



兖州煤业股份有限公司

Yanzhou Coal Mining Company Limited

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code : 1171



Annual Report 2017

Important Notice

The Board, Supervisory Committee and the Directors, Supervisors and senior management of the Company warrant the authenticity, accuracy and completeness of the information contained in the annual report and there are no any misrepresentations, misleading statements contained in or material omissions from the annual report for which they shall assume joint and several responsibilities.

The 2017 Annual Report of Yanzhou Coal Mining Company Limited has been approved by the eleventh meeting of the seventh session of the Board. All eleven Directors of quorum attended the meeting.

SHINEWING (HK) CPA Limited issued the standard independent auditor report with clean opinion for the Company.

Mr. Li Xiyong, Chairman of the Board, Mr. Zhao Qingchun, Chief Financial Officer, and Mr. Xu Jian, head of Finance Management Department, hereby warrant the authenticity, accuracy and completeness of the financial statements contained in this annual report.

The Board of the Company proposed a cash dividend of RMB4.80 per 10 shares (tax inclusive) on the basis of 4,912,016,000 shares, which is the share capital of the Company as at 31 December 2017.

The forward-looking statements contained in this annual report regarding the Company's future plans do not constitute any substantive commitment to investors and investors are reminded of the investment risks.

There was no appropriation of funds of the Company by the Controlling Shareholder or its related parties for non-operational activities.

There were no guarantees granted to external parties by the Company without complying with the prescribed decision-making procedures.

The Company has disclosed the main risks faced by the Group, the influences and the countermeasures in this annual report. For details, please refer to the relevant content in "Chapter 5 Board of Directors' Report", to which the investors please pay attention.

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Chapter 01

Definitions

In this Annual Report, unless the context requires otherwise, the following expressions have the following meanings:

| | |
|---|--|
| “Yanzhou Coal”, “Company” or “the Company” | Yanzhou Coal Mining Company Limited, a joint stock limited company incorporated under the laws of the PRC in 1997 and the H Shares and A Shares of which are traded on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively; |
| “Group” or “the Group” | the Company and its subsidiaries; |
| “Yankuang Group” or “the Controlling Shareholder” | Yankuang Group Company Limited, a company with limited liability reformed and established under the laws of the PRC in 1996, being the Controlling Shareholder of the Company directly and indirectly holding 55.25% of the total share capital of the Company as at the end of the reporting period; |
| “Yulin Neng Hua” | Yanzhou Coal Yulin Neng Hua Company Limited, a company with limited liability incorporated under the laws of the PRC in 2004 and a wholly-owned subsidiary of the Company, which is mainly engaged in the production and operation of the methanol project in Shaanxi Province; |
| “Heze Neng Hua” | Yanmei Heze Neng Hua Company Limited, a company with limited liability incorporated under the laws of the PRC in 2004 and a 98.33% owned subsidiary of the Company, which is mainly engaged in the development and operation of coal resources and electric power business in Juye coal field, Heze city, Shandong Province; |
| “Shanxi Neng Hua” | Yanzhou Coal Shanxi Neng Hua Company Limited, a company with limited liability incorporated under the laws of the PRC in 2002 and a wholly-owned subsidiary of the Company, which is mainly engaged in the management of the projects invested in Shanxi Province by the Company; |
| “Hua Ju Energy” | Shandong Hua Ju Energy Company Limited, a joint stock limited company incorporated under the laws of the PRC in 2002 and a 95.14% owned subsidiary of the Company, which is mainly engaged in the thermal power generation with gangue and slurry and heating supply business; |

| | |
|------------------------------|--|
| “Ordos Neng Hua” | Yanzhou Coal Ordos Neng Hua Company Limited, a company with limited liability incorporated under the laws of the PRC in 2009 and a wholly-owned subsidiary of the Company, which is mainly engaged in the development and operation of coal resources and coal chemical projects of the Company in the Inner Mongolia Autonomous Region; |
| “Haosheng Company” | Inner Mongolia Haosheng Coal Mining Company Limited, a company with limited liability incorporated under the laws of the PRC in 2010 and a 77.74% owned subsidiary of the Company, which is mainly engaged in the production and operation of Shilawusu coal mine in Ordos, Inner Mongolia Autonomous Region; |
| “Donghua Heavy Industry” | Yankuang Donghua Heavy Industry Company Limited, a company with limited liability incorporated under the laws of the PRC in 2013 and a wholly-owned subsidiary of the Company, which is mainly engaged in the design, manufacture, installation, repair and maintenance of the Company’s mining equipment, electromechanical equipments and parts; |
| “Zhongyin Financial Leasing” | Zhongyin Financial Leasing Company Limited, a company with limited liability incorporated under the laws of the PRC in 2014 and a 99.15% directly and indirectly owned subsidiary of the Company, which is mainly engaged in the financial leasing, leasing, leasing trade consultation and guarantees, commercial factoring related to main business, etc.; |
| “Duanxin Beijing” | Duanxin Investment Holding (Beijing) Company Limited, a company with limited liability incorporated under the laws of the PRC in 2014 and a wholly-owned subsidiary of the Company, which is mainly engaged in project investment, enterprise management, investment management, enterprise management consultation, investment consultation, etc.; |
| “Yankuang Finance Company” | Yankuang Group Finance Co., Ltd., a company with limited liability incorporated under the laws of the PRC in September 2010 and a 90% owned subsidiary of the Company; |

Chapter 01 Definitions

| | |
|-----------------------------------|---|
| “Yancoal Australia” | Yancoal Australia Limited, a company with limited liability incorporated under the laws of Australia in 2004 and a 65% owned subsidiary of the Company, the shares of which are traded on the Australian Securities Exchange; |
| “Yancoal International” | Yancoal International (Holding) Company Limited, a company with limited liability incorporated under the laws of Hong Kong in 2011 and a wholly-owned subsidiary of the Company; |
| “Yancoal International Resources” | Yancoal International Resources Development Company Limited, a company with limited liability incorporated under the laws of Hong Kong in 2011 and a wholly-owned subsidiary of Yancoal International; |
| “C&A” | Coal & Allied Industries Limited, a company with limited liability incorporated under the laws of Australia, is a wholly-owned subsidiary of Yancoal Australia |
| “Railway Assets” | the railway assets specifically used for coal transportation of the Company, which are located in Jining City, Shandong Province; |
| “H Shares” | overseas listed foreign invested shares in the ordinary share capital of the Company, with nominal value of RMB1.00 each, which are traded on the Hong Kong Stock Exchange; |
| “A Shares” | domestic shares in the ordinary share capital of the Company, with nominal value of RMB1.00 each, which are traded on the Shanghai Stock Exchange; |
| “PRC” | the People’s Republic of China; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “CASs” or “ASBEs” | Accounting Standards for Business Enterprises and the relevant regulations and explanations issued by the Ministry of Finance of the PRC; |
| “IFRS” | International Financial Reporting Standards issued by the International Accounting Standards Board; |

| | |
|----------------------------|--|
| “CSRC” | China Securities Regulatory Commission; |
| “Hong Kong Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Shanghai Stock Exchange” | the Shanghai Stock Exchange; |
| “JORC” | Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientist and Minerals Council of Australia; |
| “JORC Code” | Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition; |
| “Articles” | the Articles of Association of the Company; |
| “Shareholders” | the shareholders of the Company; |
| “Directors” | the directors of the Company; |
| “Board” | the board of directors of the Company; |
| “Supervisors” | the supervisors of the Company; |
| “RMB” | Renminbi, the lawful currency of the PRC, unless otherwise specified; |
| “AUD” | Australian dollars, the lawful currency of Australia; |
| “USD” | United States dollars, the lawful currency of the United States; and |
| “HKD” | Hong Kong dollars, the lawful currency of Hong Kong. |

Assets Layout of the Group



Group Profile and Major Financial Indicators

I. INFORMATION OF THE COMPANY

| | |
|--|-------------------------------------|
| Statutory Chinese Name: | 兖州煤业股份有限公司 |
| Abbreviation of Chinese Name: | 兖州煤业 |
| Statutory English Name: | Yanzhou Coal Mining Company Limited |
| Legal Representative: | Li Xiyong |
| Authorized Representatives of Hong Kong Stock Exchange: | Zhao Qingchun, Jin Qingbin |

II. CONTACT DETAILS

| | |
|--|---|
| Secretary to the Board/Company Secretary Address: | Jin Qingbin Office of the Secretary to the Board, 298 Fushan South Road, Zoucheng City, Shandong Province, PRC |
| Tel: | (86 537) 538 2319 |
| Fax: | (86 537) 538 3311 |
| E-mail Address: | yzc@yanzhoucoal.com.cn |

| | |
|---|---|
| Representative of Shanghai Stock Exchange Address: | Pan Shutian Office of the Secretary to the Board, 298 Fushan South Road, Zoucheng City, Shandong Province, PRC |
| Tel: | (86 537) 538 5343 |
| Fax: | (86 537) 538 3311 |
| E-mail Address: | yzc_panst@163.com |

III. GENERAL INFORMATION

| | |
|---------------------|---|
| Registered Address: | 298 Fushan South Road, Zoucheng City, Shandong Province, PRC |
| Postal Code: | 273500 |
| Office Address: | 298 Fushan South Road, Zoucheng City, Shandong Province, PRC |
| Postal Code: | 273500 |
| Official Website: | http://www.yanzhoucoal.com.cn |
| E-mail Address: | yzc@yanzhoucoal.com.cn |

Chapter 02 Group Profile and Major Financial Indicators

IV. INFORMATION DISCLOSURE AND PLACE FOR DOCUMENT INSPECTION

| | |
|--|--|
| Newspapers for information disclosure in the PRC: | China Securities Journal, Shanghai Securities News, Securities Times |
| Website designated by the CSRC for publishing annual report: | Website for publishing A shares annual report: http://www.sse.com.cn Website for publishing annual report overseas: http://www.hkexnews.hk |
| The annual reports are available at: | Office of the Secretary to the Board, Yanzhou Coal Mining Company Limited, 298 Fushan South Road, Zoucheng City, Shandong, the PRC. |

V. CORPORATE STOCKS

| | |
|----------|---|
| A Shares | Place of Listing: The Shanghai Stock Exchange Stock Code: 600188 Stock Abbreviation: Yanzhou Mei Ye |
| H Shares | Place of Listing: The Hong Kong Stock Exchange Stock Code: 01171 Stock Abbreviation: N/A |

VI. OTHER INFORMATION

Certified Public Accountants (Domestic)

| | |
|-------------------|---|
| Name: | Shine Wing Certified Public Accountants (special general partnership) |
| Office Address: | 9/F, Block A, Fuhua Mansion, 8 Chaoyangmen Beidajie, Dongcheng District, Beijing, PRC |
| Signing Auditors: | Ji Sheng (季晟) Ding Huichun (丁慧春) |

Certified Public Accountants (Overseas)

| | |
|------------------|---|
| Name: | SHINEWING (HK) CPA Limited |
| Office Address: | Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong |
| Signing Auditor: | Lau Kai Wong (劉佳煌) |

Chapter 02 Group Profile and Major Financial Indicators

Domestic Legal Advisor

Name: King & Wood Mallesons, PRC Lawyers, Beijing
Office Address: 20th Floor, East Tower, World Financial Center,
1 East 3rd Ring Middle Road, Chaoyang District,
Beijing, PRC

Hong Kong Legal Advisor

Name: Baker & McKenzie
Office Address: 14th Floor, Hutchison House, 10 Harcourt Road,
Hong Kong

Shanghai Share Registrar

Name: China Securities Depository and Clearing
Corporation Limited Shanghai Branch
Office Address: 3rd Floor China Insurance Tower, 166 Lujiazui East Road,
Pudong, Shanghai, PRC

Hong Kong Share Registrar

Name: Hong Kong Registrars Limited
Office Address: Rooms 1712-1716, 17th Floor, Hopewell Center,
183 Queen's Road East, Wanchai, Hong Kong

Liaison Office in Hong Kong

Office Address: 18th Floor, Tesbury Centre, 28 Queen's Road East,
Wanchai, Hong Kong
Contact Person: Leung Wing Han Sharon
Tel: (852) 3912 0800
Fax: (852) 3912 0801

Chapter 02 Group Profile and Major Financial Indicators

VII. FINANCIAL HIGHLIGHTS OF THE LAST FIVE YEARS

(Prepared in accordance with the IFRS)

The financial highlights were prepared based on the financial information set out in the audited consolidated income statements, consolidated balance sheets and the consolidated cash flow statements of the Group from 2013 to 2017.

(I) Operating Results

| | Year ended 31 December | | | | | Unit: RMB'000 |
|------------------------------------|------------------------|-------------|-------------|-------------|-------------|---------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | |
| Sales income | 52,672,105 | 33,272,432 | 36,404,086 | 60,370,764 | 56,401,826 | |
| Gross profit | 18,915,405 | 9,463,988 | 6,153,611 | 7,481,414 | 10,687,780 | |
| Finance cost | (3,255,404) | (2,501,016) | (2,484,411) | (2,183,581) | (1,765,777) | |
| Profit before tax | 11,278,241 | 2,695,112 | 622,257 | 1,599,910 | (580,268) | |
| Net profit attributable | | | | | | |
| to Shareholders | 7,362,675 | 1,649,391 | 164,459 | 766,158 | 777,368 | |
| Earnings per share | RMB1.50 | RMB 0.34 | RMB 0.03 | RMB 0.16 | RMB 0.16 | |
| Dividend per share ^{Note} | RMB0.48 | RMB 0.12 | RMB 0.01 | RMB 0.02 | RMB 0.02 | |

Note:

- ① In 2017, the Company consolidated the financial statements of Yanzhou Coal Blue Sky Clean Energy Co., Ltd., Yanzhou Coal Mining Engineering Co., Ltd., Wuxi Dingye Energy Co., Ltd. (“Wuxi Dingye”) and Yankuang Finance Company. In 2016, the Company consolidated the financial statements of Shandong Yanmei Property Services Co., Ltd., Shandong Zhongyin International Trade Co., Ltd. and Duanxin Investment Holding (Shenzhen) Co., Ltd. In 2015, the Company consolidated the financial statements of Shandong Duanxin Supply Chain Co., Ltd., Donghua Heavy Industry and Qingdao Zhongyin Ruifeng International Trade Co., Ltd. (“Qingdao Zhongyin Ruifeng”). In 2014, the Company consolidated financial statements of Shandong Zhongyin Logistics and Trade Co., Ltd., Zhongyin Financial Leasing and Duanxin Beijing.
- ② The dividend per share for the year 2017 is the recommended dividends to be declared. For details, please refer to the section headed “Profit Distribution Plan for 2017” in this report.

Chapter 02 Group Profile and Major Financial Indicators

(II) Assets and Liabilities

Unit: RMB'000

| | 31 December | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| Net current assets | 1,523,280 | (9,872,437) | 6,754,770 | 10,756,460 | 2,708,424 |
| Net value of property, plant and equipment | 46,267,729 | 31,023,022 | 28,659,378 | 30,051,838 | 25,302,854 |
| Total assets | 197,312,624 | 147,455,472 | 142,471,875 | 133,098,114 | 127,458,189 |
| Total borrowings | 70,360,694 | 65,577,791 | 69,479,805 | 61,438,088 | 55,375,011 |
| Equity attributable to Shareholders | 47,410,866 | 37,138,676 | 35,369,901 | 38,725,846 | 40,378,678 |
| Net asset value per share | RMB9.65 | RMB7.56 | RMB 7.20 | RMB 7.87 | RMB 8.21 |
| Return on net assets (%) | 15.53 | 4.44 | 0.46 | 1.98 | 1.93 |

Note: The Group has adjusted items listed in “net value of property, plant and equipment” since 2016, and has made adjustments to the relevant items from 2013 to 2015 correspondingly.

(III) Summary of Cash Flow Statement

Unit: RMB'000

| | Year ended 31 December | | | | |
|--|------------------------|-------------|-----------|-----------|-------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| Net cash from operating activities | 12,161,766 | 11,220,674 | 3,849,356 | 3,928,286 | (2,385,669) |
| Net increase (decrease) in cash and cash equivalents | 4,900,230 | (3,695,940) | 7,217,642 | 4,329,190 | (2,418,509) |
| Net cash flow per share from operating activities | RMB2.48 | RMB2.28 | RMB0.78 | RMB0.80 | RMB(0.49) |

Note: The Group has adjusted items listed in cash flow statement since 2016, and has made adjustments to relevant items from 2013 to 2015 correspondingly, which has no impact on net increase (decrease) in the cash and cash equivalents.

Chapter 02 Group Profile and Major Financial Indicators

VIII. QUARTERLY FINANCIAL DATA OF 2017

(Prepared in accordance with the CASs)

Unit: RMB'000

| | Quarter 1 (Jan-Mar) | Quarter 2 (Apr-Jun) | Quarter 3 (Jul-Sep) | Quarter 4 (Oct-Dec) |
|--|------------------------|------------------------|------------------------|------------------------|
| Operating income | 39,812,986 | 40,953,309 | 38,674,518 | 31,786,962 |
| Net profit attributable to shareholders of the listed company | 1,780,412 | 1,475,959 | 1,626,595 | 1,887,652 |
| Net profit attributable to shareholders of the listed company after deducting extraordinary gains and losses | 1,657,719 | 1,384,015 | 1,449,563 | 1,260,639 |
| Net cash flow from operating activities | (700,156) | 2,895,668 | 4,770,820 | 9,096,742 |

I. MAIN BUSINESS, BUSINESS MODEL AND INDUSTRY SITUATION OF THE COMPANY DURING THE REPORTING PERIOD

(I) Main Business and Business Model

1. *Coal business*

The Company is one of the main coal producers and coal suppliers in China and Australia. The products of the Company mainly include thermal coal and PCI coal applicable to electric power, metallurgy and chemical industry, etc., which are mostly sold to East China, North China, South China and other regions of China as well as Japan, South Korea, Australia and other countries.

2. *Coal chemicals business*

The Company's coal chemical business is mainly distributed in Shaanxi Province and Inner Mongolia Autonomous Region. The main product of methanol is mostly sold to North China and East China.

3. *Mechanical and electrical equipment manufacturing business*

The Company's equipment manufacturing industry is mainly engaged in manufacturing, sales, leasing, repair and maintenance of mechanical and electrical equipments including hydraulic supports, heading machines, shearers and others. The products are mostly sold to East China.

4. *Power generation and heat business*

The Company owns and operates seven power plants with a total installed capacity of 482 MW. In addition to the part for satisfying the demand of the Company itself, the rest of the produced electricity and heat are sold externally.

(II) Industry Situation Analysis

In 2017, subject to the continuous impact of supply-side structural reform, overcapacity reduction and other policies promulgated by Chinese government, the supply and demand in coal market became balanced with slightly tight supply, coal price maintained at a medium and high level, and the profitability of coal industry increased dramatically.

II. STATEMENTS OF SIGNIFICANT CHANGES OF MAJOR ASSETS DURING THE REPORTING PERIOD

(All financial data contained in this section is calculated under CASs)

For the details of changes and cause analysis on major assets of the Company during the reporting period, please refer to “Chapter 5 Board of Directors’ Report”.

Including: Overseas assets of RMB79.5157 billion, representing 40.8% of total assets, increased by RMB261.011 million as compared with that of last year. Since 2004, the Company set up related overseas investment management platforms with priorities of Yancoal Australia and Yancoal International through various ways of overseas assets or equity acquisition, company establishment, split off merger and others. On 1 September 2017, Yancoal Australia successfully acquired 100% equity interest in C&A, which increased its overseas assets significantly. For the details in relation to the production and operation of Yancoal Australia and Yancoal International, please refer to “Chapter 5 Board of Directors’ Report”.

III. CORE COMPETITIVENESS ANALYSIS DURING THE REPORTING PERIOD

In 2017, facing the adjustment in the transformation of macro economy, unprecedentedly strict safety and environmental protection regulations, extremely urgent transformation and upgrading requirements and other severe situations, the Group focused on the replacement of old growth drivers with new ones and actively optimized three industrial layout of real industry, finance industry and logistics and trade, forming the “three-in-one” industrial system of integration of industry and finance, hedging and complementation and synergetic development. Moolarben coal mine of Yancoal Australia, the extra-large coal mine with annual production capacity amounting to 21 million tonnes, has been fully constructed and put into commercial operation. Yancoal Australia successfully acquired 100% equity interest in C&A, which was the biggest merger and reorganization program worldwide in the past five years and was awarded the most proactive cross-boarder acquisition for the year 2017. As a result, Yancoal Australia has become the largest specialized coal producer in Australia with increasing market influence. The new mines in the base of Shaanxi and Inner Mongolia have gradually released their production capacities as well. The Group’s production and sales volume of coal hit a record high and the core competitiveness has been further enhanced.

