusual Changes to the Company

1. The Incentive Scheme shall be terminated if any of the following events occurs to the Company:
 - (1) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
 - (2) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
 - (3) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association of the Company and public undertakings during the 36 months after listing;
 - (4) prohibition from implementation of a share incentive scheme by laws and regulations;
 - (5) other circumstances under which the Incentive Scheme shall be terminated as determined by the China Securities Regulatory Commission.

In the event of termination of the Scheme by the Company as described above, the Restricted Shares granted, but not yet unlocked, to such Participant shall be repurchased and cancelled by the Company at the Grant Price.

2. The Incentive Scheme shall be implemented as usual in case any of the following events occurs to the Company:
 - (1) change in control of the Company;
 - (2) merger and spin-off of the Company.
3. Where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with conditions of grant or arrangements for unlocking the restrictions, all Restricted Shares which are not yet unlocked shall be repurchased by the Company for cancellation at the Grant Price. In respect of the Restricted Shares granted to the Participants which have been unlocked, all the Participants shall return to the Company all interests granted. If the Participants, who are not liable for the abovementioned events, suffer loss as a result of returning the interests, they may claim for damage from the Company or responsible parties in accordance with the arrangements under the Incentive Scheme.

The Board shall recover all the profits gained by the Participants in accordance with the preceding provisions and relevant arrangements under the Incentive Scheme.

(II) Changes to the individual circumstances of the Participants

1. When a Participant has a change in job positions, but still works in the Company or a branch or a subsidiary of the Company or is assigned by the Company, the Restricted Share granted to him/her will be fully regulated by the procedures as specified in the Incentive Scheme before the change of his/her job positions. In case a Participant becomes an independent Director or supervisor who cannot hold Restricted Shares of the Company, Restricted Shares that have been granted to, but not yet unlocked, the Participant under the Scheme shall be repurchased by the Company for cancellation at the Grant Price bearing interest on bank deposits for the same period.
2. If the Participants sever or terminate their labour relationship with the Company due to objective reasons such as relocation, removal, retirement, death or loss of civil capacity, provided that the exercisable period limits and the performance appraisal conditions of the granted interests have been fulfilled in the year of such termination, the exercisable portion shall be exercised within a half-year period after the date of such termination (or when exercisable), or else the interests will lapse after the half-year period. If the exercisable period limits and the performance appraisal conditions have not been fulfilled in the year of such termination, it shall no longer be exercised. The Restricted Shares that have not been unlocked shall be repurchased by the Company for cancellation at the Grant Price plus interest with reference to the bank lending rate at the same period.
3. If the Participants sever or terminate their labour relationship with the Company due to personal reasons, the Restricted Shares granted but not yet unlocked shall be repurchased by the Company at the Grant Price.
4. When any of the following events occurs to a Participant, the Company shall have the right to request the Participant to return of gains from the share incentive scheme, whereas the Restricted Shares granted but not yet unlocked shall be repurchased by the Company for cancellation at the Grant Price:
 - (1) there is such conduct as violates national laws and regulations, occupational ethics, or negligence of duty or professional misconduct, which causes severe damage to the interests or the reputation of the Company and causes economic losses or negative effect in society to the Company, whether direct or indirect;
 - (2) where a Participant is dismissed due to violation of the Company's rules and regulation to a severe extent according to relevant provisions of the Company's staff reward and punishment management;
 - (3) where the Company has sufficient evidence to prove a Participant, during his/her terms of office, has taken illegal or unethical actions such as accepting bribes, asking for bribes, corruption, theft and divulging operational and technical secrets, entering into connected transactions to damage the interests and reputation of the listed company, which have material negative impact on the Company's image and direct or indirect cause losses or negative effect in society to the Company;

- (4) where the Participant is prosecuted as a result of criminal offence;
 - (5) where the Participant causes improper losses to the Company as a result of violating relevant laws and regulations or the requirements of the Articles of Association.
5. For other circumstances not stated above, the handling method thereof shall be determined by the Board.

(III) Resolution of disputes between the Company and the Participants

Any controversy or dispute between the Company and the Participants arising from the execution of the Incentive Scheme and/or the Agreement on Grant of Restricted Shares entered into between both parties or in connection with the Incentive Scheme and/or the Agreement on Grant of Restricted Shares shall be resolved through negotiation and communication between both parties, or mediation by the remuneration committee of the Board of the Company. If relevant controversy or dispute are not solved through the above methods within 60 days from the date of occurrence of the controversy or dispute, either party is entitled to file a lawsuit with the People's Court with jurisdiction in the place where the Company is located.