Chapter 04

Chairman's Statement



Mr. Li Xiyong *Chairman*

Respected Shareholders,

I, on behalf of the Board, would like to present the 2017 annual report of the Company and report our development plan for the year 2018 to all Shareholders.

In 2017, the growth rate of global economy rose significantly. The supply-side structural reform conducted by the Chinese government has achieved remarkable results. The supply and demand in coal market became balanced with slightly tight supply. As coal price maintained at a medium and high level, the profitability of coal enterprises increased dramatically.

Facing the adjustments in the transformation of macro economy, unprecedented strict safety and environmental protection regulations and other severe challenges, Yanzhou Coal kept close watch on the market trend, seized the opportunity of the replacement of old growth drivers with new ones, scientifically and effectively implemented precise strategies, having been promoted in terms of scale equivalent, regional layout, industrial development and management control significantly. During the reporting period, the Group produced 85.62 million tonnes of raw coal and 1.61 million tonnes of methanol; sold 96.87 million tonnes of salable coal and 1.61 million tonnes of methanol; recorded sales income of RMB52.6721 billion, net income attributable to shareholders of parent company amounted to RMB7.3627 billion, and total assets amounted to RMB197.3126 billion with the coal production, operating revenue and total assets hit a record high.

Chapter 04 Chairman's Statement

Regional development presented a new pattern. Focused on optimizing and strengthening the three bases of Shandong headquarters, Shaanxi and Inner Mongolia, and Australia, the formation of regional development pattern of “three pillars” has been accelerated. The base of Shandong headquarters carried out fine mining, equipment upgrading and process optimization, keeping stable production and high efficiency to continue to maintain the benefit support role; and deeply pushed on “Blue Sky Project”, exploring a new way of clean and efficient utilization on coal to take a solid step of the replacement of old growth drivers with new ones. The base of Shaanxi and Inner Mongolia achieved a breakthrough in key projects, quickly converting from “investment and construction period” to “investment return period”. The third stage project of Moolarben Coal Mine in the base of Australia has been fully constructed and put into operation. Yancoal Australia successfully acquired 100% equity interest in C&A, becoming the largest specialized coal producer in Australia with the further optimization in asset portfolio and capital structure of Yancoal Australia.

Industrial system realized new optimization. Focusing on the replacement of old growth drivers with new ones, the Group accelerated the synergetic development between industry and finance with all-round optimization on the “three-in-one” industrial system of real industry, finance industry and logistics and trade to comprehensively promote industrial competitiveness and capital control. The real industry focused on safe, efficient, clean and green development. The coal industry achieved incremental expansion and benefit growth. The coal chemicals industry expedited the development of fine chemicals. The second phase of the coal chemicals projects in Ordos Neng Hua and Yulin Neng Hua commenced construction. The integrated operation mode of equipment manufacturing, remanufacturing and financial leasing was preliminarily formed. The financial investment was carried out prudently with the equity acquisition of Yankuang Finance Company and the subscription for private placement shares issued by Qilu Bank, further boosting the financial assets scale. The logistics and trade industry highlighted the principle of priority in benefit, concern on both production and efficiency and risk controllability, steadily promoted resource integration, process reengineering and risk control, and the trade scale and the ability to increase productivity reached a record high. The successful acquisition of 25% equity interest in Zhundong Railway widened the external coal transport channel from Inner Mongolia.

Management and control manifested new achievements. The Group optimized and upgraded management to enhance the quality of economic operation. Centered on the increment of value, the Group implemented smart marketing, accurately grasped market trend, flexibly adjusted marketing strategy to realize the maximization of marketing benefit. The Group concentrated on reducing cost while enhancing quality and tapping potential in-depth, adopted measures such as material centralized procurement, direct supply by factory, personnel structure optimization to lower the unit consumption of primary materials effectively. The first sharing center has been constructed and come into service, realizing resource efficient allocation and collaborative development. The Group implemented the innovation-driven strategy and strengthened the industry-university-research cooperation with key technologies of dominant industry keeping the leading standard. The Group normalized the management and control system as a listed company, timely amended corporate governance regulations, improved corporate governance structure, strengthened internal control, always maintained the efficiency and compliance for corporate governance system, and the corporate governance ability of the Company has been improved constantly.

In 2017, by virtue of the excellent business performance and standardized corporate governance, Yanzhou Coal successively won various honors including the “Golden Sail Award for Outstanding Corporate Governance of Listed Company”, the “Best Board of Directors in Investors Relations among China Listed Companies on the Main Board”, the “Top 100 Enterprises in China”, the “Moral Enterprise in China”, the “Most Influential Green Enterprise in China” and the “A Class for Information Disclosure”, ranking 6th among the top 10 mining companies with best market value growth in Top 50 Global Mining Companies by Market Value in 2017.

Looking into the year 2018, the global economy will rebound in general, while China's economy will shift from a high-growth-rate stage to a high-quality-development stage, and the overall situation will be stable with positive tendency. As the national supply-side structural reform continues to deepen, it is expected that the supply and demand of coal market will remain in basic balance in 2018, and the coal price will be stable overall.

Embark on the journey for a new era. The year 2018 marks the 40th anniversary of China's reform and opening up and is also a key year for the Group's incremental rise and the enhancement of quality and efficiency. The Group will centralize on economic benefits, follow the main line of the replacement of old growth drivers with new ones, improve the "three-in-one" industrial layout of real industry, finance industry and logistic and trade, plan to implement industry upgrading, potential exploitation, profitability enhancement and diverse development, strive to explore synergetic value and fostered new growth area in the economy. In 2018, the Group plans to sell 100 million tonnes of self-produced coal and 1.55 million tonnes of methanol.

To achieve all the operating targets, the Group is determined to focus on the following works.

Optimize the layout and improve the operation quality of real industry. The Group will transform and upgrade the traditional growth drivers like coal, chemical electricity and equipment manufacturing to build a real industry system with more rational layout, clearer business and more efficient operation. Firstly, promote the intensive, efficient and green development of coal industry. The base of Shandong headquarters will adopt fine mining to ensure stable production and maintain benefit support. The base of Shaanxi and Inner Mongolia will make great efforts to ensure that new mines achieve the production and benefit and establish the strategic core base to support development. The base of Australia will exert integration effect and release superior capacity to build world-leading large-scale energy base. Secondly, accelerate the construction of the second-stage chemical projects in Ordos Neng Hua and Yulin Neng Hua to elaborately build two high-end chemical industry parks. Thirdly, expedite the optimization and upgrading of equipment manufacturing to promote the transformation from equipment manufacturing to high-end and intelligent manufacturing.

Innovate the mode and promote the optimization and upgrading of finance industry. The Group will innovate industry and finance development mode and build a multi-level, multi-functional and multi-license financial industry system centered on "finance serves entity, entity helps finance". Firstly, define the orientation, integrate resources and improve the "four-in-one" financial industry layout in Beijing, Shanghai, Shenzhen and Qingdao. Secondly, expand financing channels to guarantee the fund needs for company development. Thirdly, facilitate the synergetic development between industry and finance, reform asset operating mode, implement the reorganization and optimization of stock and incremental assets to promote the asset-light strategy for real industry.

Expand space and strengthen the supporting function of logistics and trade. Focusing on the strategy of "big trade and big logistics", the Group will accelerate the construction of a specialized, regionalized and coordinated logistics and trade industrial system. Firstly, innovate trading operation mode and establish direct purchase and sale network to realize resource control, unimpeded logistics and market expansion and promote the trade transformation from product operation to market control as well as the transformation from laying emphasis on the scale to the production and benefits. Secondly, coordinate the domestic and international markets and strengthen the core business to maintain the scale of trade industry. Thirdly, integrate and optimize logistics and trade resources to realize the linkage of "Four Flows" including regional material flow, capital flow, business flow and information flow and efficient connection.

Chapter 04 Chairman's Statement

Lean management and improve the inherent quality of economic operation. The Group will comprehensively use the lean thinking, proactively upgrade management by reversed transmission of the pressure to improve the inherent quality of enterprise development. Firstly, adhere to benefit orientation, strengthen the research and judgment of coal market with the help of big data and marketing model and implement smart marketing to achieve effective marketing and value-added services. Secondly, promote the “three reductions and three enhancements” to the whole industry, the whole procedures and the whole direction, deeply excavate the potential and expand the space of expense control, cost cutting and benefit increase. Thirdly, implement comprehensive budget strictly, intensify the closed-loop management of all projects and raise the fund use value. Fourthly, improve the construction of sharing platform and the efficiency of resource allocation, management and control.

Set the target and work on it. In 2018, Yanzhou Coal will strive to seize the development opportunities and overcome difficulties and challenges with global thinking and stereoscopic view, keep mission firmly in mind, innovate with determination and improve the quality of development to realize the leaping development and more return for the Shareholders.

On behalf of the Board

Li Xiyong

Chairman

Zoucheng City, PRC

23 March 2018

Chapter 05

Board of Directors' Report



Mr. Wu Xiangqian, *General Manager*

I. MANAGEMENT DISCUSSION AND ANALYSIS

Main business by industries

| | Unit | 2017 | 2016 | Increase/ Decrease | Increase/ Decrease (%) |
|---|-----------|---------|---------|-----------------------|---------------------------|
| 1. Coal Business | | | | | |
| Raw coal production | kilotonne | 85,620 | 66,738 | 18,882 | 28.29 |
| Salable coal production | kilotonne | 79,924 | 62,365 | 17,559 | 28.16 |
| Salable coal sales volume | kilotonne | 96,802 | 74,969 | 21,833 | 29.12 |
| 2. Railway Transportation Business | | | | | |
| Transportation volume | kilotonne | 14,385 | 13,443 | 942 | 7.01 |
| 3. Coal Chemicals Business | | | | | |
| Methanol production | kilotonne | 1,614 | 1,641 | -27 | -1.65 |
| Methanol sales volume | kilotonne | 1,611 | 1,675 | -64 | -3.82 |
| 4. Power Generation Business | | | | | |
| Power generation | 10,000KWh | 267,434 | 277,715 | -10,281 | -3.70 |
| Electricity sold | 10,000KWh | 165,492 | 179,907 | -14,415 | -8.01 |

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Note: There were significant differences between production volumes and sales volumes of related products of power generation business in the above table, which was mainly due to the fact that related products of the Group were sold externally after satisfying its internal operating requirements.

In 2017, the Group sold 96.8 million tonnes of salable coal, including: 77.75 million tonnes of self produced coal, accounting for 98.9% of annual self produced coal sales plan; 1.61 million tonnes of methanol, accounting for 107.3% of annual methanol sales plan.

II. MAIN BUSINESS DURING THE REPORTING PERIOD

(I) The Operation of Business Segments

1. Coal Business

(1) Coal Production

In 2017, the Group produced 85.62 million tonnes of raw coal, representing an increase of 18.88 million tonnes or 28.3% as compared with that of 2016; produced salable coal of 79.92 million tonnes, representing an increase of 17.56 million tonnes or 28.2% as compared with that of 2016.

The following table sets out the coal production volume of the Group for the year 2017:

| | 2017 (kilotonne) | 2016 (kilotonne) | Increase/ Decrease (kilotonne) | Increase/ Decrease (%) |
|------------------------------------|---------------------|---------------------|--------------------------------------|------------------------------|
| I. Raw Coal Production | 85,620 | 66,738 | 18,882 | 28.29 |
| 1. The Company | 32,237 | 34,694 | -2,457 | -7.08 |
| 2. Shanxi Neng Hua | 1,347 | 1,608 | -261 | -16.23 |
| 3. Heze Neng Hua | 2,397 | 3,246 | -849 | -26.16 |
| 4. Ordos Neng Hua ^① | 12,137 | 4,830 | 7,307 | 151.28 |
| 5. Haosheng Company ^② | 6,096 | - | 6,096 | - |
| 6. Yancoal Australia ^③ | 24,103 | 15,754 | 8,349 | 53.00 |
| 7. Yancoal International | 7,303 | 6,606 | 697 | 10.55 |
| II. Salable Coal Production | 79,924 | 62,365 | 17,559 | 28.16 |
| 1. The Company | 32,214 | 34,679 | -2,465 | -7.11 |
| 2. Shanxi Neng Hua | 1,319 | 1,593 | -274 | -17.20 |
| 3. Heze Neng Hua | 2,368 | 3,233 | -865 | -26.76 |
| 4. Ordos Neng Hua | 12,118 | 4,830 | 7,288 | 150.89 |
| 5. Haosheng Company | 6,096 | - | 6,096 | - |
| 6. Yancoal Australia | 19,266 | 12,050 | 7,216 | 59.88 |
| 7. Yancoal International | 6,543 | 5,980 | 563 | 9.41 |

Notes:

- ① Raw coal and salable coal production volume of Ordos Neng Hua increased as compared with that of 2016. This was mainly due to the fact that Zhuanlongwan coal mine and Yingpanhao coal mine put into commercial operation in the second half of 2016 and the second half of 2017, respectively, which resulted in an increase in coal production volume of Ordos Neng Hua as compared with that of 2016.
- ② Shilawusu coal mine owned by Haosheng Company was put into commercial operation in 2017.
- ③ Raw coal and salable coal production volume of Yancoal Australia increased as compared with that of 2016. This was mainly due to the fact that the underground project of Moolarben coal mine was put into production in the second half of 2017; Yancoal Australia completed the acquisition of C&A in the second half of 2017, as a result, the coal mine production volume owned by C&A was consolidated into Yancoal Australia's statements.

(2) Coal Prices and Marketing

Affected by national supply-side structural reform, overcapacity reduction and other policy factors, the Group's average coal sales price increased as compared with that of 2016.

In 2017, the Group sold a total of 96.8 million tonnes of coal, representing an increase of 21.83 million tonnes or 29.1% as compared with that of 2016. This was mainly attributable to the fact that: ① the sales volume of traded coal increased by 4.8 million tonnes as compared with that of 2016; ② benefiting from the production of new mines, the sales volume of salable coal in Ordos Neng Hua and Haosheng Company increased by 6.45 million tonnes and 6.06 million tonnes, respectively as compared with that of 2016; ③ Yancoal Australia completed the acquisition of C&A in September 2017, as a result, the coal production and marketing capacity was enhanced and the sales volume of salable coal increased by 7.24 million tonnes as compared with that of 2016.

In 2017, the Group realized sales income of coal business of RMB48.4718 billion, representing an increase of RMB19.1765 billion or 65.5% as compared with that of 2016.

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The following table sets out the Group's coal production and sales by coal types for the year 2017:

| | | 2017 | | | | 2016 | | | |
|----|-------------------------|-----------------------------------|--------------------------------|-------------------------------|------------------------------|-----------------------------------|--------------------------------|-------------------------------|------------------------------|
| | | Coal Production (kilotonne) | Sales Volume (kilotonne) | Sales Price (RMB/tonne) | Sales Income (RMB'000) | Coal Production (kilotonne) | Sales Volume (kilotonne) | Sales Price (RMB/tonne) | Sales Income (RMB'000) |
| 1. | The Company | 32,214 | 31,746 | 584.82 | 18,565,290 | 34,679 | 34,267 | 420.18 | 14,398,294 |
| | No. 1 clean coal | 230 | 184 | 897.67 | 165,051 | 97 | 103 | 567.17 | 58,419 |
| | No. 2 clean coal | 9,064 | 8,977 | 784.53 | 7,042,436 | 11,018 | 10,821 | 538.38 | 5,825,984 |
| | No. 3 clean coal | 2,239 | 2,339 | 639.26 | 1,495,395 | 2,487 | 2,451 | 453.30 | 1,111,032 |
| | Lump coal | 2,207 | 2,276 | 664.07 | 1,511,320 | 2,607 | 2,435 | 476.20 | 1,159,381 |
| | Sub-total of clean coal | 13,740 | 13,776 | 741.47 | 10,214,202 | 16,209 | 15,810 | 515.80 | 8,154,816 |
| | Screened raw coal | 18,474 | 17,970 | 464.73 | 8,351,088 | 17,573 | 17,797 | 347.00 | 6,175,428 |
| | Mixed coal & Others | - | - | - | - | 897 | 660 | 103.07 | 68,050 |
| 2. | Shanxi Neng Hua | 1,319 | 1,318 | 347.65 | 458,121 | 1,593 | 1,590 | 217.65 | 346,034 |
| | Screened raw coal | 1,319 | 1,318 | 347.65 | 458,121 | 1,593 | 1,590 | 217.65 | 346,034 |
| 3. | Heze Neng Hua | 2,368 | 2,153 | 996.99 | 2,146,784 | 3,233 | 2,799 | 555.65 | 1,555,150 |
| | No. 2 clean coal | 2,081 | 2,132 | 1,002.59 | 2,137,870 | 2,541 | 2,545 | 590.09 | 1,501,703 |
| | Screened raw coal | 287 | 21 | 424.48 | 8,914 | 494 | 151 | 256.46 | 38,680 |
| | Mixed coal and Others | - | - | - | - | 198 | 103 | 143.20 | 14,767 |
| 4. | Ordos Neng Hua | 12,118 | 10,568 | 248.69 | 2,628,258 | 4,830 | 4,116 | 222.61 | 916,167 |
| | Screened raw coal | 12,118 | 10,568 | 248.69 | 2,628,258 | 4,830 | 4,116 | 222.61 | 916,167 |
| 5. | Haosheng Company | 6,096 | 6,060 | 296.07 | 1,794,268 | - | - | - | - |
| | Screened raw coal | 6,096 | 6,060 | 296.07 | 1,794,268 | - | - | - | - |
| 6. | Yancoal Australia | 19,266 | 19,308 | 540.38 | 10,433,723 | 12,050 | 12,069 | 399.96 | 4,827,260 |
| | Semi-hard coking coal | 169 | 169 | 815.82 | 137,874 | 505 | 506 | 508.46 | 257,134 |
| | Semi-soft coking coal | 800 | 801 | 835.17 | 668,971 | 413 | 425 | 425.15 | 180,844 |
| | PCI coal | 2,647 | 2,653 | 768.47 | 2,038,739 | 2,234 | 2,227 | 491.66 | 1,094,779 |
| | Thermal coal | 15,650 | 15,685 | 483.78 | 7,588,139 | 8,898 | 8,911 | 369.69 | 3,294,502 |
| 7. | Yancoal International | 6,543 | 6,595 | 363.13 | 2,394,903 | 5,980 | 5,871 | 297.18 | 1,744,862 |
| | Thermal coal | 6,543 | 6,595 | 363.13 | 2,394,903 | 5,980 | 5,871 | 297.18 | 1,744,862 |
| 8. | Traded coal | - | 19,054 | 527.47 | 10,050,473 | - | 14,257 | 386.31 | 5,507,600 |
| 9. | Total for the Group | 79,924 | 96,802 | 500.73 | 48,471,820 | 62,365 | 74,969 | 390.77 | 29,295,367 |

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Factors affecting the changes in sales income of coal are analyzed in the following table:

| | Impact of changes on coal sales volume (RMB'000) | Impact of changes on the sales price of coal (RMB'000) |
|-----------------------|---|---|
| The Company | -1,059,665 | 5,226,661 |
| Shanxi Neng Hua | -59,253 | 171,340 |
| Heze Neng Hua | -358,571 | 950,205 |
| Ordos Neng Hua | 1,436,478 | 275,613 |
| Haosheng Company | 1,794,268 | - |
| Yancoal Australia | 2,895,234 | 2,711,229 |
| Yancoal International | 215,101 | 434,940 |
| Traded Coal | 1,853,210 | 2,689,663 |

The Group's coal products are mainly sold in markets such as China, Australia, Japan, South Korea, etc.

The following table sets out the Group's coal sales by geographical regions for the year 2017:

| | 2017 | | 2016 | |
|------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| | Sales Volume (kilotonne) | Sales Income (RMB'000) | Sales Volume (kilotonne) | Sales Income (RMB'000) |
| 1. China | 68,325 | 34,395,378 | 56,384 | 22,492,004 |
| East China | 44,053 | 25,168,573 | 40,709 | 16,965,743 |
| South China | 574 | 209,965 | 5,696 | 2,146,675 |
| North China | 19,795 | 7,565,502 | 8,881 | 2,947,771 |
| Other regions | 3,903 | 1,451,338 | 1,098 | 431,815 |
| 2. Japan | 4,966 | 3,136,517 | 2,705 | 1,060,157 |
| 3. South Korea | 3,629 | 1,965,907 | 3,328 | 1,443,267 |
| 4. Australia | 6,973 | 2,802,722 | 4,855 | 1,492,906 |
| 5. Others | 12,909 | 6,171,296 | 7,697 | 2,807,033 |
| 6. Total for the Group | 96,802 | 48,471,820 | 74,969 | 29,295,367 |

Most of the Group's coal products were sold to the power, metallurgy, chemical and trade business.

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The following table sets out the Group's coal sales by industries for the year 2017:

| | 2017 | | 2016 | |
|------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| | Sales Volume (kilotonne) | Sales Income (RMB'000) | Sales Volume (kilotonne) | Sales Income (RMB'000) |
| 1. Power | 35,790 | 15,436,397 | 29,093 | 9,178,809 |
| 2. Metallurgy | 6,011 | 5,160,770 | 4,733 | 2,651,696 |
| 3. Chemicals | 8,190 | 6,481,356 | 10,008 | 4,550,614 |
| 4. Trade | 46,063 | 20,951,740 | 29,986 | 12,510,804 |
| 5. Others | 748 | 441,557 | 1,149 | 403,444 |
| 6. Total for the Group | 96,802 | 48,471,820 | 74,969 | 29,295,367 |

(3) The Cost of Coal Sales

In 2017, the Group's cost of coal sales amounted to RMB28.176 billion, representing an increase of RMB9.2189 billion or 48.6% as compared with that of 2016. This was mainly attributable to: ① the increase in sales volume of traded coal resulting in an increase of RMB4.2939 billion in cost of coal sales as compared with that of 2016; ② the increase in sales volume from new mines owned by Ordos Neng Hua and Haosheng Company resulting in an increase of RMB2.1361 billion in cost of coal sales as compared with that of 2016; ③ the increase in coal sales affected by the new acquisition for coal mine project by Yancoal Australia, resulting in an increase of RMB2.6118 billion in cost of coal sales as compared with that of 2016.

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The following table sets out the cost of coal sales by business entities:

| | | Unit | 2017 | 2016 | Increase/ Decrease | Increase/ Decrease (%) |
|-----------------------|----------------------|-----------|-----------|-----------|-----------------------|---------------------------|
| The Company | Total sales cost | RMB'000 | 8,132,974 | 8,103,189 | 29,785 | 0.37 |
| | Sales cost per tonne | RMB/tonne | 254.48 | 231.50 | 22.98 | 9.93 |
| Shanxi Neng Hua | Total sales cost | RMB'000 | 297,149 | 236,747 | 60,402 | 25.51 |
| | Sales cost per tonne | RMB/tonne | 225.50 | 148.91 | 76.59 | 51.43 |
| Heze Neng Hua | Total sales cost | RMB'000 | 1,151,184 | 973,572 | 177,612 | 18.24 |
| | Sales cost per tonne | RMB/tonne | 468.66 | 301.67 | 166.99 | 55.36 |
| Ordos Neng Hua | Total sales cost | RMB'000 | 1,789,185 | 677,847 | 1,111,338 | 163.95 |
| | Sales cost per tonne | RMB/tonne | 169.30 | 164.70 | 4.60 | 2.79 |
| Haosheng Company | Total sales cost | RMB'000 | 1,024,742 | - | - | - |
| | Sales cost per tonne | RMB/tonne | 169.09 | - | - | - |
| Yancoal Australia | Total sales cost | RMB'000 | 5,443,989 | 2,832,161 | 2,611,828 | 92.22 |
| | Sales cost per tonne | RMB/tonne | 281.95 | 234.66 | 47.29 | 20.15 |
| Yancoal International | Total sales cost | RMB'000 | 1,591,101 | 1,325,184 | 265,917 | 20.07 |
| | Sales cost per tonne | RMB/tonne | 241.25 | 225.70 | 15.55 | 6.89 |
| Traded coal | Total sales cost | RMB'000 | 9,707,770 | 5,413,912 | 4,293,858 | 79.31 |
| | Sales cost per tonne | RMB/tonne | 509.49 | 379.74 | 129.75 | 34.17 |

The change in sales cost per tonne of Shanxi Neng Hua was mainly attributable to: ① the decrease in sales volume of salable coal resulting in an increase of RMB38.60 in sales cost per tonne as compared with that of 2016; ② the increase in lease fees for fully mechanized equipments resulting in an increase of RMB7.19 in sales cost per tonne as compared with that of 2016; ③ the increase in employee salary resulting in an increase of RMB25.58 in sales cost per tonne as compared with that of 2016.

The change in sales cost per tonne of Heze Neng Hua was mainly attributable to: ① the decrease in sales volume of sabable coal resulting in an increase of RMB111.96 in sales cost per tonne as compared with that of 2016; ② the increase in sales tax and surcharge resulting in an increase of RMB14.43 in sales cost per tonne as compared with that of 2016.

2. Railway Transportation Business

In 2017, the transportation volume of the Company's Railway Assets was 14.39 million tonnes, representing an increase of 0.94 million tonnes or 7.0% as compared with that of 2016. The income from railway transportation services was RMB302.9 million, representing an increase of RMB15.541 million or 5.4% as compared with that of 2016. The cost of railway transportation services was RMB171.7 million, representing an increase of RMB4.816 million or 2.9% as compared with that of 2016.

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3. Coal Chemicals Business

The following table sets out the Group's methanol business for 2017:

| | Methanol Production Volume (kilotonne) | | | Methanol Sales Volume (kilotonne) | | |
|-------------------|---|------|------------------------------|--------------------------------------|------|------------------------------|
| | 2017 | 2016 | Increase/ Decrease (%) | 2017 | 2016 | Increase/ Decrease (%) |
| 1. Yulin Neng Hua | 705 | 690 | 2.17 | 700 | 686 | 2.04 |
| 2. Ordos Neng Hua | 909 | 951 | -4.42 | 911 | 989 | -7.89 |

| | Sales Income (RMB'000) | | | Cost of Sales (RMB'000) | | |
|-------------------|------------------------|-----------|------------------------------|-------------------------|-----------|------------------------------|
| | 2017 | 2016 | Increase/ Decrease (%) | 2017 | 2016 | Increase/ Decrease (%) |
| 1. Yulin Neng Hua | 1,352,786 | 1,022,883 | 32.25 | 1,048,972 | 836,358 | 25.42 |
| 2. Ordos Neng Hua | 1,756,135 | 1,422,806 | 23.43 | 1,195,099 | 1,015,403 | 17.70 |

4. Power Generation Business

The following table sets out the operation of the Group's power business for the year 2017:

| | Power Generation (10,000 KWh) | | | Power Output Dispatch (10,000 KWh) | | |
|-------------------|----------------------------------|---------|------------------------------|---------------------------------------|---------|------------------------------|
| | 2017 | 2016 | Increase/ Decrease (%) | 2017 | 2016 | Increase/ Decrease (%) |
| 1. Hua Ju Energy | 82,106 | 91,036 | -9.81 | 27,755 | 33,228 | -16.47 |
| 2. Yulin Neng Hua | 29,692 | 29,229 | 1.58 | 1,820 | 2,243 | -18.86 |
| 3. Heze Neng Hua | 155,636 | 157,450 | -1.15 | 135,917 | 144,436 | -5.90 |

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| | | Sales Income (RMB'000) | | | Cost of Sales (RMB'000) | | |
|---|----------------|------------------------|---------|------------------------------|-------------------------|---------|------------------------------|
| | | | | Increase/ Decrease (%) | | | Increase/ Decrease (%) |
| | | 2017 | 2016 | | 2017 | 2016 | |
| 1 | Hua Ju Energy | 113,860 | 136,702 | -16.71 | 99,112 | 111,846 | -11.39 |
| 2 | Yulin Neng Hua | 3,396 | 4,421 | -23.18 | 8,440 | 6,840 | 23.39 |
| 3 | Heze Neng Hua | 445,876 | 431,399 | 3.36 | 463,102 | 355,205 | 30.38 |

5. Heat Business

Hua Ju Energy generated heat energy of 1.38 million steam tonnes and sold 100 thousand steam tonnes in 2017, realizing sales income of RMB22.583 million, with cost of sales at RMB12.755 million.

6. Electrical and Mechanical Equipment Manufacturing Business

The following table sets out the Group's operation of mechanical and electrical equipment manufacturing:

| | | Sales Income (RMB'000) | | | Cost of Sales (RMB'000) | | |
|----|---|------------------------|---------|------------------------------|-------------------------|---------|------------------------------|
| | | | | Increase/ Decrease (%) | | | Increase/ Decrease (%) |
| | | 2017 | 2016 | | 2017 | 2016 | |
| 1. | Hydraulic support | 20,626 | 409,260 | -94.96 | 15,406 | 322,408 | -95.22 |
| 2. | Heading machine | 2,446 | 5,592 | -56.26 | 1,827 | 3,758 | -51.38 |
| 3. | Scraper/belt conveyor | 98,561 | 171,900 | -42.66 | 73,618 | 153,687 | -52.10 |
| 4. | Frequency converter and switch cabinet | 81,121 | 72,348 | 12.13 | 60,591 | 63,094 | -3.97 |

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(II) Analysis of Main Business

Analysis of changes in Consolidated Income Statement items and Consolidated Statement of Cash Flow items

Unit: RMB'000

| Items | 2017 | 2016 | Increase/ Decrease (%) |
|--|-------------|-------------|---------------------------|
| Sales revenue | 52,672,105 | 33,272,432 | 58.31 |
| Total cost of sales | 31,326,576 | 21,998,352 | 42.40 |
| Selling, general and administrative expenses | 9,259,124 | 7,788,733 | 18.88 |
| Financing cost | 3,255,404 | 2,501,016 | 30.16 |
| Other incomes | 4,021,887 | 2,822,871 | 42.48 |
| Income taxes | 2,714,654 | 816,908 | 232.31 |
| Net cash from operating activities | 12,161,766 | 11,220,674 | 8.39 |
| Cash flow for investing activities | -30,841,393 | -14,955,294 | - |
| Cash flow from financing activities | 23,579,857 | 38,680 | 60,861.37 |

1. Analysis on income and cost

Reasons for changes in sales income: ① the rise of sales price of self produced coal resulting in an increase of RMB9.77 billion in sales income as compared with that of 2016; the increase of sales volume of self produced coal resulting in an increase of RMB4.8636 billion in sales income as compared with that of 2016; ② the increase of RMB4.5429 billion in sales income of traded coal as compared with that of 2016.

(1) Main business analysis by industries, products or regions

Unit: RMB'000

Main business by industries

| | | Sales Income | Cost of Sales | Gross Profit (%) | Increase/ Decrease in sales income as compared with that of last year (%) | Increase/ Decrease in cost of sales as compared with that of last year (%) | Increase/ Decrease in gross profit as compared with that of last year (percentage point) |
|----|--|--------------|---------------|---------------------|--|---|--|
| | | | | | | | |
| 1. | Coal business | 48,471,820 | 28,175,965 | 41.87 | 65.46 | 48.63 | 6.58 |
| 2. | Railway transportation business | 302,896 | 171,687 | 43.32 | 5.41 | 2.89 | 1.39 |
| 3. | Coal chemicals business | 3,108,921 | 2,244,072 | 27.82 | 27.12 | 21.19 | 3.53 |
| 4. | Power generation business | 563,131 | 570,654 | -1.34 | -1.64 | 20.42 | -18.56 |
| 5. | Heat business | 22,583 | 12,755 | 43.52 | 82.14 | 120.07 | -9.73 |
| 6. | Electrical and mechanical equipment manufacturing | 202,754 | 151,443 | 25.31 | -69.24 | -72.11 | 7.68 |

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Main business by products

| | | | | Increase/ Decrease in sales income as compared with that of last year (%) | Increase/ Decrease in cost of sales as compared with that of last year (%) | Increase/ Decrease in gross profit as compared with that of last year (percentage point) |
|---|--------------|---------------|---------------------|--|---|--|
| | Sales Income | Cost of Sales | Gross Profit (%) | | | |
| 1. Coal | 48,471,820 | 28,175,965 | 41.87 | 65.46 | 48.63 | 6.58 |
| 2. Railway transportation | 302,896 | 171,687 | 43.32 | 5.41 | 2.89 | 1.39 |
| 3. Coal chemicals | 3,108,921 | 2,244,072 | 27.82 | 27.12 | 21.19 | 3.53 |
| 4. Electricity | 563,131 | 570,654 | -1.34 | -1.64 | 20.42 | -18.56 |
| 5. Heat | 22,583 | 12,755 | 43.52 | 82.14 | 120.07 | -9.73 |
| 6. Electrical and mechanical equipment | 202,754 | 151,443 | 25.31 | -69.24 | -72.11 | 7.68 |

Main business by regions

| | | | | Increase/ Decrease in sales income as compared with that of last year (%) | Increase/ Decrease in cost of sales as compared with that of last year (%) | Increase/ Decrease in gross profit as compared with that of last year (percentage point) |
|----------|--------------|---------------|---------------------|--|---|--|
| | Sales Income | Cost of Sales | Gross Profit (%) | | | |
| Domestic | 35,773,781 | 19,989,283 | 44.12 | 35.15 | 14.78 | 9.91 |
| Overseas | 16,898,324 | 11,337,293 | 32.91 | 148.38 | 147.35 | 0.28 |

Explanation on main business by industries, products or regions

For details of the sales of the above business segments, please refer to the section headed "Segment Information" in notes to the financial statement prepared in accordance with the CASs.

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(2) Production and sales volume analysis

Unit: 1,000 tonnes

| Main products | Production | | Inventory | Increase/ Decrease in production volume as compared with that of last year | Increase/ Decrease in sales volume as compared with that of last year | Increase/ Decrease in inventory as compared with the beginning of 2017 |
|----------------------------|------------|--------------|-----------|---|---|---|
| | volume | Sales volume | | (%) | (%) | (%) |
| Self produced salable coal | 79,924 | 77,748 | 4,242 | 28.16 | 28.06 | 32.31 |
| Methonal | 1,614 | 1,611 | 39 | -1.65 | -3.82 | 11.42 |

For details of the production and sales volume changes of main products, please refer to the section headed “*operation of business segments*” in this chapter.

(3) Cost analysis

Unit: RMB'000

| | | By industries | | | | Increase/ Decrease as compared with that of 2016 (%) |
|-------------|-------------------------------|---------------|--|------------|--|--|
| By industry | Component items | 2017 | Percentage of total cost in 2017 (%) | 2016 | Percentage of total cost in 2016 (%) | |
| I. | Cost of self-produced coal | 18,468,195 | 100.00 | 13,543,173 | 100.00 | 36.37 |
| | Material | 3,204,121 | 17.35 | 2,565,079 | 18.94 | 24.91 |
| | Salary and employee benefit | 4,159,174 | 22.52 | 4,224,869 | 31.20 | -1.55 |
| | Electricity | 651,782 | 3.53 | 504,686 | 3.73 | 29.15 |
| | Depreciation | 1,908,871 | 10.34 | 1,494,082 | 11.03 | 27.76 |
| | Subsidence expense | 1,025,320 | 5.55 | 1,252,552 | 9.25 | -18.14 |
| | Amortization of mining rights | 1,018,789 | 5.52 | 613,921 | 4.53 | 80.83 |
| | Tax and surcharge | 2,987,114 | 16.17 | 1,651,857 | 12.20 | 65.95 |
| | Others | 3,513,024 | 19.02 | 1,236,127 | 9.13 | 184.20 |
| II. | Cost of traded coal | 9,707,770 | - | 5,413,912 | - | 79.31 |
| III. | Total | 28,175,965 | - | 18,957,085 | - | 48.63 |

Other explanations

- ① Reason for changes in sales cost: cost of coal sales increased by RMB9.2189 billion as compared with that of 2016.
- ② Cost of coal sales account for 89.9% of the Group's total sales cost, so that cost component by industries listed in the above table only refers to the cost component of the Group's coal sales during the reporting period.

(4) Major Customers and Suppliers

The sales amount to the top five customers is RMB7.5526 billion, accounting for 14.3% of total annual sales; Including: the sales value to connected parties of the top five customers is RMB0, accounting for 0% of the total annual sales.

The purchase amount from the top five suppliers is RMB3.4338 billion, accounting for 27.0% of total annual purchases; Including: the purchase from connected parties of the top five supplier is RMB678.7 million, accounting for 5.3% of the total annual purchases.

Other information

The above customers and suppliers are both domestic and overseas companies with stable operation which have maintained cooperative relations with the Group for many years. The Group has specialized agencies to conduct qualification examination, credit management and other dynamic monitoring and control on customers and suppliers to protect from the risks.

2. *Analysis on changes in expenses and others*

Reasons for changes in selling, general and administrative expenses: ① the Group made provision for impairment loss of RMB1.492 billion for mining rights of Wenyu coal mine; ② due to the fluctuation of HKD against RMB exchange rate in 2017, the exchange loss of Yancoal International increased by RMB648.9 million as compared with that of 2016; ③ the royalty paid by Yancoal Australia and Yancoal International as per the proportion of sales income increased by RMB588.5 million as compared with that of 2016.

Reasons for changes in financing cost: interest expenditure increased by RMB754.4 million as compared with that of 2016.

Reasons for changes in other incomes: ① due to the acquisition of equity interest in C&A, there are differences in the fair value of consolidated cost and identifiable net assets of acquiree, which is confirmed as the gain of RMB896.9 million in accordance with accounting standard; ② Yancoal Australia refunded impairment provision for intangible assets of RMB505.4 million.

Reasons for changes in income taxes: the income tax payable by the Group increased as compared with that of 2016.

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3. Research and Development Expenditure

| | Unit: RMB'000 |
|--|---------------|
| Expensing research and development expenditure in 2017 | 23,772 |
| Capitalized research and development expenditure in 2017 | 0 |
| Total | 23,772 |
| Percentage of total research and development expenditure to sales income (%) | 0.05 |
| Number of research and development staff | 2,922 persons |
| Percentage of research and development staff to the total employees (%) | 4.30 |
| Percentage of capitalized expenditure of research and development (%) | 0 |

Explanation

For the purpose of promoting the optimization and upgrading of industrial structure, focusing on the core technology breakthrough in leading industries, and adhering to the principles of “enterprise dominants, internal and external joints, industrial combination, innovation promotion, key breakthrough and leaping development”, the Group developed its enterprise innovation development strategies with goals of “production automation, high-end orientation of products, technology independence, management informatization, low carbon development and operation internationalization”, in order to improve its independent innovation abilities and build an innovation-oriented enterprise.

In 2017, the Group completed 68 items of scientific and technological achievements, among which, 15 items reached the international advanced level, 121 items obtained patents and 19 items won the provincial and ministerial science and technology awards.

4. Cash Flow

Reasons for changes in net cash from operating activities: the increase of the Group's coal sales volume and the coal price rising resulted an increase of net cash inflow from operating activities as compared with that of 2016.

Reasons for changes in cash flow used for investing activities: cash paid for acquiring subsidiaries increased by RMB13.2099 billion as compared with that of 2016.

Reasons for changes in cash flow from financing activities: ① net bank loan increased by RMB14.1196 billion as compared with that of 2016; ② the cash from small investment that the company received increased by RMB9,780.6 million as compared with that of 2016.

Financial resources and utilisation

In 2017, the Group's principal financial resources were the cash flow from operations, bond issuance and bank loans. The Group has utilized its capital mainly for the payment of operating expenses, purchase of property, machinery and equipment, payment of dividends to the Shareholders, repayment of bank loans, payment of the acquisition of assets and equities.

The Group's capital expenditure for the purchase of property, machinery and equipment for the year 2017 was RMB6.9025 billion, representing an increase of RMB585.8 million or 9.3% as compared with RMB6.3167 billion in 2016.

(III) Elaboration of Significant Net Revenue Changes Due to Non-Core Business

During the reporting period, other incomes of the Group was increased by RMB1.1992 billion as compared with that of 2016, was due to: gain on bargain purchase on acquisition of C&A and reversal of impairment for intangible assets, etc.