XII. Accounting treatment and impact on the operating performance for the Restricted Shares

(I) Accounting treatment for the Restricted Shares

In accordance with the requirements of the Accounting Standards for Business Enterprises No. 11 – Share-Based Payments, at each balance sheet date within the Lock-up Period, the Company shall revise the number of the Restricted Shares which are expected to be unlocked according to the change in the latest available number of persons eligible to unlock the Restricted Shares, completion of the performance targets and other subsequent information, and recognize the services acquired during such period in relevant costs or expenses and capital reserve at the fair value of the Restricted Shares on the Grant Date.

(II) Amortization method for the expenses of the Restricted Shares

In accordance with the relevant requirements of the accounting standards, the Company recognized the fair value of the Restricted Shares on the Grant Date, and subsequently recognized the share-based expenses of the Scheme. Such expenses will be recognized in installments over the course of the implementation of the Scheme in proportion to unlocking. The incentive cost arising from the Incentive Scheme will be listed in the recurring profit or loss.

Assuming that the Restricted Shares will be granted by the Company in January 2022, the amortization of the cost of the Restricted Shares from 2022 to 2025 is as follows:

Number of Restricted Shares to be granted (0'000 shares)	Total amortization expense (RMB0'000)	2022 (RMB0'000)	2023 (RMB0'000)	2024 (RMB0'000)	2025 (RMB0'000)
6,298	75,576.00	27,207.36	27,207.36	14,737.32	6,423.96

Notes:

1. The above result does not represent the final accounting cost. In addition to the Grant Date, Grant Price and number of Restricted Shares granted, the accounting cost also related to the actual number of Shares that are valid and invalid.
2. The final result of the impact of the implementation of the Share Incentive Scheme on the operating performance of the Company shall be subject to the annual audited report issued by the accounting firm.

(II) The estimated impact of the Incentive Scheme on operating results

Without considering the positive effect of the Incentive Scheme on the Company's performance, the Company estimates, based on current information, that although the Restricted Shares does not generate cash outflows, its amortisation does have an impact on net profits in each year during validity periods, thereby affecting the growth rate of net profits in the performance appraisal indicators, but the impact is not significant. Considering the positive effect of the Incentive scheme on the Company's development, which will stimulate the enthusiasm of the management and key personnel, improve operating efficiency and reduce agency costs, the improvement in the Company's results as a result of the Incentive Scheme will be greater than the increase in costs associated with the Incentive Scheme.

GRANT OF RESTRICTED A SHARES TO THE CONNECTED PARTICIPANTS UNDER THE INCENTIVE SCHEME

The Company may grant Restricted A Shares to the Connected Participants under the Incentive Scheme. Connected Participants involve, among others, the Directors whom will be granted the Restricted A Shares by the Company.

In respect of the the Grant, the below Connected Participants are the Directors of the Company. Details of the Restricted Shares which may be granted to such Connected Participants are set out below:

Name	Position	Total number of the Restricted Shares to be granted (Million Shares)	Proportion of the total number of the Restricted Shares to be granted	Proportion of the total share capital
Xiao Yaomeng	Secretary to the Party Committee, director and general manager	0.20	0.32%	0.004%
Wang Ruolin	Deputy secretary to the Party Committee, chairman of the Labour Union and employee director	0.16	0.25%	0.003%
Zhao Qingchun	Director and chief financial officer	0.16	0.25%	0.003%
Huang Xiaolong	Director and secretary to the Board	0.16	0.25%	0.003%
Total		0.68	1.08%	0.014%

ANCILLARY MATTERS RELATING TO THE PROPOSED ADOPTION OF THE INCENTIVE SCHEME

Reasons for and benefits of implementing the Incentive Scheme

Please refer to the section headed “Purpose of implementing the Incentive Scheme” of this announcement.

The Directors of the Company (excluding independent non-executive Directors, who will provide their opinions after taking into account the advice of the Independent Financial Adviser) believes that the adoption of the Incentive Scheme will achieve the abovementioned objectives, and the terms and conditions of the Incentive Scheme are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Information of 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.

Information of the Connected Participants

The Connected Participants are the Participants who are the Connected Persons of the Company.