(IV) Assets and Liabilities

1. Assets and liabilities

Unit: RMB'000

| Items | Closing amount of 2017 | Percentage to total assets in 2017 (%) | Closing amount of 2016 | Percentage to total assets in 2016 (%) | Percentage of increase/ decrease in closing amount (%) | Notes |
|--|------------------------|--|------------------------|--|--|---|
| Fledged term deposits | 3,623,635 | 1.84 | 2,445,000 | 1.66 | 48.21 | Increase in fixed deposit |
| Restricted cash | 3,871,361 | 1.96 | 1,144,800 | 0.78 | 238.17 | Guarantee deposit increased due to increase in business financing |
| Bills receivable and accounts receivable | 12,991,458 | 6.58 | 9,735,859 | 6.60 | 33.44 | ① The notes receivable increased by RMB2.2603 billion on yoy basis due to increase in coal trading. ② Rolling coal settlement increased by RMB995.3 million |
| Long-term receivables, due within one year | 2,791,092 | 1.41 | 1,944,050 | 1.32 | 43.57 | The long-term receivables to be due soon was reclassified |
| Inventories | 3,079,249 | 1.56 | 2,162,147 | 1.47 | 42.42 | ① Coal inventory increased by RMB658.9 million; ② Machine and equipment inventory increased by RMB262.3 million. |

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| Items | Closing amount of 2017 | Percentage to total assets in 2017 (%) | Closing amount of 2016 | Percentage to total assets in 2016 (%) | Percentage of increase/decrease in closing amount (%) | Notes |
|---|------------------------|--|------------------------|--|---|---|
| Prepayments and other receivables | 14,451,550 | 7.32 | 7,313,141 | 4.96 | 97.61 | The loans of Yankuang Finance Co., Ltd. increased by RMB4,982.2 million; the prepayments for land subsidence increased by RMB700.8 million; the receivables for financial leasing increased by RMB950.2 million; the factoring payment receivable increased by RMB414.6 million. |
| Asset held for sale | 3,123,514 | 1.58 | - | - | - | The 16.6% equity interest in HVO JV to be sold in accordance with the agreement entered into between Yancoal Australia and Glencore Coal Pty Ltd, was included in the asset held for sale. |
| Property, Plant and Equipment | 46,267,729 | 23.48 | 31,023,022 | 21.04 | 49.14 | ① Shilawusu Coal Mine and Yingpanhao Coal Mine were formally put into commercial operation in January 2017, which contributed increase in property, plant and equipment by RMB3.1362 billion and RMB3.9742 billion, respectively; ② The Group's consolidation of C&A's financial statements affected an increase of RMB7.9895 billion in property, plant and equipment. |
| Construction in progress | 4,516,288 | 2.29 | 10,929,944 | 7.41 | -58.68 | Shilawusu Coal Mine and Yingpanhao Coal Mine were put into commercial operation, caused reduction in construction in progress by RMB14.8608 billion and RMB3.4854 billion respectively; |
| Interest in associates | 8,654,205 | 4.39 | 5,133,273 | 3.48 | 68.59 | ① Ordos Neng Hua contributed RMB1.9425 billion to Yitai Zhundong Railway Co., Ltd. In Inner Mongolia; ② The subscription of ordinary shares of Qilu Bank Co., Ltd. affected the investment of associates by RMB433.3 million; ③ The acquisition of C&A by Yancoal Australia has affected the joint venture's investment by an increase of RMB995.9 million; ④ During the reporting period, the Group confirmed that the investment income of joint ventures was RMB824.5 million. |
| Long-term receivables, more than one year due | 6,751,062 | 3.42 | 4,667,837 | 3.17 | 44.63 | The financial leasing receivables from Zhongyin Financial Leasing by an increase of RMB1.8874 billion on yoy basis. |
| Bills payable and accounts payable | 8,973,438 | 4.55 | 5,849,019 | 3.97 | 53.42 | ∞ The Company's bills payable increased by RMB188.4 million over the same period of last year; ∞ The amount of bills payable by Zhongyin Financial Leasing increased by RMB363.8 million over the same period of last year; ∞ Qingdao Zhongyin Ruifeng's notes payable increased by RMB496.5 million on yoy basis; ∞ The Company's accounts payable increased by RMB354 million over the same period of last year; ∞ Yancoal Australia's Accounts payable increased by RMB1.4937 billion. |
| Other payables and accrued expenses | 21,616,407 | 10.96 | 10,567,895 | 7.17 | 105.60 | An increase of RMB9.4576 billion was attributed to the Group's acquisition of Yankuang Finance Co., Ltd. |

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| Items | Closing amount of 2017 | Percentage to total assets in 2017 (%) | Closing amount of 2016 | Percentage to total assets in 2016 (%) | Percentage of increase/decrease in closing amount (%) | Notes |
|--------------------------|------------------------|--|------------------------|--|---|---|
| Reserves | 42,498,850 | 21.54 | 32,226,660 | 21.86 | 31.87 | The accumulation of operating resulted an increase in retained earnings over the same period last year. |
| Non-controlling interest | 9,249,649 | 4.69 | 6,662,191 | 4.52 | 38.84 | The Company's issuance of perpetual bond increased by RMB2.5874 on yoy basis. |

Other information

(1) Debt to equity ratio

As at 31 December 2017, the equity attributable to Shareholders and the total borrowings amounted to RMB47.4109 billion and RMB70.3607 billion respectively, representing a debt to equity ratio of 148.4%.

For details of the borrowings, please refer to Note "Borrowings" of the financial statements prepared under the IFRS.

(2) Contingent liabilities

For details of the contingent liabilities, please refer to Note "Contingent liabilities" of the financial statements prepared under the IFRS.

2. Major assets restrictions as at the end of reporting period

(Prepared under the CASs)

As of the end of 2017, the Group's restricted assets amounted to RMB51.1859 billion, which were mainly the use of monetary funds with limited use, and related assets pledged to obtain the loans. For details, please refer to the notes to the financial report prepared under the CASs about "Assets with limited ownership or use rights in the notes to the main items in the consolidated financial statements".

(V) Analysis of Industrial Business Information

Analysis of Coal Business

1. Main Situation of Coal Business

For details of the main situation of coal business for the year 2017, please refer to the section headed "operation of business segments" in this chapter.

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2. Coal Resources/Reserves

| Mining Area | Location | Coal Type | In-situ Resources (million tonnes) | Recoverable Reserve (million tonnes) |
|---|-------------------------------------|--|---------------------------------------|--|
| Subordinate coal mines of Yanzhou Coal | Jining City, Shandong Province | Thermal coal | 827 | 309 |
| Subordinate coal mines of Heze Neng Hua | Heze City, Shandong Province | 1/3 coking coal | 91 | 25 |
| Subordinate coal mines of Shanxi Neng Hua | Heshun County, Shanxi Province | Thermal coal | 21 | 10 |
| Subordinate coal mines of Ordos Neng Hua | Ordos City, Inner Mongolia | Thermal coal | 369 | 245 |
| Subordinate coal mines of Yancoal Australia | Queensland and NSW, Australia | PCI, thermal coal, semi- hard coking coal and semi- soft coking coal | 8,512 | 1,807 |
| Subordinate coal mines of Yancoal International | Queensland and Western Australia | PCI, Thermal coal | 755 | 241 |
| Total | - | - | 10,575 | 2,637 |

Note:

- ① As per the requirement of the Hong Kong Stock Exchange, the Group had the resources/reserves of the subordinate coal mines located in China assessed in accordance with international standard (JORC 2012).
- ② The coal mines in the above table are those in production of the Group. Their In-situ Resources and Recoverable Reserves of coal are estimated in accordance with 100% equity and JORC Code 2012 as of 31 December 2017, in which, In-situ Resources and Recoverable Reserves from China domestic coal mines are based upon the Competent Person's Report prepared by John T. Boyd Company in March 2018 and overseas In-situ Resources and Recoverable Reserves are based on the report prepared by competent persons appointed by overseas subsidiary.
- ③ Resource assessment according to international standards has not been conducted for Yingpanhao Coal Mine and Shilawusu Coal Mine, subsidiaries of Ordos Neng Hua and Haosheng Company, respectively, due to the ongoing permitting process through administrative authorities.
- ④ The in-situ resources and recoverable reserves of the coal mines owned by Yancoal Australia include data on Middlemount and three coal mines owned by Watagan Mining Pty Ltd. Middlemount Coal Mine is a joint venture company established and operated by Yancoal Australia and a third party and is not consolidated into the consolidated financial statements of the Group. Watagan Mining Pty Ltd. is a special purpose company and is not incorporated into the consolidated financial statements of the Group.

3. Other Explanations

(1) The surrounding transportation of main mining areas

The Group's mines located in Shandong are mainly directly connected to users through its own rail network or connected to national railways, and meanwhile connected to riverside regions or coastal regions through Beijing-Hangzhou Grand Canal or Rizhao Port. In Shanxi Province, the Group transports coal to ports of Hebei, Shandong, Qinhuangdao and other regions through Yangquang-Shexian railway located around Tianchi Coal Mine, which belongs to Shanxi Neng Hua. In Inner Mongolia Autonomous Region, the Group transports the coal produced by Ordos Neng Hua and Haosheng Company to surrounding users through road, and then, transports to eastern ports, Inner Mongolia, Jiangsu Province, Shandong Province, Henan Province, Ningxia Hui Aotomous Region and other regions through Dongsheng-Wuhai railway, Baotou-Xi'an railway or Zhundong railway.

Australian Premier Coal Mine has entered into a long-term supply contract with Verve Power Plant belonged to the Western Australia government. The coal from Premier Coal Mine is transported to the power plant through the belt conveyor, and to other users through railway. The coal from mines of East Australia is transported to Newcastle Port, Gladstone Port and other ports through railways of third parties, then transported to Korea, Japan and other regions through shipping.

(2) Coal exploration, development and mining during the reporting period

In 2017, the coal exploration expenditure of the Group was RMB17.6 million, mainly including the relevant exploration expenditure for Moolarben Stage 2 Project. Capital expenditure on coal development and mining was RMB3.8141 billion, mainly including the fixed assets investment for existing mines and the development and mining expenses for Wanfu coal mine, Yingpanhao coal mine and Shilawusu coal mine.

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(3) Major mine construction project

As at the end of the reporting period, the progress of the Group's major mine construction projects is as follows:

| No. | Project | Design Capacity (10,000 Tonnes/ Year) | Investment Amount as at the End of the Reporting Period (RMB100 million) | Construction Progress |
|-----|-----------------|---|---|---|
| 1 | Wanfu Coal Mine | 180 | 17.28 | The project has been approved by the National Development and Reform Commission and is expected to put into trial production in 2019. |
| | Total | 180 | 17.28 | - |

(VI) Investment Analysis

(All financial data contained in this section is calculated under the CASs)

1. Overall Analysis of External Equity Investment

(1) Significant equity investment

In 2017, the total external equity investments made by the Group amounted to RMB20.3273 billion, representing an increase of RMB11.7850 billion or 138% as compared with that of 2016. The relevant information of projects invested is set out as follows:

| No. | Projects of External Equity Investment | Total Investment Amount of Projects (RMB100 million) | The Group's Investment Amount (RMB100 million) | Name of the Invested Company | Main Business | The Company's Equity Interest in the Invested Company (%) |
|-----|---|--|--|--|--|---|
| 1 | Subscription for shares of Hangzhou CRRC Time Venture Investment Partnership (LP) | 0.500 | 0.500 | Hangzhou CRRC Time Venture Investment Partnership (LP) | Start-up ventures investment, private fund equity investment, start-up ventures investment consulting, management services for start-up ventures | 14.33 |
| 2 | Establishment of a controlled company of Yanzhou Coal Blue Sky Clean Energy Co., Ltd. | 0.255 | 0.255 | Yanzhou Coal Blue Sky Clean Energy Co., Ltd. | Production and sales of clean briquette coal | 51 |

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| No. | Projects of External Equity Investment | Total Investment Amount of Projects (RMB100 million) | The Group's Investment Amount (RMB100 million) | Name of the Invested Company | Main Business | The Company's Equity Interest in the Invested Company (%) |
|-------|--|---|---|---|--|---|
| 3 | Establishment of a wholly-owned company, Yanzhou Coal Mining Engineering Co., Ltd. | 0.500 | 0.500 | Yanzhou Coal Mining Engineering Co., Ltd. | Mine engineering construction | 100 |
| 4 | Capital Increase in Duanxin Investment Holding (Beijing) Co., Ltd. | 10.000 | 10.000 | Duanxin Investment Holding (Beijing) Co., Ltd. | Project investment, investment management | 100 |
| 5 | Acquisition of Wuxi Dingye Energy Co., Ltd. by the way of debt restructuring | 1.319 | 1.319 | Wuxi Dingye Energy Co., Ltd. | Bulk sale of coal, real estate development and operation | 100 |
| 6 | Acquisition of 100% equity of C&A | USD2.69 billion | USD2.56 billion | Coal & Allied Industrial Limited | Coal mining and coal mine operation | 100 |
| 7 | Acquisition of 65% equity of Yankuang Finance Company | 11.242 | 11.242 | Yankuang Group Finance Co., Ltd. | Finance service providing to member companies | 90 |
| 8 | Purchase of 25% equity of Inner Mongolia Yitai-Zhundong Railway | 19.425 | 9.713 | Inner Mongolia Yitai-Zhundong Railway Co., Ltd. | Railway construction, operation and related services | 25 |
| 9 | Equity participation in Yankuang Electricity Sales Co., Ltd. | 0.300 | 0.300 | Yankuang Electricity Sales Co., Ltd. | Sale of electricity; investment and operation on power distribution network; operation and maintenance of power equipments and facilities; electric power technology consulting and service; clean energy technology service; new energy development and utilization | 25 |
| 10 | Capital increase in Middlemount Joint Venture | 1.171 | 1.171 | Middlemount Joint Venture | Coal mining and sales | About 50 |
| 11 | Subscription for ordinary shares of Qilu Bank | 4.333 | 4.333 | Qilu Bank Co., Ltd. | RMB, foreign exchange and other businesses approved by the examination and approval authority | 8.67 |
| Total | | 223.942 | 203.273 | - | - | - |

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Note: ① C&A has been incorporated into Yancoal Australia's financial statements since 2017. For the operation and prospects of C&A during the reporting period, please refer to the "Chairman's Statement" in Chapter 4 and "Report of the Board of Directors" in the Chapter 5 for the 2018 coal market outlook, self-produced coal sales plan and Yancoal Australia's production and operation Situation and other relevant content.

② Yancoal Australia raised the fund for acquiring 100% equity of C&A through allotment of shares and private placement, of which, Yanzhou Coal subscribed USD1 billion, the amount of which will be raised by way of non-public private placement of A shares. In addition, the external equity investments set out in the above table are funded by the Group's own fund reserve and none of them is involved in lawsuits.

(2) Major non-equity investment

Not applicable.

(3) Financial assets measured at fair value

1) Shares of other listed companies held by the Company as at the end of the reporting period

Unit: RMB'000

| Stock Code | Stock Abbreviation | Cost of Initial Investment | Percentage of Ownership (%) | Book Value at the End of the Reporting Period | Gains or Losses During the Reporting Period | Changes in Shareholders' Equity During the Reporting Period | Accounting Items |
|------------|--------------------|----------------------------|-----------------------------|---|---|---|-------------------------------------|
| 601008 | Lianyungang | 1,760 | 0.0089 | 424 | 0 | -53 | Available-for-sale financial assets |
| 02016 | Zheshang Bank | 1,777,669 | 2.86 | 1,877,228 | 77,106 | 234,156 | Available-for-sale financial assets |
| Total | | 1,779,429 | - | 1,877,652 | 77,106 | 234,103 | - |

Note: "Gains or losses during the reporting period" in the table above refers to the impact of related investment on net gains in the consolidated financial statements of the Group during the reporting period.

Stock sources of Lianyungang: Acquisition of promoter shares when this company was set up and stock dividend obtained in 2007 and 2011. In 2015, the Company reduced by 1,703,699 shares of Lianyungang by instalments.

Stock sources of Zheshang Bank: In 2016, the Group subscribed for 400 million H shares of this company's IPO in Hong Kong Stock Exchange and purchased 113.897 million H shares by way of commodity transaction.

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- 2) Equity interests in non-listed financial corporations held by the Company at the end of the reporting period

Unit: RMB'000

| Corporations | Initial Investment | Percentage of | Book Value | Gains or | Changes in | Accounting Items | Source of Shares |
|--|--------------------|--|------------------------------------|---|--|-----------------------------|----------------------|
| | | Share Capital at the End of the Reporting Period (%) | at the End of the Reporting Period | Losses During the Reporting Period ^① | Shareholders' Equity During the Reporting Period | | |
| Shandong Zouchengjianxin Rural Bank Qilu Bank Co., Ltd. ^② | 9,000 | 9.00 | 9,851 | 280 | 280 | Long-term equity investment | Investment to set up |
| Qilu Bank Co., Ltd. ^② | 782,948 | 8.67 | - | - | - | Long-term equity investment | Share purchase |
| Shanghai CIFCO Futures Co., Ltd. ^② | 264,560 | 33.33 | - | - | - | Long-term equity investment | Share purchase |
| Total | 1,056,508 | - | 1,739,125 | 198,154 | 113,760 | - | - |

Note: ① "Gains or losses during the reporting period" in the table above refers to the impact of related investment on net gains in the consolidated financial statements of the Group during the reporting period.

② Qilu Bank Co., Ltd. and Shanghai CIFCO Futures Co., Ltd. are unlisted public companies listed for the National SME Equity Transfer System. Since the above two companies have not publicly disclosed the 2017 results on the disclosure date of this report, according to relevant regulatory rules, the company may not disclose information related to "Book Value at the End of the Reporting Period", "Gains or losses During the Reporting Period" and "Changes in Shareholders' Equity During the Reporting Period" in advance.

- 3) Financial assets measured at fair value at the end of the reporting period

During the reporting period, the Group redeemed FTSE/Xinhua China Funds Ruixin No.1 Specific Asset Management Plan ("FTSE/Xinhua China Funds") of RMB437.6 million. As at the end of the reporting period, the Group held FTSE/Xinhua China Funds with RMB213.8 million of the closing carrying value, RMB20.084 million of the owners' equity changes in the reporting period, and accounting item of "available-for-sale financial assets".

During the reporting period, the Group subscribed Hangzhou CRRC Times Venture Investment Partnership (LP) ("CRRC Fund") of RMB50 million with its self-owned fund. At the end of the reporting period, the Group held CRRC Fund with RMB50 million of the closing carrying value and accounting item of "available-for-sale financial assets".

(VII) Disposal of Material Assets and Equity

Not applicable.

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(VIII) Analysis of Major Controlled Companies and Joint Stock Companies

(The financial data listed in this section are calculated in accordance with CASs)

1. Major controlled companies

In 2017, the controlled companies having significant impacts on the net profit attributable to the listed company are as follows:

Unit: RMB'000

| Name of company | 31 December 2017 | | | Net profit for the year 2017 |
|-------------------|--------------------|-------------|------------|------------------------------|
| | Registered capital | Total asset | Net asset | |
| Yancoal Australia | AUD3.10556 billion | 61,928,487 | 24,782,343 | 818,112 |
| Heze Neng Hua | RMB3 billion | 7,877,396 | 4,868,347 | 712,045 |

Note: For the principal business, major financial indicators and other relevant information of the Group's major holding subsidiaries, please refer to the notes to the financial statements prepared in accordance with the CASs "Interests in subsidiaries and other entities".

Yancoal Australia

In 2017, Yancoal Australia achieved a net profit of RMB818.1 million, a net loss of RMB1.0894 billion in the same period of last year, which was mainly due to: the impact of higher coal prices, the operation of Moolarben second phase project, and the improvement in the profitability through acquisitions of C&A.

2. Major stock-participating companies

For detailed information on the main business, main financial data and other related information of the Group's stock-participating companies, please refer to Note "Interests in other entities" to the financial statements prepared under CASs.

3. *Yankuang Finance Company*

As at the end of the reporting period, the Company directly held 90% equity interests of Yankuang Finance Company, none of its interest was indirectly held by the Company.

(1) Governance of Yankuang Finance Company

Yankuang Finance Company has established complete corporate governance structure covering the meeting of shareholders, the board of directors, the supervisory committee and the senior management. The board of directors has set up three special committees, namely, Strategy Development & Planning Committee, Risk Management Committee and Auditing Compliance Committee. In line with their respective work scopes, the board of directors and these three committees are performing their duties in a diligent and efficient manner, which ensures stable and compliant operation of the Yankuang Finance Company.

(2) Risk management and internal control

In adherence with a steady and valid risk preference, Yankuang Finance Company has established a comprehensive risk management system with corporate governance as core base, functional departments as main body and real-time evaluation, examination and audit as effective means, to implement risk management on credit, operation, liquidity, reputation, etc. in a deep manner to continuously improve risk management capability.

The board of directors and the special committees of Yankuang Finance Company are responsible for the establishment, improvement and efficient implementation of the internal control of Yankuang Finance Company.

(3) Deposits and loans during the reporting period

| | 31 December 2017 | 31 December 2016 | Unit: RMB100 million Increase/ decrease (%) |
|------------------|---------------------|---------------------|---|
| Deposit, balance | 109.18 | 72.72 | 50.14 |
| Loan, balance | 55.47 | 52.19 | 6.28 |

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(4) Major operational indicators during the reporting period

(Prepared in accordance with the CASS)

Unit: RMB'000

| Major operational indicators | 2017 | 2016 | Increase/ decrease (%) |
|------------------------------|---------|---------|---------------------------|
| Operating income | 306,489 | 305,846 | 0.21 |
| Net profit | 148,200 | 149,778 | -1.05 |

| | 31 December 2017 | 31 December 2016 | Increase/ decrease (%) |
|-------------|---------------------|---------------------|---------------------------|
| Net asset | 1,727,620 | 1,579,419 | 9.38 |
| Total asset | 12,672,014 | 8,873,973 | 42.80 |

(IX) Entities Controlled by the Company

Watagan Company, a subsidiary of Yancoal Australia, is a SPV established for purpose of implementing overseas assets securitization, which is engaged in assets securitization of three coal mines in New South Wales Australia in 2016. For detailed information, please refer to the section headed “*Entities controlled by the Company*” in the 2015 annual report of the Company.

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

(I) Industry Competition Pattern and Development Tendency

For details of the industry competition pattern and development tendency of the Company, please refer to the section headed “*Chapter 4 Chairman’s Statement*”.

(II) Development Strategy of the Company

For details of the development strategy of the Group, please refer to the section headed “*Chapter 4 Chairman’s Statement*”.

(III) Operating Plan

For details of operation plan of the Group, please refer to the section headed “*Chapter 4 Chairman’s Statement*”.

Relevant operation plan cannot be regarded as the Company’s performance commitments to investors. Investors are reminded to keep enough risk awareness and understand the difference between operation plan and performance commitments.

(IV) Capital Expenditure Plan

The Group's capital expenditure for the year 2018 is expected to be RMB9.7198 billion, which is mainly sourced from the Group's internal fund, bank loans and bond issuance.

The capital expenditure for the year 2017 and the estimated capital expenditure for the year 2018 of the Group are set out in the following table:

| | 2018 (Estimated) (RMB10 thousand) | 2017 (RMB10 thousand) | Main Items in the Capital Expenditure Plan for the year 2018 |
|------------------------------------|--|-----------------------------|---|
| The Company | 159,481 | 137,456 | Maintenance of simple reproduction, safety and technical revamp input |
| Shanxi Neng Hua | 2,952 | 1,871 | Maintenance of simple reproduction, safety input |
| Yu Lin Neng Hua | 106,203 | 14,568 | Investment for Phase II coal chemical project of Yulin Neng Hua |
| Heze Neng Hua | 87,952 | 42,688 | Construction investment for Wanfu Coal Mine |
| Hua Ju Energy | 3,433 | 17,253 | Maintenance of simple reproduction |
| Ordos Neng Hua | 366,501 | 152,604 | Investment for Phase II coal chemical project of Ordos Neng Hua, maintenance simple reproduction, safety and technical revamp input |
| Haosheng Company | 49,470 | 64,081 | Maintenance of simple reproduction, construction investment for coal transporting trestle |
| Donghua Heavy Industry | 22,971 | 10,910 | Maintenance of simple reproduction, safety and technical revamp input and construction investment for stove project |
| Yanzhou Coal Blue Sky Clean Energy | 7,298 | 7,855 | Maintenance of simple reproduction, safety and technical revamp input |
| Yancoal Australia | 125,152 | 220,175 | Maintenance of simple reproduction, safety and technical revamp input |
| Yancoal International | 39,695 | 20,786 | Capital expenditure for operation and production and exploration project of potash resources in Canada |
| Others | 874 | - | Capital expenditure by other subsidiaries |
| Total | 971,982 | 690,247 | |

The Group possesses relatively sufficient cash and financing facilities, which is expected to satisfy its operation and development requirements.

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(V) Possible Risks

Risks arising from safety management

The three main business sectors of the Company, namely coal mining, coal chemical and power generation, are all of high hazardous nature and of complex uncertainties, thus the risk of safety management can easily arise.

Counter measures: The Company will improve safety management and control system, deeply push forward "grid management" and standardized safety quality management to enhance safe responsibilities; will reinforce the safety advancing pre-control system and standardize the safety management process; will intensify safety supervision and examination and strengthen safe accountability in a stringent way; will reinforce safety warnings and education, promote safety skills training and improve employees' safety awareness.

Risks arising from investment management

As the Company's investment domains expanded and investment projects increased, the investment projects are influenced by factors such as global economic fluctuation, national policy variation and industry development trend, etc., which makes the returns of the investment projects uncertain.

Counter measures: The Company will meticulously study national policies and make a reasonable distribution to its investment projects; will improve its rules and regulations and standardize investment management process; will make a stringent management on investment in the course, beforehand and afterwards, launch research and investigation in a diligent manner before investment and strictly control access to the project, ensure compliant operation in the course of investment and propel project construction in a scientific way, make a strict project assessment and intensify implementation of duties afterwards; will enhance talents introduction, optimize cultivation mechanism and improve the quality of professionals specialized in investment.

Risks arising from financing debt

Currently, the capital market is overall contracted with the complications and variables in the financing environment. The Company is facing the risks of increasing difficulty of financing and increasing financing cost, thus the risks in liquidity and financing debt can easily arise.

Counter measures: The Company will proactively bring in strategic investors, enhance strategic cooperation with banks and explore financial ways with diversification and multiple channels; will optimize fund utilization system, ascertain the total demand of fund according to operation and investment requirement and arrange ratio of fund sourcing from self-owned and borrowed in a reasonable manner; will establish debt risk precautionary analysis system and project the fund continuity in a scientific way.

(VI) Others

1. *The Impact of Exchange Rate Changes*

The impact of exchange rate fluctuations on the Group was mainly reflected in:

- (1) The overseas coal sales income as the overseas coal sales of the Group are denominated in U.S. dollars and Australian dollars;
- (2) The exchange gains and losses of the foreign currency deposits and borrowings;
- (3) The cost of imported equipment and accessories of the Group.

Affected by the fluctuations in foreign exchange rates, the Group had exchange loss of RMB971.6 million during the reporting period.

To manage foreign currency risks arising from the expected revenue, Yancoal Australia has entered into foreign exchange hedging contracts with the bank. For details of the foreign exchange hedging contracts, please refer to Note "Derivative financial instruments" to the financial statements prepared under IFRS.

To hedge the exchange losses of USD loan arising from the fluctuation of foreign exchange, Yancoal Australia and Yancoal International have taken foreign exchange hedging measures to such debt on the accounting basis, which effectively mitigated the impact of exchange loss on the current profit.

Save as disclosed above, the Group did not take foreign exchange hedging measures on other foreign currencies and did not plan to further hedge the exchange rate between RMB and foreign currencies in the reporting period.

2. *Taxation*

In 2017, except that some subsidiaries incorporated in the PRC enjoyed favourable income tax policy with income tax rate of 10% or 15% on their taxable profits, the Company and all the other subsidiaries incorporated in the PRC are subject to an income tax rate of 25% on their taxable profits. Yancoal Australia and Yancoal International are subject to a tax rate of 30% and 16.5%, respectively, on their taxable profits.

For details of favorable income tax policy and tax rate for the above subsidiaries incorporate in the PRC, please refer to Note "Favorable Tax" to the financial statements prepared in accordance with the CASs.

3. *Employees' Pension Scheme*

For details of the employees' pension scheme of the Company, please refer to Note "Retirement benefits" to the consolidated financial statements prepared in accordance with the IFRS.

Chapter 05 Board of Directors' Report

4. *Housing Scheme*

According to the *Provision of Labor and Services Agreement* (which is referred to in the section headed “*Major Connected/Related Transaction*” under “*Chapter 6 Significant Events*”), Yankuang Group is responsible for providing dormitories to its own employees and the employees of the Group. The Group and Yankuang Group share the sundry expenses relating to the provision of such dormitories on a pro-rata basis based on their respective numbers of employees and the amount negotiated by the parties. Such expenses amounted to RMB137.2 million and RMB137.2 million in 2017 and 2016, respectively.

Since 2002, the Group has been paying to its employees a housing allowance for the purchase of employee residences, which is based on a fixed percentage of the employees' wages. In 2017, the employees' housing allowances paid by the Group amounted to RMB364.3 million in total.

For details of the housing scheme, please refer to Note “Housing Scheme” to the consolidated financial statements prepared in accordance with the IFRS.

5. *Donation*

The Group made donations in an aggregate amount of RMB8.987 million in 2017.

6. *Environmental Policy and Performance*

Please refer to the relevant contents in sections headed “Performance of Social Responsibilities Works” and “Environmental Protection Practices” under Chapter 6 “Significant Events” in this annual report.

7. *Compliance with laws and regulations*

Please refer to the relevant contents in the section headed “Corporate Governance” under Chapter 6 “Significant Events” in this annual report.

8. *Major events after the reporting period*

Please refer to the relevant contents in the section headed “Explanation on Other Significant Events” under Chapter 6 “Significant Events” in this annual report.

IV. EXPLANATIONS AND REASONS FOR FAILURE TO MAKE DISCLOSURE IN PURSUANT TO THE RELEVANT RULES NOR NATIONAL OR BUSINESS SECRETS

Not applicable.

I. RESERVES, PROFIT DISTRIBUTION OR CAPITAL RESERVES TRANSFERRED TO SHARE CAPITAL PLAN

(I) Formulation, Implementation or Adjustment of Cash Dividend Policy

The cash dividend policy specified in the Articles is as follows: the calculation of profit after tax of the Company for an accounting year was based on the financial statements prepared in accordance with the CASs, IFRS or overseas accounting standard. The Company will choose the lowest profit after tax under the above accounting policies when paying the dividend. The dividends shall be paid in the form of cash, shares or a combination of cash and shares. In the event that conditions for distribution of cash dividend are met, cash dividend shall be distributed prior to share dividend. On the condition that the Company distributes profit after tax of that year, 10% of profit shall be withdrawn to be recognized as statutory reserve. The Company cannot withdraw statutory reserve any longer when the accumulated statutory reserve reaches more than 50% of the registered capital of the Company. Final dividends shall be paid once a year. The Shareholders shall by way of an ordinary resolution authorize the Board to declare and pay final dividends. The Company may distribute interim cash dividends upon obtaining approval from the Board and the shareholders at general meeting. There should at least be a 6-month accounting period interval when the Company distributes cash dividends. On the premise of securing the Company's sustainable development and provided that the Company has recorded a profit in a particular year and that its accumulated undistributed profit is positive, the Company's cash dividends shall account for approximately 35% of the Company's net profit after statutory reserve for that particular year, unless the Company has scheduled significant investments or significant cash requirements. On the premises that the Company's operation is in good condition and that the Board considers the distribution of share dividends is beneficial to the overall interest of all Shareholders of the Company due to a mismatch between the Company's stock price and its scale of share capital and in other necessary circumstances, the Company may distribute dividends in the form of shares.

The 2016 annual general meeting of the Company held on 29 June 2017 approved the Company's dividend distribution plan, which allowed the Company to distribute 2016 cash dividends of RMB589.442 million (tax inclusive) to the Shareholders, i.e., RMB0.12 per share (tax inclusive). As at the date of this annual report, the 2016 cash dividends have been distributed to the Shareholders.

The profit distribution plan of the Company, pursuant with the Articles, is formulated after debriefing and fully considering the opinions and demands of the Shareholders of the Company, especially Shareholders holding minor shares, and is executed upon approval by the independent Directors (independent non-executive Directors stipulated in the Hong Kong Listing Rules), the Board meeting and the general meeting.

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(II) Cash Dividends Scheme or Plan, Capital Reserve Transferred to Share Capital Scheme or Proposal for the Past Three Years (including the reporting period)

Unit: RMB100 million

| Year for Cash Dividend | Amount of Share Dividends for Every 10 Shares (shares) | Amount of Cash Dividends per Every 10 Shares (RMB)(tax inclusive) | Shares Transferred for Every 10 Shares (shares) | Amount of Cash Dividends (tax inclusive) | Net profit Attributable to the Equity Holders of the Company in the Consolidated Statements During the Cash Dividend Distribution Year | Percentage of Net Profit (%) Attributable to the Equity Holders of the Company in the Consolidated Statements |
|------------------------|--|---|---|--|--|---|
| 2017 | 0 | 4.80 | 0 | 23.578 | 67.706 | 34.82 |
| 2016 | 0 | 1.20 | 0 | 5.894 | 16.494 | 35.73 |
| 2015 | 0 | 0.10 | 0 | 0.491 | 1.645 | 29.85 |

Note: The calculation of the above-mentioned “net profit attributable to the equity holders of the ordinary shares of the Company in the consolidated statements during the cash dividend distribution year” for the year 2015 and 2016 is based on the consolidated financial statement prepared in accordance with the IFRS. The calculation of the above-mentioned “net profit attributable to the equity holders of the ordinary shares of the Company in the consolidated statements during the cash dividend distribution year” for the year 2017 is based on the consolidated financial statement prepared in accordance with the CASs.

1. Profit Distribution Plan for 2017

(Prepared in accordance with CASs)

Unit: RMB'000

| | |
|---|------------|
| Undistributed profits at the beginning of the year | 31,614,494 |
| Add: Net profit attributable to the shareholders of the Company | 6,770,618 |
| Less: Withdrawal of statutory surplus reserve | 0 |
| Provision for general risks | 46,903 |
| Ordinary shares dividends payable | 589,442 |
| Undistributed profits at the end of the year | 37,748,767 |
| of which: cash dividends proposed after the balance sheet date | 2,357,768 |

In return for the long-term support of the Shareholders, the Board proposed to declare a cash dividend payable of RMB2.3578 billion (tax inclusive), being RMB0.48 per share (tax inclusive) for the year 2017. This dividend distribution plan shall be submitted to the Shareholders for consideration at the 2017 annual general meeting and then distributed to all the Shareholders within two months upon approved by the 2017 annual general meeting (if approved). The cash dividend for the year 2017 is expected to be distributed on 13 July 2018.

According to the Articles, cash dividends shall be calculated and announced in RMB.

2. Reserves

For details of the changes of reserves for 2017 and distributable reserves as at 31 December 2017, please refer to Note “Shareholders Equity” and “Company Profile” to the consolidated financial statements prepared in accordance with the IFRS.

(III) The Recognition of the Repurchased Shares Offered in Cash into the Cash Dividends

Not applicable.

(IV) The Company Should Disclose the Reasons, Purpose and Utilization Plan for Undistributed Profits in Details in the Case of the Profitable Status and Positive Profit Distributed by the Parent Company for Ordinary Shareholders, but Without Distribution Scheme for Ordinary Share Cash Profit during the Reporting Period

Not applicable.

(V) Matters in Relation to Tax and Tax Relief

1. Withholding and payment of dividend income tax and tax deduction for investors of H Shares.

(1) Withholding and payment of enterprise income tax for overseas non-resident enterprise shareholders

According to the Enterprise Income Tax Law of the People’s Republic of China and its implementation regulations which came into effect on 1 January 2008 and other relevant rules and regulations, the Company is required to withhold and pay enterprise income tax at the rate of 10% before distributing the 2017 final dividend to non-resident enterprise shareholders as appearing on the H share register of members of the Company. Any shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the enterprise income tax.

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(2) Withholding and payment of individual income tax for individual foreign shareholders

The Company will implement the following arrangements in relation to the withholding and payment of individual income tax for the individual H Shareholders:

- ① For individual H Shareholders who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual H Shareholders in the distribution of final dividend.
- ② For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of the individual H Shareholders in the distribution of final dividend. If the applicable tax rate of the country (region) of domicile of individual holders as appeared on the Company's register of members of H Shares is less than 10% under tax treaty, such individual holders must submit to the H Share Registrar a written authorization and relevant application documents. The Company will forward such application documents to the applicable tax authorities for approval. After receiving such approval, the Company will, for and on behalf of such individual holders, effect the preferential treatments in accordance with the relevant tax treaty and pursuant to the relevant regulations promulgated by the PRC tax authorities.
- ③ For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of final dividend.
- ④ For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the individual H Shareholders in the distribution of final dividend.

(3) Withholding and payment of individual income tax for investors of Southbound Trading

Pursuant to the relevant requirements under the "Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect" (Caishui [2014] No. 81) and the "Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect" (Caishui [2016] No. 127) jointly issued by the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission, for dividends to be paid to the individual investors in the PRC from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the Company shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends to be paid

to securities investment funds in the PRC from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The Company will not withhold and pay the income tax of dividends for enterprise investors in the PRC and those domestic enterprise investors shall report and pay the relevant tax themselves.

- 2 For the details of withholding and payment of dividend income tax and tax deduction for investors of A Shares, please see the Company's *Announcement of 2016 Annual Equity Distribution Implementation of Yanzhou Coal Mining Co., Ltd.* dated 7 July 2017. This announcement was posted on the websites of the Shanghai Stock Exchange and the Company and/or China Securities Journal and Shanghai Securities News.

II. PERFORMANCE OF THE UNDERTAKINGS

(I) Undertakings of the Actual Controller of the Company, the Shareholders, the Related Parties, the Buyer, the Company and Other Related Parties During the Reporting Period or Extended to the Reporting Period

| Background | Type | Undertaker | Undertakings | Undertaking Date and Deadline for Performance | Have Performance Deadline or Not | Perform Timely and Strictly or Not |
|-------------------------------------|--------------------------------|----------------|---|---|----------------------------------|------------------------------------|
| Undertakings Related to IPO | Resolve horizontal competition | Yankuang Group | Avoidance of horizontal competition: Yankuang Group and the Company entered into the Restructuring Agreement when the Company was carrying out the restructure in 1997, pursuant to which, Yankuang Group undertook that it would take various effective measures to avoid horizontal competition with the Company. | Year 1997 Long-term effective | No | Yes |
| Undertakings Related to Refinancing | Other | Yankuang Group | The compensational measures to the diluted prompt returns due to the Company's non-public issuance of A Shares: 1) Undertakes neither excessive intervention to the Company's operation and management activities nor encroach on the Company's interests; 2) From the date of the undertaking made to the date of completion of non-public issuance, if CSRC publishes new regulations about compensational in return measures and other undertakings, and the above undertakings cannot meet the such regulations of CSRC, then supplementary undertakings shall be made as per the new regulations of CSRC. | Year 2017 Long-term effective | No | Yes |

Chapter 06 Significant Events

| Background | Type | Undertaker | Undertakings | Undertaking Date and Deadline for Performance | Have Performance Deadline or Not | Perform Timely and Strictly or Not |
|------------|-------|--|--|---|----------------------------------|------------------------------------|
| | Other | Directors and Senior Management of the Company | <p>The compensational measures to the diluted prompt returns due to the Company's non-public issuance of A Shares:</p> <ol style="list-style-type: none"> 1) Undertakes not to convey interests to other unit or individuals free of charge or under unfair conditions, or to damage the Company's interests in other ways; 2) Undertakes to constraint the position-related consumptions; 3) Undertakes not to use the Company's assets for investment, consumption activities which has nothing to do with their duty performance in the Company; 4) Undertakes that the salary system set by the Board or Remuneration Committee is linked up with the Company's executions of compensational returns; 5) Undertakes to link up the power exercising conditions of equity incentive set by the Company with the implementation of the Company's compensational returns, if the Company implements the equity incentive in future; 6) Undertakes to perform effectively the relative compensational returns set by the Company and any undertakings made by individuals for compensational returns. Undertakes to be liable to the compensations to the Company or investors, if in violation of such undertakings or damage made to the Company or investors; 7) From date of the undertaking made to the date of the completion of non-public issuance, if CSRC publishes new regulations about compensational return measures and other undertakings, and the above undertakings cannot meet the such regulations of CSRC, then supplementary undertakings shall be made as per the new regulations of CSRC. | Year 2017 Long-term effective | No | Yes |

(II) Explanation on Whether the Earning Forecasts Expected and Extended to the Current Reporting Period for the Assets or Projects of the Company can be Achieved or Not.