Authorisation to be granted to the Board

Subject to approvals of the Shareholders at the EGM and the Class Meetings, the Board shall be authorised to make such decisions, enter into such documents, amend the Articles of Association, carry out such procedures and take such any other actions as are in its discretion necessary to effect and complete the adoption of the Restricted Share Incentive Scheme.

The implementation of the Incentive Scheme will not lead to changes in the right of control of the Company

As of the date of this announcement, Shandong Energy, the Controlling Shareholder of the Company, directly and indirectly holds 2,718,036,288 Shares of the Company, representing approximately 55.76% of the total share capital of the Company. If the Company issues 62,980,000 Restricted A Shares, Shandong Energy will remain the Controlling Shareholder of the Company.

Therefore, the adoption of the Restricted A Share Incentive Scheme and grant of Restricted A Shares to the Connected Participants under the Incentive Scheme will not lead to changes in the right of control of the Company, and will not lead to a distribution of shareholding which fails to satisfy relevant listing conditions.

IMPLICATIONS UNDER THE LISTING RULES

The Incentive Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules.

Pursuant to Rule 19A.38 of the Listing Rules, the proposed adoption of the Restricted A Share Incentive Scheme is subject to the approvals of the Shareholders at the EGM and the Class Meetings.

Directors including Xiao Yaomeng, Wang Ruolin, Zhao Qingchun and Huang Xiaolong, who are the Connected Participants of the Grant, are the Connected Persons of the Company. Grant of Restricted A Shares to the Connected Participants under the Incentive Scheme constitutes a Connected Transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Xiao Yaomeng, Wang Ruolin, Zhao Qingchun and Huang Xiaolong, the Directors who are the Connected Participants of the Incentive Scheme, were considered as having material interests of the Incentive Scheme, and accordingly each of them was required to abstain from voting on the relevant resolutions to approve the proposed adoption of the Restricted A Share Incentive Scheme at the Board meeting. All remaining Directors who were entitled to vote unanimously approved the above resolutions. The format and procedure for passing the resolutions were in compliance with the Company Law and the Articles of Association. Save for the above, no other Directors are interested or deemed to have material interests in the above transaction. In addition, no other Directors have abstained from voting on the remaining resolutions at the abovementioned Board meeting.

An Independent Board Committee will be established to give recommendations to the Independent Shareholders in respect of grant of Restricted A Shares to the Connected Participants under the Incentive Scheme and the transactions contemplated thereunder. An Independent Financial Adviser will also be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the grant of Restricted A Shares to the Connected Participants under the Incentive Scheme are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

EGM AND THE CLASS MEETINGS

An EGM will be convened by the Company and held for the purpose of considering and approving, inter alia, the adoption of the Restricted A Share Incentive Scheme and the related matters. Class Meetings will also be convened by the Company and held for the purpose of considering and approving, inter alia, the adoption of the Restricted A Share Incentive Scheme and the related matters. Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder who has a material interest in the Restricted A Share Incentive Scheme shall abstain from voting on the resolution to approve the adoption of the Restricted A Share Incentive Scheme at the EGM. Accordingly, the Connected Participants and their Associates shall abstain from voting in respect of the resolution relating to the adoption of the Restricted A Share Incentive Scheme.

Pursuant to Rule 19A.39A of the Listing Rules, a Circular containing further details of the proposed adoption of the Restricted A Share Incentive Scheme and Grant of Restricted A Shares to the Connected Participants under the Incentive Scheme will be issued by the Company and dispatched to the H Shareholders in due course.

This announcement is written in both Chinese and English. In the case of any discrepancies, the Chinese version shall prevail over its English version.

DEFINITIONS

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

“A Share(s)”	domestic shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the SSE
“A Shareholder(s)”	holder(s) of A Share(s)
“A Shareholders’ Class Meeting”	the class meeting of the A Shareholders proposed to be convened by the Company to consider and, if thought fit, approve, among other things, adoption of the Restricted A Share Incentive Scheme and the related matters
“Administrative Measures”	Measures for the Administration of Equity Incentives of Listed Companies (CSRC Order [No.148])