Not applicable.

III. FUNDS APPROPRIATIONS AND CLEARING PROGRESS DURING THE REPORTING PERIOD

Not applicable.

IV. EXPLANATION ON “NON-STANDARD ADVICE OF AUDITOR’S REPORTS” OF CERTIFIED PUBLIC ACCOUNTANTS BY THE COMPANY

Not applicable.

V. ANALYSIS AND EXPLANATION ON ACCOUNTING POLICIES, ACCOUNTING ESTIMATE CHANGES OR CAUSES AND EFFECTS OF CORRECTION OF SIGNIFICANT ACCOUNTING ERRORS.

Not applicable.

VI. APPOINTMENT AND DISMISSAL OF AUDITORS

Unit: RMB10 thousand

| | Original Appointment | Current Appointment |
|---|--|--|
| Name of the Certified Public Accountants (Domestic) | - | Shine Wing Certified Public Accountants (special general partnership) |
| Remuneration of the Certified Public Accountants (Domestic) | - | 415 |
| Audit Service Term of the Certified Public Accountants (Domestic) | - | Since June 2008 |
| Name of the Certified Public Accountants (Overseas) | Hong Kong business Grant Thornton Hong Kong Limited | SHINEWING (HK) CPA Limited |
| Remuneration of the Certified Public Accountants (Overseas) | Hong Kong business 182.5 | 160 |
| Audit Service Term of the Certified Public Accountants (Overseas) | Hong Kong business From December 2010 to March 2017 | Since March 2017 |
| | Name | Remuneration |
| Internal Control Auditors | Shine Wing Certified Public Accountants (special general partnership) | 50 |

The explanation on the appointment and dismissal of accountants

As approved by the 2016 annual general meeting held on 29 June 2017, the Company engaged Shine Wing Certified Public Accountants (special general partnership) and SHINEWING (HK) CPA Limited as its domestic and overseas auditors, respectively, with an engagement term from the conclusion date of the 2016 annual general meeting to the conclusion date of the 2017 annual general meeting, which is responsible for the financial statements auditing, examination and internal control audit evaluation of the Company for the year 2017.

Chapter 06 Significant Events

The Company shall pay RMB6.25 million for the domestic and overseas audit services of 2017, including RMB4.65 million for domestic service and RMB1.6 million for overseas service. The Company is responsible for auditors' on-site audit accommodation and meal expenses, but not for any other related expenses such as travelling expenses. The Board was authorized to decide the payment for increased follow-up audit, internal control audit and other services resulted by the Company's new subsidiaries or changes of regulations.

The Board considered that except the annual financial audit service fees, other service expenses paid to the accountants by the Company would not have impact on accountant's independent opinions.

The explanation on the change of accountants during the auditing period

Based on comprehensive consideration of the time cost and internal resources factors, Grant Thornton Hong Kong Limited put forward the resignation to the Company on 23 January 2017 that it would no longer act as the certified public accountants for the Company's Hong Kong business.

As approved in the first 2017 extraordinary general meeting held on 10 March 2017, the Company engaged SHINEWING (HK) CPA Limited as its Hong Kong accountant, with an engagement term from the conclusion of the first 2017 extraordinary general meeting to the conclusion of 2016 annual general meeting.

The Company was approved to adjust the payment for the international audit services of 2016 to RMB8.6 million, including RMB1.6 million for Hong Kong audit service provided by SHINEWING (HK) CPA Limited and RMB7 million for U.S. audit service provided by Grant Thornton (special general partnership). The Company was responsible for auditors' on-site audit accommodation and meal expenses, but not for any other related expenses, such as travelling expenses.

VII. CIRCUMSTANCES ON FACING THE RISK OF SUSPENSION OF LISTING

Not applicable.

VIII. CIRCUMSTANCES AND REASONS ON FACING THE TERMINATION OF LISTING

Not applicable.

IX. RELATED MATTERS ON BANKRUPTCY AND REORGANIZATION

Not applicable.

X. SIGNIFICANT LITIGATION AND ARBITRATION EVENTS

(I) Litigation and Arbitration Events Disclosed in the Extraordinary Announcements and with No Subsequent Progress

| Item Overview | Query index |
|---|---|
| <p>The bills dispute between Jinan Branch of China Minsheng Banking Corp. Ltd. (“Minsheng Bank Jinan Branch”) and Yanzhou Coal</p> <p>From May to August 2015, the Company has received 4 pleadings from Minsheng Bank Jinan Branch, who brought a civil litigation against the Company to the Court. Minsheng Bank brought a civil litigation against the Company to Jinan Municipal Intermediate People’s Court and Jinan Central District People’s Court for an excuse of the Company’s violation of Bills Discounted Agreement. The Company was sued to pay RMB149 million and corresponding interests stipulated in the Bills Discounted Agreement.</p> | <p>For details, please refer to the announcements in relation to the litigation and the litigation updates dated 23 March 2016, 27 June 2016, 8 July 2016 and 26 July 2016. The above announcements were also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company and/or China Securities Journal and Shanghai Securities News.</p> |
| <p>1. The case involving a principal amount of RMB29.439 million</p> <p>It was the judgment of Jinan Municipal Intermediate People’s Court at the first instance dated 11 January 2016 that: as per the Bills Discounted Agreement, the Company should pay RMB29.439 million and corresponding interests to Minsheng Bank Jinan Branch. In February 2016, the Company instituted an appeal to the Shandong Provincial Higher People’s Court with regards to the case. On 12 June 2016, it was the judgment of Shandong Provincial Higher People’s Court at second instance that: the appeal was rejected and the first instance judgment was upheld. On 25 July 2016, in accordance with the execution notice from the Jinan Municipal Intermediate People’s Court, the Company paid RMB31.6919 million totally to the designated bank account, and the payment included principal, interest, litigation preservation and execution fee related to the case.</p> | |

2. The cases involving principal amounts of RMB49.9998 million and RMB50 million

Regarding the two cases, it was the judgment of Jinan Municipal Intermediate People's Court at the first instance dated 12 January 2016 that: according to the stipulations of the Bills Discounted Agreement, the Company should pay RMB49.9998 million and corresponding interests, RMB50 million and corresponding interests, respectively. Regarding the two cases, the Company has appealed to the Shandong Provincial Higher People's Court in February 2016 respectively. On 27 June 2016, it was the judgment of Shandong Provincial Higher People's Court at second instance that: the appeal was rejected and the first instance judgment was upheld. In September 2016, as per the execution notice from the Jinan Municipal Intermediate People's Court, the Company paid RMB111.4978 million totally, including principal, interest, litigation preservation and execution fee related to the case.

In spite of the completed judgments and performance of execution procedures for above three cases, the Company has filed retrial application to the Supreme People's Court respectively to safeguard the legitimate rights and interests of the Company and its Shareholders. In September 2016, the Supreme People's Court rejected the company's applications for retrial. In December 2016, the Company applied for counter appeals of above three cases to the People's Procuratorate of Shandong Province, and received the acceptance. On 11 May 2017, People's Procuratorate of Shandong Province submitted its judgment results of the second instance trial to Supreme People's Procuratorate for counter appeal investigation.

3. The case involving principal amounts of RMB20 million

On 29 June 2016, it was the judgment of Jinan Central District People's Court at first instance that: the Company should pay RMB20 million and corresponding interest to Minsheng Bank Jinan Branch; the other appeal from Minsheng Bank Jinan Branch was rejected; RMB145 thousand of the litigation fee and RMB5,000 of property preservation fee shall be borne by Yanzhou Coal Co., Ltd. On 14 July 2016, the Company instituted an appeal to Jinan Municipal Intermediate People's Court based on the case. On 28 November 2016, it was the final judgment of Jinan Municipal Intermediate People's Court at second instance that: the appeal was rejected and the first instance judgment was upheld. On 17 January 2017, as per the Execution Notice from Jinan Central District People's Court, the Company executed the judgment, with total payments of RMB22.4325 million for principal, interest, litigation preservation fees, and etc. involved in the case.

In February 2017, the Company submitted a retrial to the Higher People's Court of Shandong Province for this case. At present, it is still in the stage of investigation. The Company has not yet received the notice of acceptance from the Higher People's Court of Shandong Provinces.

The Company has made provision for the impairment of assets in the above four cases. At present, the Company will continue to retain its right of recourse, formulate practical measures, and adopt multiple methods for the debt collection to minimize losses.

Chapter 06 Significant Events

| Item Overview | Query index |
|--|--|
| <p>Series of contract disputes on Shandong Hengfeng Power Fuel Co., Ltd. (“Hengfeng company”)</p> <p>1. Financial loan contract dispute of Weihai Commercial Bank Co., LTD. (“Weihai Commercial Bank”)</p> <p>On 9 October 2015, citing the financial loan contract dispute, Weihai Commercial Bank appealed to Jining Intermediate People’s Court against the Company, requiring the Company to perform principal payment obligations of RMB99.119 million and corresponding interest within scope of accounts payable due to that the Hengfeng Company made a pledge to the plaintiff through its accounts receivables of RMB103.42 million to Yanzhou Coal.</p> | <p>For details, please refer to the lawsuit announcements dated 23 March 2016 and 25 April 2017. The above announcements were also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company and/or China Securities Journal and Shanghai Securities News.</p> |
| <p>2. Factoring contract dispute of the Zhonghuixintong Business Factoring Co., LTD. (“Zhonghuixintong”)</p> <p>On 26 November 2015, citing the factoring business contract dispute, Zhonghuixintong appealed to Beijing No.3 Intermediate People’s Court against Hengfeng Company, requiring the Company to perform payment obligations in factorage financing business of RMB159.9770 million and corresponding interest due to that Hengfeng Company had transferred its accounts receivable of RMB145 million in Yanzhou Coal to Zhonghuixintong.</p> | |

In accordance with the investigation and verification of the Company, Yanzhou Coal and its wholly-owned subsidiary Shandong Zhongyin Logistics and Trade Co., Ltd. (“**Zhongyin Logistics**”) never made any accounts receivable pledges to the abovementioned financial institution. The Company believes that: through forges the seal of Yanzhou Coal, Hengfeng Company was suspected to fiction the enjoyments of the accounts receivables of Yanzhou Coal, and finally Hengfeng Company made pledges of accounts receivable financing business in financial institutions. Yanzhou Coal has submitted identification applications of seals authenticity to the trial court; and relative identification is under way. Given the criminal offence suspects of Hengfeng Company, Yanzhou Coal has reported to public security organs while responding to the court in a proactive manner.

Due to the performance of the hearing procedure in the first instance of above 2 cases, the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit.

3. **Financial loan contract dispute of Agricultural Bank of China Co., LTD. Jining High-Tech Zone Branch (the “Agricultural Bank Jining High-Tech Branch”)**

On 14 July 2015, citing the financial loan contract dispute, Agricultural Bank Jining High-Tech Branch, the plaintiff, sued Zhongyin Logistics, as the defendant, at Jining Intermediate People’s Court. As Hengfeng Company made a pledge to the plaintiff through its accounts receivables of RMB61.1696 million in Zhongyin Logistics, the plaintiff requested Zhongyin Logistics to perform its payment obligations of RMB31.4398 million and corresponding interest within scope of accounts payable. In April 2017, the Company received civil judgment paper from Jining Intermediate People’s Court (2015) *Jishangchuzi No.242* that the judgment at the first instance was made and the corresponding lawsuit claims by Agricultural Bank Jining High-Tech Branch to Zhongyin Logistics was rejected.

In accordance with the judgment by the court, the Company bore no legal liability in this case. Therefore, there was no impact of the litigation on the current profit and future profit.

Item Overview

Query index

Sales contract dispute with Jinan Railway Coal Trade Group Co., LTD. (“Jinan Railway Trade”)

On 29 October 2015, citing the sales contract dispute, Jinan Railway Trade appealed Yanzhou Coal to Jinan Railway Transportation Court, requiring Yanzhou Coal to repay RMB19.9498 million loan. According to the investigation and verification of the Company, the Company never signed sales contract involved in the case with Jinan Railway Trade. The Company was disputed on reasons of appeal of Jinan Railway Trade. On 17 October 2017, the Company lost the lawsuit at the first instance and it was the judgment of Jinan Railway Transportation Court that the Company shall bear the joint and several liabilities. On 6 November 2017, the Company lodged an appeal to Jinan Railway Intermediate Court and received court summons at the second instance on 19 December 2017.

Due to the performance of hearing procedure in the second instance of above case, the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit.

For details, please refer to the announcement in relation to the update on the litigation dated 23 March 2016. The above announcement was also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company and/or China Securities Journal and Shanghai Securities News.

Chapter 06 Significant Events

Item Overview

Query index

Contract dispute between Xiamen Xinda Co., LTD. (“Xiamen Xinda”) and Yanzhou Coal, Zhongyin Logistics

In March 2017, citing the contract dispute, Xiamen Xinda made an appeal against the Company and Zhongyin Logistics to Xiamen Municipal Intermediate People’s Court, legally requiring Zhongyin Logistics to return goods principal amount of RMB164.4 million and corresponding interest and requiring the Company to bear joint liability.

In accordance with the investigation and verification of the Company, among the relevant evidences provided by the plaintiff, the seals of the Company and Zhongyin Logistics were forged, the third party involving in this case Shanghai Luxiao Mining Co., LTD. and related persons were suspected to forge seals and carry out contract fraud. Yanzhou Coal has reported to public security organs while responding to the court and public security organ has implemented criminal procedures to related suspects. The Company is negotiating the solution with Xiamen Xinda for this case.

Due to the pending and appearance of above criminal case, the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit.

For details, please refer to the lawsuit announcement dated 25 April 2017. The above announcement was also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company and/or China Securities Journal and Shanghai Securities News.

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Recourse right case between Luxing Property Co., LTD. (“Luxing Property”) and Yanzhou Coal

For details, please refer to the lawsuit announcements dated 11 August 2017 and 7 September 2017. The above announcements were also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company and/or China Securities Journal and Shanghai Securities News.

1. The case involving principal amounts of RMB99.96 million

In July 2017, citing the recourse right dispute, Luxing Property appealed to Jining Intermediate People’s Court against 9 defendants including the Company and Hengfeng Company, requiring Yanzhou Coal to perform payment obligations of principal accounts receivable of RMB99.96 million and corresponding interest and Hengfeng Company shall perform the buy-back obligation and other defendants shall bear joint and several liabilities to Hengfeng’s liability.

Luxing Property alleged that Hengfeng Company and Laishang Bank Co., LTD. Jining Branch (“**Laishang Bank Jining Branch**”) entered into Domestic Factoring Business Contract (“**Factoring Contract**”) in February 2015, in which Hengfeng Company had transferred its accounts receivable in Yanzhou Coal to Laishang Bank Jining Branch. After maturity of the abovementioned factoring contract, Hengfeng Company did not perform buy-back obligation in Laishang Bank Jining Branch. In December 2016, Laishang Bank Jining Branch and Luxing Property signed Credit Assignment Agreement, in which Laishang Bank Jining Branch has transferred all principal credit and interest and other corresponding rights in the abovementioned factoring contract to Luxing Property. In accordance with the investigation and verification, Yanzhou Coal never made any accounts payable to Hengfeng Company. The Company believes that: through forges the seal of Yanzhou Coal, Hengfeng Company was suspected to fiction the enjoyments of the accounts receivables of Yanzhou Coal, and finally Hengfeng Company made pledges of accounts receivable financing business in financial institutions. Yanzhou Coal will respond to the suit in a proactive way and retain right to take further legal actions and safeguard legitimate rights and interest of the Company.

Due to the performance of hearing procedure in the first instance of above case, the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit.

2. The case involving principal amounts of RMB70 million

In September 2017, citing the recourse right dispute, Luxing Property appealed to Jining Municipal Rencheng District Court against 13 defendants including the Company, Jining Jianguang Industry and Trade Co., LTD. (“**Jianguang Industry and Trade**”), Shandong Dadao Industry Co., LTD. (“**Dadao Industry**”), Jining Aotong Materials Co., LTD. (“**Aotong Materials**”) and Hengfeng Company, requiring Yanzhou Coal to perform payment obligations of principal accounts receivable of RMB70 million and corresponding interest and Hengfeng Company shall perform the buy-back obligation and other defendants shall bear joint and several liabilities to Hengfeng’s liability.

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Luxing Property alleged that Dadao Industry, Jianguang Industry and Trade, Aotong Materials and Laishang Bank Jining Branch entered into Factoring Contracts respectively during February 2015 to March 2015, in which Luxing Property had transferred its accounts receivable in Yanzhou Coal to Laishang Bank Jining Branch. After maturity of the abovementioned 3 factoring contracts, the above 3 companies did not perform buy-back obligation to Laishang Bank Jining Branch. In December 2016, Laishang Bank Jining Branch and Luxing Property signed Credit Assignment Agreement, in which Laishang Bank Jining Branch has transferred all principal credit and interest and other corresponding rights in the abovementioned 3 factoring contracts to Luxing Property. In accordance with the investigation and verification, Yanzhou Coal never made any accounts payable to the abovementioned 3 companies. The Company believes that: through forging the seal of Yanzhou Coal, the 3 companies were suspected to fiction the enjoyments of the accounts receivables of Yanzhou Coal, and finally made pledges of accounts receivable financing business in financial institutions.

Yanzhou Coal will respond to the suit in a proactive way and retain right to take further legal actions and safeguard legitimate rights and interest of the Company.

Due to the performance of hearing procedure in the first instance of above case, the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit.

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The contract dispute between Shanxi Neng Hua with Shanxi Jinhui Coking Chemical Co., Ltd. (“Shanxi Jinhui”)

Due to the fact that Shanxi Jinhui unilaterally terminated to fulfill the *Raw and Auxiliary Material Supply Agreement* and suspended the gas supply, Shanxi Tianhao Chemicals Co., Ltd. (“**Tianhao Chemicals**”) ceased all of its production of methanol in April 2012. On 26 September 2013, Shanxi Neng Hua submitted the arbitration to Beijing Arbitration Commission, requesting Shanxi Jinhui to make compensation for the loss in accordance with the contracts. In order to fully protect the interests of the Company and the shareholders, Shanxi Neng Hua applied to Beijing Arbitration Commission for withdrawal of the request for arbitration in August 2015 and received Beijing Arbitration Commission’s reply granting withdrawal of the Arbitration. The Company has made provision for impairment of assets for Tianhao Chemicals in 2012.

After full consideration, the Company decided to restart the arbitration procedure to safeguard the interests of the Company and shareholders. In July 2017, Shanxi Neng Hua and Tianhao Chemicals jointly lodged arbitration to Beijing Arbitration Commission, requiring Shanxi Jinhui to make compensation of RMB341 million in total to Shanxi Neng Hua and Tianhao Chemical. In August 2017, Beijing Arbitration Commission accepted and heard the case.

As the above case is in the progress of arbitration hearing procedure, the Company is unable to accurately estimate the impact of the arbitration on the current profit and future profit. At present, arbitration proceeding are being performed.

For details, please refer to the lawsuit announcement dated 7 September 2017. The above announcement was also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company and/or China Securities Journal and Shanghai Securities News.

(II) Litigation and Arbitration not disclosed in Extraordinary Announcements or with Subsequent Progress

Unit: RMB10 thousand

During the reporting period:

| Plaintiff (applicant) | Respondent | Joint and several liable party | Type | Background | Amount involved | Whether caused estimated liabilities and amount | Progress | Hearing result and impact | Judgment execution |
|-----------------------|---|--------------------------------|------------|---|-----------------|---|--------------------------|--|--------------------|
| Yanzhou Coal | Jinan Railway Coal Trade Group Co., LTD ("Jinan Railway Trade") | No | Litigation | On 16 April 2016, the Company, as the plaintiff, brought a civil litigation against Jinan Railway Trade, as the defendant, at Jining Intermediate People's Court, alleging a breach of Coal Sales Contract signed with the Company, suing Jinan Railway Trade to return loan of RMB80 million and related fund occupancy fees to the Company. On 1 January 2014, the Company entered into Coal Sales Contract with Jinan Railway Trade, according to which, Jinan Railway Trade shall provide coal to the Company. Once execution of the contract, both parties shall immediately perform their obligations. As at 31 October 2014, coals of a value amounting to RMB80 million has not yet been delivered by Jinan Railway Trade, even after several expediting notices from the Company, Jinan Railway Trade had neither delivered the coals nor returned the loan. On 13 July 2017, it was the judgment of Jining Municipal Intermediate People's Court at the first instance that Jinan Railway Trade shall pay loan of RMB80 million and corresponding interests to the Company. As Jinan Railway Trade refused to accept the judgment result, it appealed to Shandong Provincial Higher People's Court. On 8 December 2017, Shandong Provincial Higher People's Court opened the session on this case. The second instance judgment by Shandong Provincial Higher People's Court was remanded for retrial at the first instance on 2 February 2018. | RMB 80 million | No | In the retrial procedure | The case has currently entered into the progress of retrial procedure, and it's unable for the Company to accurately estimate the impact of the arbitration on its current profit and future profit. | - |

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| Plaintiff (applicant) | Respondent | Joint and several liable party | Type | Background | Amount involved | Whether caused estimated liabilities and amount | Progress | Hearing result and impact | Judgment execution |
|--|--|---|------------|--|---------------------|---|-------------------------------------|---|---|
| China Construction Sixth Engineering Division Civil Engineering Co., Ltd. ("China Construction Sixth Engineering") | Shandong Coal Trade Center Co., Ltd. ("Coal Trade Center") | No | Litigation | <p>On 14 January 2016, China Construction Sixth Engineering, as the plaintiff, brought a civil litigation against Coal Trade Center, a controlled subsidiary of the Company, as the defendant, at Jining Intermediate People's Court, alleging a failure by the Company to completely perform its obligation in <i>Contract Transfer Agreement</i> and <i>Engineering Construction Contract</i>, suing Coal Trade Center to pay arrears of project fund of RMB57.457 million and related interest. On 8 July 2016 Jining Intermediate People's Court made the judgment at the first instance for this case and ruled that Coal Trade Center shall pay RMB52.8769 million of project construction fund and the relevant interest to China Construction Sixth Engineering and litigation fee, fees for conservatory measures amounting to RMB344,300 and RMB5,000, respectively, shall be borne by Coal Trade Center. On 25 August 2016 the Company brought a civil litigation at Shandong Provincial Higher Court for this case.</p> <p>On 25 January 2018 it was the judgment of Shandong Provincial Higher People's Court at second instance that the appeal was rejected and the first instance judgment was upheld.</p> | RMB 57.4570 million | No | The second instance being the final | The case has currently entered into execution progress and both parties decided to make settlement by agreement. Therefore it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit. | The case has been in execution progress but not executed yet. |
| Shandong Yanmei Rizhao Port Coal Storage and Blending Co., Ltd. ("Rizhao Coal Storage and Blending") | Rizhao Tengtu Investment Company Limited ("Tengtu Company") | Tengtu Company and other 9 joint guarantors | Litigation | <p>On 23 March 2017, Rizhao Coal Storage and Blending, as the plaintiff, brought a civil litigation against Tengtu Company and joint guarantors: Shandong Yabin Energy Co., Ltd., Shandong Lingtong Global Trade Co., Ltd., Shandong Sanheng Trade Co., Ltd., Zaozhuang Luyang Industry and Trade Co., Ltd., natural persons, namely: Peng Haiying, Liu Ya, Chen Shuai, Sun Chunguang and Xu Deping, as the defendants, at Rizhao Municipal Intermediate People's Court, alleging Tengtu Company to return goods payment of RMB37.4251 million and relevant interest and 9 joint guarantors shall bear the joint and several liabilities.</p> | RMB 37.4251 million | No | In the first instance trial. | As the case is in the first instance trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently. | - |
| Yanzhou Coal | Rizhao Shanneng International Logistics Co., Ltd. ("Shanneng International") | No | Litigation | <p>On 23 November 2016, citing Shanneng International breaching the <i>Coal Sales Contract</i> signed between the Company and Shanneng International, the Company appealed to Shandong Provincial Rizhao Intermediate People's Court, requiring the Court to judge that Shanneng shall repay RMB80 million of goods payment and corresponding interest for occupied funds to the Company. In January 2014, the Company signed the <i>Coal Sales Contract</i> with Shanneng International, stipulating that Shanneng International supplies coal to the Company. Both parties immediately performed their obligations once the contract signed. As at 31 October 2016, there was still unsupplied coal valued RMB80 million by Shanneng International. After several expediting notices from the Company, Shanneng International has not supplied the coal, and hasn't repaid to the Company either.</p> | RMB 80 million | No | At the first instance | As the case is in the first instance trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently. | - |

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| Plaintiff (applicant) | Respondent | Joint and several liable party | Type | Background | Amount involved | Whether caused estimated liabilities and amount | Progress | Hearing result and impact | Judgment execution |
|-----------------------|--|--------------------------------|------------|---|---------------------|---|--|--|--------------------|
| Yanzhou Coal | Yichang Xingfa Group Co., Ltd. ("Yichang Xingfa") | No | Litigation | On 20 January 2017, citing Yichang Xingfa breaching the <i>Coal Sales Contract</i> signed between the Company and Yichang Xingfa, the Company appealed to Shandong Provincial Jining Intermediate People's Court, requiring the Court to judge that Yichang Xingfa shall repay RMB35.0239 million of goods payment and corresponding interest to the Company. In January 2015, the Company signed the <i>Coal Sales Contract</i> with Yichang Xingfa, stipulating that Yichang Xingfa supply coal to the Company. Both parties immediately performed their obligations once the contract signed. As at 31 December 2016, there was still unsupplied coal valued RMB35.0239 million from Yichang Xingfa. And Yichang Xingfa hasn't repaid to the Company either. | RMB 35.0239 million | No | At the first instance | As the case is in the first instance trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently. | - |
| Yanzhou Coal | Shandong Dongda Energy Co., Ltd. ("Dongda Energy") | No | Litigation | On 16 January 2017, citing Dongda Energy breaching the <i>Coal Cooperative Operation Agreement</i> signed between the Company and Dongda Energy, the Company appealed to Shandong Provincial Jining Intermediate People's Court, requiring the Court to judge that Dongda Energy shall repay RMB49.5371 million of goods payment and corresponding delinquency interest to the Company. In January 2015, the Company signed the <i>Coal Cooperative Operation Agreement</i> with Dongda Energy, stipulating that the Company shall supply coal to Dongda Energy and Dongda Energy engage in coal distribution and sales. Both parties immediately performed their obligations once the contract signed. As at 31 December 2016, Dongda Energy still hasn't repaid the goods payment of RMB49.5371 million to the Company. | RMB 49.5371 million | No | This case is involved economic crimes and public security organ is in the progress of investigation. | As this case is involved economic crimes and public security organ is in the progress of investigation, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently. | - |
| Yanzhou Coal | Xintai Hanzhuang Economic and Trade Co., Ltd. ("Hanzhuang Economic and Trade") | No | Litigation | On 8 February 2017, citing Hanzhuang Economic and Trade breaching the <i>Coal Sales Contract</i> signed between the Company and Hanzhuang Economic and Trade, the Company appealed to Shandong Provincial Jining Intermediate People's Court, requiring the Court to judge that Hanzhuang Economic and Trade shall repay RMB45.9697 million of goods payment and corresponding interest to the Company. In January 2015, the Company signed the <i>Coal Sales Contract</i> with Hanzhuang Economic and Trade, stipulating that Hanzhuang Economic and Trade supply coal to the Company. Both parties immediately performed their obligations once the contract signed. As at 31 December 2016, there was still unsupplied coal valued RMB45.9697 million from Hanzhuang Economic and Trade. And Hanzhuang Economic and Trade hasn't repaid to the Company either. | RMB 45.9697 million | No | This case is involved economic crimes and public security organ is in the progress of investigation. | As this case is involved economic crimes and public security organ is in the progress of investigation, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently. | - |

Chapter 06 Significant Events

| Plaintiff (applicant) | Respondent | Joint and several liable party | Type | Background | Amount involved | Whether caused estimated liabilities and amount | Progress | Hearing result and impact | Judgment execution |
|--|--|--|------------|---|---------------------|---|-----------------------------------|---|--------------------|
| Shandong Yanmei Rizhao Port Coal Storage and Blending Co., Ltd. ("Rizhao Coal Storage and Blending") | Wuxi City Shengluda Power Fuel Co., Ltd. ("Wuxi Shengluda") | Wuxi City Xinan Fuel Co., Ltd. and 5 natural persons including Pu Weizhong | Litigation | On 9 November 2016, citing Wuxi Shengluda breaching the <i>Coal Sales Contract</i> signed between Rizhao Coal Storage and Blending and Wuxi Shengluda, Rizhao Coal Storage and Blending appealed to Shandong Provincial Rizhao Intermediate People's Court, requiring the Court to judge that Wuxi Shengluda shall repay RMB27.8274 million of goods payment and corresponding interest. 17 July 2014, Rizhao Coal Storage and Blending signed the <i>Coal Sales Contract</i> with Wuxi Shengluda, stipulating that Rizhao Coal Storage and Blending sell coal to Wuxi Shengluda. Both parties immediately performed their obligations once the contract signed. Based on Guarantee Agreement signed on 22 December 2014 by Rizhao Coal Storage and Blending with Wuxi Shengluda, Wuxi Xinan Fuel Co., Ltd. and natural persons including Pu Weizhong, Zhu Yunfen, Pu Jingbo, Pu Weiqing and Pu Yongbao, all guarantors undertook the Joint and several guarantee responsibility of the debts of Wuxi Shengluda to Rizhao Coal Storage and Blending. As at 31 October 2016, there was still unpaid amount of RMB27.8274 million of goods payment from Wuxi Shengluda. | RMB 27.8274 million | No | At the first instance | As the case is in the first instance trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently | - |
| Shandong Yanmei Rizhao Port Coal Storage and Blending Co., Ltd. | Hangzhou City Fuyang Tianwang Coal Co., Ltd. ("Fuyang Tianwang") | No | Litigation | From 5 May 2015 to 28 December 2015, Rizhao Coal Storage and Blending signed the Coal Supply and Demand Contract with Fuyang Tianwang, stipulating that Fuyang Tianwang supply 188 thousand tonnes of coal to Rizhao Coal Storage and Blending. After the payment of Rizhao Coal Storage and Blending, Fuyang Tianwang refused to supply coal or repay the goods payment. In January 2017, Rizhao Coal Storage and Blending appealed to Shandong Provincial Rizhao Intermediate People's Court, requiring Fuyang Tianwang to repay RMB68.01 million of goods payment and corresponding interest. | RMB 68.01 million | No | The first instance was suspended. | As Fuyang Tianwang is in the process of bankruptcy, the case has been suspended. | - |

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| Plaintiff (applicant) | Respondent | Joint and several liable party | Type | Background | Amount involved | Whether caused estimated liabilities and amount | Progress | Hearing result and impact | Judgment execution |
|---|--------------------------------------|---|------------|--|---------------------|---|---|---|--|
| China Construction Bank Jining Guhuaiu Branch ("CCB Jining Guhuaiu Branch") | Yanzhou Coal | 5 companies including Jining Liaoyuan Trade Co., Ltd. ("Jining Liaoyuan") and 2 natural persons including Dong Longliang and Hu Fuyan | Litigation | On 29 June 2017, citing the financial loan contract dispute, CCB Jining Guhuaiu Branch, as the plaintiff, brought a civil litigation against the Company, Jining Liaoyuan, Shandong Shengqiang Industry and Trade Co., Ltd., Shandong Changjin hao Coal Mining Co., Ltd., Jining Rongde Industry and Trade Co., Ltd., Zhejiang Jiabao Logistics Co., Ltd. and natural persons Dong Longliang and Hu Fuyan, as the defendants, at Jining Intermediate People's Court, requiring Jining Liaoyuan to repay loan principal of RMB95.8596 million and corresponding interest within scope of accounts payable due to that the Jining Liaoyuan made a pledge to the plaintiff through its accounts receivables of RMB90.52 million to Yanzhou Coal and the Company shall bear joint and several liability within the scope of accounts payable. In accordance with the investigation and verification of the Company, Yanzhou Coal never made any accounts receivable pledges to the CCB Jining Guhuaiu Branch. The Company believes that: through forging the seal of Yanzhou Coal, Jining Liaoyuan was suspected to pledge the account receivable in financial institute for bank loan. Yanzhou Coal has submitted identification applications of seals authenticity to the trial court; and relative identification is under way. | RMB 95.8596 million | No | At the first instance | As the case is in the first instance trial, it's unable to accurately estimate the impact of the litigation on the current profit and future profit currently | - |
| Jining High-Tech Urban Construction Investment Co., Ltd. ("Jining Urban Construction Investment") | Shandong Coal Trade Center Co., Ltd. | No | litigation | On 18 April 2017, Jining Urban Construction Investment, as the plaintiff, brought a civil litigation to Jining Intermediate People's Court, against Coal Trade Center, alleging Coal Trade Center to pay transferred balance of RMB65.1431 million on Jining High-Tech District Innovation Mansion project and corresponding default fines. It is the view of Coal Trade Center that according to <i>Jining High-Tech District Innovation Mansion Transfer Agreement</i> signed by both parties on 19 April 2013, it is not in the appropriate condition for payment of the transferred balance. On 20 December 2017, it was the final judgment of Shandong Provincial Higher People's Court at the second instance trial and ruled the Company lost the case. | RMB 65.1431 million | No | The second instance judgement being the final | The case has currently entered into execution progress. Therefore, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit. | The case has entered execution progress but not execution yet. |

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| Plaintiff (applicant) | Respondent | Joint and several liable party | Type | Background | Amount involved | Whether caused estimated liabilities and amount | Progress | Hearing result and impact | Judgment execution |
|---|---|--------------------------------|------------|---|---------------------|---|-----------------------------|---|--------------------|
| Qingdao Yanmei Dongqi Energy Co., Ltd. ("Qingdao Dongqi") | Shanghai Greenland Linggang Power Fuel Co., Ltd. ("Greenland Linggang") | No | litigation | <p>On 13 August 2017, Qingdao Dongqi, a wholly-owned subsidiary of Rizhao Coal Storage and Blending (a wholly-owned subsidiary of the Company), as the plaintiff, brought a civil litigation against Greenland Linggang, Zhenjiang Tianyun Trade Co., Ltd. ("Tianyun Trade"), Jiangsu Jicao Biotechnology Co., Ltd. ("Jiangsu Jicao"), as the defendants, to Shanghai Municipal No.1 Intermediate People's Court, requiring the court to terminate the <i>Coal Supply and Demand Contract</i> between Qingdao Dongqi and Greenland Linggang, and repay paid goods payment of RMB82.2062 million and related interest, and Zhenjiang, Tianyun and Jiangsu Jicao shall bear joint and several liabilities.</p> <p>In May 2014, Qingdao Dongqi and Greenland Linggang signed <i>Coal Supply and Demand Contract</i>, stipulating Greenland Linggang supply coal. Upon signature of the contract, both parties immediately performed their obligations. As at 30 September 2017, there's remaining coal equivalent to RMB82.2062 million not delivered by Greenland Linggang to Qingdao Dongqi yet.</p> | RMB 82.2062 million | No | At the first instance trial | As the case is in the first instance trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently | - |
| Xiamen Xinda | Yanzhou Coal | No | litigation | <p>In June 2017, citing the sales contract dispute, Xiamen Xinda appealed the Company and Zhongyin Logistics to Xiamen Municipal Huli District People's Court, legally requiring Zhongyin Logistics to return goods principal amount of RMB31.7116 million and corresponding interest and requiring the Company to bear joint liability.</p> <p>In accordance with the investigation and verification of the Company, among the relevant evidences provided by the plaintiff, the seals of the Company and Zhongyin Logistics were forged, the third party involving in this case Shanghai Luxiao Mining Co., Ltd. and related persons were suspected to forge seals to carry out contract fraud. Yanzhou Coal has reported to public security organs while responding to the court and public security organ has implemented criminal procedures to related suspects. The Company is negotiating with Xiamen Xinda for the solution of the case.</p> | RMB 31.7116 million | No | At the first instance trial | As the case is in the first instance trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently | - |

XI. PUNISHMENT AND RECTIFICATION ON THE LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS, ACTUAL CONTROLLERS AND THE BUYER

Not applicable.

XII. THE EXPLANATION ON THE CREDIT CONDITIONS OF THE COMPANY, SHAREHOLDERS, ACTUAL CONTROLLERS

Not applicable.

XIII. CIRCUMSTANCE AND IMPACT OF THE SHARE INCENTIVE SCHEME AND EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER INCENTIVE SCHEME TO EMPLOYEES

Not applicable.

XIV. MAJOR CONNECTED/RELATED TRANSACTIONS

(The data below are calculated in accordance with the CASs)

The Group's connected/related transactions were mainly continuing connected/related transactions entered into with the Controlling Shareholder of the Company, i.e., Yankuang Group (including its subsidiaries) in respect of the mutual provisions of materials and services and other temporary connected/related transactions.

(I) Connected Transactions Performance in relation to Daily Operation

1. Matters disclosed in extraordinary announcements but without subsequent progress or change

Not applicable.

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2. Matters disclosed in extraordinary announcements but with subsequent progress or change

(1) Approval and execution of continuing connected/related transactions during the reporting period

- ① Continuing connected/related transaction of materials and services provision and insurance fund

At the 2014 second extraordinary general meeting of the Company held on 12 December 2014, five continuing connected/related transaction agreements signed with Yankuang Group, namely, the “Provision of Material Supply Agreement”, “Mutual Provision of Labor and Services Agreement”, “Provision of Insurance Fund Administrative Services Agreement”, “Provision of Products, Materials and Equipment Leasing Agreement” and “Provision of Electricity and Heat Agreement”, together with the annual caps for such transactions for the years of 2015 to 2017 had been approved. The main methods to determine the transaction price include: state price; market price is applied when the state price is not available; actual cost price is applied when neither state price nor market price is available. The charge for transaction can be settled in one lump sum or by installments. The continuing connected/related transactions made in a calendar month shall be settled in the following month, except for incomplete transactions or where the transaction amounts are in dispute.

The sales of goods and provision of services by the Group to its Controlling Shareholder amounted to RMB1.5778 billion in 2017. The goods and services provided by the Controlling Shareholder to the Group amounted to RMB3.1462 billion.

The following table sets out the continuing connected/related transactions of the supply of materials and services between the Group and the Controlling Shareholder in 2017:

| | 2017 | | 2016 | | Increase/Decrease connected/related of transaction (%) |
|--|---------------------|--|---------------------|--|--|
| | Amount (RMB'000) | Percentage of Operating Income (%) | Amount (RMB'000) | Percentage of Operating Income (%) | |
| Sales of goods and provision of services by the Group to its Controlling Shareholder | 1,577,829 | 1.04 | 1,720,907 | 1.68 | -8.31 |
| Sales of goods and provision of services by the Controlling Shareholder to the Group | 3,146,214 | 2.08 | 1,843,602 | 1.80 | 70.66 |

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The table below shows the effect on the Group's profits from sales of coal by the Group to the Controlling Shareholder in 2017:

| | Sales income (RMB'000) | Sales cost (RMB'000) | Gross profit (RMB'000) |
|--|---------------------------|-------------------------|---------------------------|
| Coal sold to the Controlling Shareholder | 1,090,239 | 471,528 | 618,711 |

Pursuant to the Provision of Insurance Fund Administrative Services Agreement, the Controlling Shareholder shall provide free management and handling services for the Group's pension insurance fund, basic medical insurance fund, supplementary medical insurance fund, unemployment insurance fund and maternity insurance fund (the "Insurance Fund"). The actual amount of the Insurance Fund paid by the Group for the year 2017 was RMB654.6 million.

② Continuing connected/related transaction of coal train escort services

At the sixteenth meeting of the sixth session of the Board held on 17 February 2016, the Company considered and approved Coal Train Escort Services Agreement, which was signed with Yankuang Security Service Co., Ltd. ("Yankuang Security Service"), and the cap of service fee for a period from 1 January, 2016 to 31 December, 2017. The fee is mainly priced by use of actual cost plus reasonable profit.