“Articles of Association”	the Articles of Association of Yanzhou Coal Mining Company Limited
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company
“Circular”	the circular to be dispatched by the Company to the H Shareholders in relation to the proposed convention of the EGM and the Class Meetings (if applicable) for the approval of, among other things, adoption of the Restricted A Share Incentive Scheme and the related matters
“Class Meetings”	the Class Meeting of the Holders of A Shares and the Class Meeting of the Holders of H Shares
“Company”	Yanzhou Coal Mining Company Limited * (兗州煤業股份有限公司), 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 (1171.HK) and the SSE (600188.SH), respectively
“Company Law”	the Company Law of the People’s Republic of China
“Connected Participants”	Participant(s) who is/are connected person(s) of the Group
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“CSDC”	China Securities Depository and Clearing Corporation Limited
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the directors of the Company
“EGM”	the extraordinary general meeting proposed to be convened by the Company to consider and, if thought fit, approve, among other things, adoption of the Restricted A Share Incentive Scheme and the related matters
“General Meeting(s)”	the EGM and Class Meetings
“Grant”	the proposed grant of 62,980,000 Restricted A Shares to the Participants under the Incentive Scheme

“Grant Date”	the date on which the Company grants the Restricted A Shares to the Participants, which shall be a trading day
“Grant Price”	the price of each Restricted A Share to be granted to the Participants by the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	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
“H Shareholder(s)”	holder(s) of H Share(s)
“H Shareholders’ Class Meeting”	the class meeting of the H Shareholders proposed to be convened by the Company to consider and, if thought fit, approve, among other things, adoption of the Restricted A Share Incentive Scheme and the related matters
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee comprising all independent non-executive Directors to be established by the Company to advise the Independent Shareholders in relation to grant of Restricted A Shares to the Connected Participants under the Incentive Scheme
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of grant of Restricted A Shares to the Connected Participants under the Incentive Scheme
“Independent Shareholder(s)”	any Shareholder(s) of the Company that is not required to abstain from voting on the grant of Restricted A Shares to the Connected Participants under the Incentive Scheme and the related matters at the EGM
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lock-up Periods”	the period(s) during which the Restricted Shares to be granted to the Participants under the Incentive Scheme shall not be transferred, pledged or used for repayment of debt

“Notice”	the Notice on Issues concerning Regulating the Implementation of the Equity Incentive System of State-owned Listed Companies (Guo Zi Fa Fen Pei [2008] No. 171)
“Participant(s)”	the Director(s), senior and middle-level management, and key personnel will be granted the Restricted Shares pursuant to the provisions of the Incentive Scheme
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“Restricted A Shares” or “Restricted Shares”	certain amount of the A Share(s) to be granted to the Participants by the Company according to the conditions and price stipulated in the Incentive Scheme which are subject to the Lock-up Period(s) and can only be unlocked and transferred after satisfaction of the Unlocking Conditions as stipulated in the Incentive Scheme
“Restricted A Share Incentive Scheme”, “Incentive Scheme” or “Scheme”	the 2021 Restricted A Share Incentive Scheme of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Energy”	Shandong Energy Group Company Limited* (山東能源集團有限公司), a state-owned company with limited liability, the controlling shareholder of the Company holding directly and indirectly approximately 55.76% of the total issued share capital of the Company as at the date of the announcement
“SASAC of Shandong Province”	State-owned Assets Supervision & Administration Commission of Shandong Province
“Securities Law”	the Securities Law of the PRC
“SSE”	the Shanghai Stock Exchange in the PRC
“Share(s)”	the ordinary shares in the share capital of the Company with par value of RMB1.00 each, including A Share(s) and H Share(s)
“Shareholder(s)”	the shareholder(s) of the Company, including A Shareholder(s) and H Shareholder(s)
“substantial Shareholder(s)”	has the meaning ascribed to it in the Listing Rules

“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Unlocking Conditions(s)”	the condition(s) prescribed in the Incentive Scheme which have to be satisfied to unlock the Restricted Shares granted to the Participants
“Unlocking Period(s)”	the period(s) during which the Restricted Shares held by the Participants can be unlocked and transferred after all the Unlocking Conditions prescribed under the Incentive Scheme are satisfied
“%”	per cent

By order of the Board
Yanzhou Coal Company Limited
Chairman of the Board
Li Wei

Zoucheng, Shandong Province, the PRC

1 December 2021

As at the date of this announcement, the Directors of the Company are Mr. Li Wei, Mr. Liu Jian, Mr. Xiao Yaomeng, Mr. Zhu Qingrui, Mr. Zhao Qingchun, Mr. Wang Ruolin and Mr. Huang Xiaolong, and the independent non-executive Directors of the Company are Mr. Tian Hui, Mr. Zhu Limin, Mr. Cai Chang, and Mr. Poon Chiu Kwok.