Pursuant to the Coal Train Escort Services Agreement, Yankuang Security Service provided coal train escort services to the Group. In 2017, the Group paid service fee of RMB25.184 million to Yankuang Security Service.

③ Continuing connected/related transaction of financial services

As approved at the thirtieth meeting of the sixth session of the Board held on 31 March 2017, the Company and Yankuang Finance Company entered into Financial Services Agreement between Yankuang Group Finance Co., Ltd. and Yanzhou Coal Mining Company Limited (the "Former Financial Services Agreement"), stipulating the transaction caps for the provision of deposit-taking services, comprehensive credit facility services, settlement services and miscellaneous financial services by Yankuang Finance Company to the Company from 1 April 2017 to 31 December 2017.

As considered and approved by the 2016 annual general meeting held on 29 June 2017, the Company acquired 65% equity interest in Yankuang Finance Company held by Yankuang Group for a consideration of RMB1.1242 billion; and approved to enter into Finance Services Agreement (the “New Finance Services Agreement”) between Yankuang Finance Company and Yankuang Group and the annual caps for the years from 2017 to 2019. As at 1 November 2017, the Group consolidated the financial statements of Yankuang Finance Company upon the effectiveness of the equity transfer agreement. Equity interest in Yankuang Finance Company held by Yanzhou Coal has increased to 90%. The transactions between Yanzhou Coal and Yankuang Finance Company have no longer been regarded as connected/related transactions. However, the deposit, the comprehensive credit facility and other financial services between Yankuang Finance Company and Yankuang Group shall be connected/related transactions between Yanzhou Coal and Yankuang Group. Before completion of the above equity purchase, connected/related transactions between Yanzhou Coal and Yankuang Finance Company was executed according to the Former Financial Services Agreement. Upon completion of the above equity purchase, connected/related transactions between Yankuang Group and Yankuang Finance Company will be carried out in accordance with New Financial Services Agreement.

Pursuant to the Former Financial Services Agreement, Yanzhou Coal’s daily top balances of principal and interest of deposit and loan in Yankuang Finance Company were RMB1.015 billion and RMB257.2 million respectively without financial services fee from 1 January 2017 to 31 October 2017. Pursuant to the New Financial Services Agreement, Yankuang Group’s daily top balances of principal and interest of deposit and loan in Yankuang Finance Company were RMB8.8085 billion and RMB5.295 billion respectively and financial services fee was RMB110 thousand from 1 November 2017 to 31 December 2017..

④ Continuing connected/related transaction of clean energy technology

As reviewed and approved by the twenty-fifth meeting of the sixth session of the Board held on 11 October 2016, Yanzhou Coal Blue Sky Clean Energy Co. Ltd., a controlling subsidiary of the Company, entered into a Know-How Licensing Agreement with Yankuang Technology Co. Ltd, which specified the transaction cap for a period from 11 October 2016 to 31 December 2018. The license fee is actual cost plus reasonable profit.

The Group did not carry out the abovementioned business with Yankuang Technology Co. Ltd. in 2017.

⑤ Continuing connected/related transaction of entrusted management of chemical projects

As reviewed and approved at the twenty-sixth meeting of the sixth session of the Board held on 28 October 2016, the Company entered into Entrusted Management Agreement of Chemical Projects with Yankuang Chemical Industry Co., Ltd., a wholly-owned subsidiary of Yankuang Group, and the transaction cap was for a period from 28 October 2016 to 31 December 2017. And actual cost plus reasonable profit is adopted as the main way of pricing.

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Pursuant to Entrusted Management Agreement of Chemical Projects, Yankuang Chemical Industry Co., Ltd. provided entrusted management service to the Group and the Group would pay management service fee after annual assessment.

The Group did not carry out the abovementioned business with Yankuang Chemical Industry Co., Ltd. in 2017.

The following table sets out the details of the annual transaction caps and actual transaction amounts for 2017 for the above continuing connected/related transactions.

| Type of connected/ No. related transaction | Agreement | Annual Transaction Cap for the Year 2017 (RMB'000) | Actual Occurrence of Transaction for the Year 2017 (RMB'000) | |
|---|---|---|---|------------------------|
| 1 | Material and facilities provided by Yankuang Group | Provision of Materials Supply Agreement | 1,719,000 | 1,280,646 |
| 2 | Labor and services provided by Yankuang Group | Mutual Provision of Labor and Services Agreement | 2,777,200 | 1,840,384 |
| 3 | Insurance fund management and payment services provided by Yankuang Group (free of charge) for the Group's staff | Provision of Insurance Fund Administrative Services Agreement | 1,655,775 | 654,642 |
| 4 | Sale of products, material and equipment lease provided to Yankuang Group | Provision of Products, Material and Equipment Leasing Agreement | 7,334,250 | 1,491,635 |
| 5 | Power and heat provided to Yankuang Group | Provision of Electricity and Heat Agreement | 144,800 | 82,288 |
| 6 | Professional services including coal washing and processing, operation management of coal mines and training provided to Yankuang Group | Mutual Provision of Labor and Services Agreement | 604,340 | 3,906 |
| 7 | Financial services provided by Yankuang Group deposit balance comprehensive credit facility services settlement services fees | Former Financial Services Agreement | 1,100,000 1,000,000 | 1,015,028 257,182 |
| 8 | Financial services to Yankuang Group deposit balance comprehensive credit facility services settlement services fees | New Financial Services Agreement | 9,400,000 7,100,000 | 8,808,457 5,295,000 |
| 9 | Train escort services provided by Yankuang Group | Coal Train Escort Services Agreement | 3,700 31,000 | 110 25,184 |
| 10 | Clean energy technology licensing | Know-How Licensing Agreement | 5,000 | 0 |
| 11 | Entrusted management of chemical projects | Entrusted Management Agreement of Chemical Projects | 5,500 | 0 |

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Note: The amount of related/connected transactions in relation to the professional services provided by the Group to the Controlling Shareholder was RMB3.906 million in 2017, of which, Shengdi Fenlei Coal Preparation Engineering Technology (Tianjin) Co., Ltd. (“Shengdi Fenlei”) provides coal washing and processing services for the connected/related parties of the Company with the connected/related amount of RMB77,000 in 2017.

In accordance with applicable financial reporting standards, Shengdi Fenlei would not be included in the consolidated financial statements of the Company. However, as the number of appointed directors by the Company was in the majority in Shengdi Fenlei’s board of directors, in accordance with the applicable Hong Kong laws and regulations and the stock listing rules of the Shanghai Stock Exchange, Shengdi Fenlei was recognized as the subsidiary of the Company.

(2) Opinion of the Independent Non-executive Directors

The above non-exempt continuing connected/related transactions and relevant internal control procedure have been reviewed by Finance Management Department and Auditing and Risk Management Department of the Company and the review result has been submitted to independent non-executive Directors of the Company. The Company also provided information to the independent non-executive Directors for examination.

The Company’s independent non-executive Directors have reviewed the Group’s continuing connected/related transactions with the Controlling Shareholder for the year 2017 and confirm that: ① all such connected transactions have been: (i) entered into by the Group in its ordinary and usual course of business; (ii) conducted either on normal commercial terms, or where there are not sufficient comparable transactions to determine whether they are on normal commercial terms, on terms no less favorable to the Group than terms available to or from independent third parties; and (iii) entered into in accordance with the relevant governing agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole; ② the amount of the related transactions stated under the section headed “Connected/Related Transactions Performance in relation to Daily Operation” above did not exceed the annual transaction caps approved by independent Shareholders and the Board.

(3) Opinion of the Auditors

Pursuant to the Hong Kong Listing Rules, the Directors have engaged the auditors of the Company to perform certain procedures required by the Hong Kong Listing Rules in respect of the continuing connected transactions of the Group. The auditors have reported to the Directors that the above continuing connected transactions: ① have received approvals of the Board; ② are in accordance with the pricing policies of the Company; ③ have been carried out in accordance with the relevant provisions of the agreements governing the transactions; and ④ have not exceeded the relevant annual caps.

3. *Approval of continued connected/related transactions for the year 2018-2020*

At the 2018 first extraordinary general meeting of the Company held on 26 January 2018, new continuing connected/related transaction agreements, namely, the Provision of Material Supply Agreement, Mutual Provision of Labor and Services Agreement, Provision of Insurance Fund Administrative Services Agreement, Provision of Products, Materials and Equipment Leasing Agreement, Provision of Bulk Commodity Purchase and Sales Agreement and Entrusted Management Agreement of Chemical Project between the Company and the Controlling Shareholder and Bulk Commodity Mutual Supply Agreement between the Company and other related parties, together with the annual caps for such transactions for the years 2018 to 2020 had been approved. The main ways to determine transaction price include: market price; state price and cost plus is applied when market price is not available. The charge for transaction can be settled in one lump sum or by installments. The continuing connected/related transactions made in a calendar month shall be settled in the following month, except for incomplete transactions or where the transaction amounts are in dispute.

For details, please refer to the announcement in relation to the resolutions passed at the seventh meeting of the seventh session of the Board and the announcement in relation to continuing connected/related transaction both dated 27 November 2017 and the announcement in relation to the resolutions passed at the 2018 first extraordinary general meeting of the Company dated 26 January 2018. The above announcements were also published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the website of the Company and/or China Securities Journal, Shanghai Securities News and Securities Times.

4. *Matters not disclosed in extraordinary announcement*

Not applicable.

(II) Connected/Related Transactions in relation to Assets or Equity Acquisition and Sale

1. *Matters disclosed in extraordinary announcements and with no subsequent progress or change*

Not applicable.

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2. *Matters disclosed in extraordinary announcements but with subsequent progress or changes*

① Acquisition of equity of Yankuang Finance Company

As considered and approved at the 2016 annual general meeting held on 29 June 2017, the Company acquired 65% equity interest in Yankuang Finance Company held by Yankuang Group for a consideration of RMB1.1242 billion; Since 1 November 2017, the Group has consolidated the financial statements of Yankuang Finance Company. Thus, equity interests in Yankuang Finance Company held by Yanzhou Coal has increased to 90%. On 15 December 2017, the change in business registration of Yankuang Finance Company was fulfilled.

For details, please refer to the announcement in relation to the resolution of Board dated 28 April 2017, the connected/related transaction announcements and the announcement in relation to the resolutions passed at the 2016 annual general meeting dated 29 June 2017 and update transaction announcement dated 18 December 2017. The above announcements were published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the website of the Company and/or China Securities Journal and Shanghai Securities News.

② Acquisition of equity of Warkworth Joint Venture

As considered and reviewed at the fourth meeting of the seventh session of the Board dated 26 September 2017, Yancoal Australia was approved to implement the call options of Warkworth Joint Venture, that is to purchase 28.898% interest in Warkworth Joint Venture for a consideration of USD230 million. On 7 March 2018, Yancoal Australia implemented this call option.

For details, please refer to the announcement in relation to resolutions passed at the fourth meeting of the seventh session of the Board and connected transactions dated 26 September 2017, the announcement in relation to transaction update dated 7 March 2018, which were posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company's website and/or China Securities Journal and Shanghai Securities News and Securities Times.

3. *Matters not disclosed in extraordinary announcement*

Not applicable.

4. *Disclose the performance of the results relating to the results agreement during the reporting period*

Not applicable.

(III) Significant Connected/Related Transactions of Cooperative External Investment

1. *Matters disclosed in extraordinary announcements and with no subsequent progress or change during implementation*

Not applicable.

2. *Matters disclosed in extraordinary announcements with subsequent progress or changes during implementation*

As reviewed and approved at the twenty-ninth meeting of the sixth session of the board convened on 10 March 2017, Huaju Energy, a controlled subsidiary of the Company, and Yankuang Group jointly invested and established Yankuang Electricity Sales Co., Ltd., of which Huaju Energy contributed RMB30 million, holding 25% of its share capital. As at the date of disclosure, Huaju Energy has completed registered capital contribution to the company.

For details, please refer to the announcement in relation to the resolutions passed at the twenty-ninth meeting of the sixth session of the Board and the announcement in relation to the connected/related transaction dated 10 March 2017, which were published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the website of the Company and/or China Securities Journal and Shanghai Securities News.

3. *Matters not disclosed in extraordinary announcements*

Not applicable.

(IV) Credit and Debt Obligation among Connected Parties

1. *Matters disclosed in extraordinary announcements and with no subsequent progress or change*

Not applicable

2. *Matters disclosed in extraordinary announcements and with subsequent progress or change*

Not applicable

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3. Events not disclosed in extraordinary announcements

Unit: RMB100 million

| Connected parties | Relationship | Fund provided to connected parties | | | Fund provided to listed companies | | |
|-------------------|-------------------------|------------------------------------|-----------------|-----------------|-----------------------------------|-----------------|-----------------|
| | | Balance at the beginning | Amount occurred | Closing balance | Balance at the beginning | Amount occurred | Closing balance |
| Yankuang Group | Controlling Shareholder | 59.292 | 90.038 | 63.971 | 80.487 | 85.631 | 103.747 |
| Total | | 59.292 | 90.038 | 63.971 | 80.487 | 85.631 | 103.747 |

| | |
|--|---|
| Reasons for credit and debt obligation among connected parties | Products sold and services provided to each party |
| Impact on the Company by credit and debt obligation | No significant impact. |

(V) Others

Pursuant to the Hong Kong Listing Rules, the Group's connected transactions set out in Note "Connected Transactions Balance and Transactions" to the consolidated financial statements prepared in accordance with the IFRS constitute continuing connected transactions in Chapter 14A of the Hong Kong Listing Rules, and the Company confirmed that such transactions have complied with the relevant disclosure requirements under the Hong Kong Listing Rules.

Other than the connected/related transactions disclosed in this section, the Group was not a party to any connected transaction which is required to be disclosed in pursuance to the Hong Kong Listing Rules during the reporting period.

XV. MATERIAL CONTRACTS AND PERFORMANCE

(I) Trust, Contract or Lease

Not applicable.

(II) Guarantees

Unit: RMB100 million

| | |
|---|--------|
| Total amount of guarantee during the reporting period (excluding guarantees to the controlled subsidiaries) | 0 |
| <hr/> | |
| Total guarantee balance by the end of the reporting period (A) (excluding guarantees to the controlled subsidiaries) | 0 |
| <hr/> | |
| Guarantees to subsidiaries by the Company and its subsidiaries | |
| Total amount of guarantee to controlled subsidiaries during the reporting period | 107.98 |
| Total balance of guarantee to controlled subsidiaries by the end of the reporting period (B) | 371.74 |
| Total guarantees (including guarantees to controlled subsidiaries) | |
| Total amount of guarantees (A+B) | 371.74 |
| Percentage of total amount of guarantee in net asset of the Company (%) | 67.66 |
| Including: | |
| Amount of guarantees to Shareholders, actual controllers and related parties (C) | 0 |
| Amount of guarantees directly or indirectly to guaranteed parties with a debt-to-assets ratio exceeding 70% (D) | 67.32 |
| Total amount of guarantee exceeding 50% of the net asset of the Company (E) | 97.05 |
| Total amount of the above 3 categories guarantees (C+D+E) | 164.37 |
| Announcement of undue guarantee that may bear several and joint liability | N/A |

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Guarantee explanations

1. Information on external guarantees that occurred in the previous period and extended to the current reporting period.

As approved at the 2011 annual general meeting, Yancoal Australia took a bank loan of USD3.04 billion for acquisition of equity interests of Yancoal Resources Limited. One tranche of the loan amounting to USD1.015 billion was due on 17 December 2012. After the repayment of USD100 million, Yancoal Australia extended the repayment date of the remaining principal amounting to USD45 million for 5 years, that is to 16 December 2017; USD300 million for 7.5 years, that is to 16 June 2020; and USD570 million for 8 years, that is to 16 December 2020, and Yancoal Australia repaid USD45 million on 16 December 2017. Another tranche of USD1.015 billion were due on 17 December 2013. After the repayment of USD100 million, Yancoal Australia extended the repayment date of the remaining principal amounting to USD45 million for 5 years, that is to 16 December 2018; USD300 million for 7.5 years, that is to 16 June 2021; and USD570 million for 8 years, that is to 16 December 2021. The tranche of USD1.010 billion were due on 16 December 2014. After the repayment of USD100 million, Yancoal Australia extended the repayment date of the remaining principal amounting to USD50 million for 5 years, that is to 16 December 2019; USD300 million for 7.5 years, that is to 16 June 2022; and USD560 million for 8 years, that is to 16 December 2022. Yancoal Australia repaid USD150 million ahead of schedule on 18 December 2017. As at 31 December 2017, the balance of the above loan was USD2.545 billion. The Company provided the guarantees of USD1.63 billion and RMB7.44 billion to Yancoal Australia.

As approved at the 2012 second extraordinary general meeting, the Company provided guarantees to its wholly-owned subsidiary, Yancoal International Resources Development Co., Ltd., for issuing USD1.0 billion corporate bonds in the overseas market. As at 31 December 2017, the guarantee balance of USD227.62 million was extended to this reporting period.

As approved at the 2012 annual general meeting, the Company provided guarantee of RMB2.081 billion for a bank loan of USD300 million benefiting its wholly-owned subsidiary, Yancoal International. As at 31 December 2017, the above guarantee balance of USD200 million was extended to this reporting period.

As approved at the 2014 annual general meeting, the Company issued a bank guarantee for a bank loan of USD100 million benefiting its wholly-owned subsidiary, Yancoal International. As at 31 December 2017, the guarantee balance of USD100 million was extended to this reporting period.

As considered and approved at the 2015 annual general meeting, the Company provided financing guarantee in the credit amount of RMB1.345 billion to Qingdao Zhongyin Ruifeng. As at 31 December 2017, the guarantee balance of RMB300 million was extended to this reporting period.

As approved at the 2015 annual general meeting, the Company provided a guarantee of USD20 million for Yancoal International Trade Co., Ltd. As at 31 December 2017, the guarantee balance of USD20 million was extended to this reporting period.

A total of AUD441 million performance deposits and performance guarantees, which were necessary for operation of Yancoal Australia and its subsidiaries, were extended to this reporting period.

2. Guarantees arisen during the reporting period

As approved at the 2016 annual general meeting of the Company, Yancoal Australia and its subsidiaries provided a guarantee in an amount not exceeding AUD900 million per year to its subsidiaries for their daily operation. During the reporting period, Yancoal Australia and its subsidiaries produced performance deposits and performance guarantees totaled AUD599 million due to operational necessity.

As approved at the 2016 annual general meeting of the Company, the Company provided a guarantee to Yancoal International. During the reporting period, the Company provided a loan guarantee of USD190 million to Yancoal International.

As approved at the 2016 annual general meeting of the Company, the Company provided a guarantee for Yancoal International Resources Development Co., Ltd. During the reporting period, the Company provided a guarantee to Yancoal International Resources Development Co., Ltd. for issuance of USD500 million corporate bond.

As approved at the 2016 annual general meeting, the Company provided a guarantee to Qingdao Zhongyin Ruifeng. During the reporting period, the Company provided a guarantee of RMB2.1 billion to Qingdao Zhongyin Ruifeng.

As approved at the 2016 annual general meeting, the Company provided a guarantee to Zhongyin Financial Leasing. During the reporting period, the Company provided a guarantee of RMB2.294 billion to Zhongyin Financial Leasing.

As approved at the 2016 annual general meeting, the Company provided a guarantee to Qingdao Bonded Zone Zhongyan Trading Company Limited ("Qingdao Zhongyan"). During the reporting period, the Company issued a guarantee of RMB1.0 billion to Qingdao Zhongyan.

Note: The table above was prepared in accordance with the CASs and calculated at USD/RMB exchange rate of 6.5342 and AUD/RMB exchange rate of 5.0928.

Save as disclosed above, there were no other guarantee contracts or outstanding guarantee contracts of the Company during the reporting period; there were no other external guarantees during the reporting period.

(III) Entrusted Cash and Assets Management

1. Entrusted wealth management

(1) General Information on Entrusted Wealth Management

| | | | | Unit: RMB | |
|------------------------------------|-----------------|---------------|------------------|-------------------------------|--|
| Type of wealth management | Source of fund | Amount | Amount due undue | Amount due but not taken back | |
| Bank products of wealth management | Self-owned fund | 4,000,000,000 | 0 | 0 | |

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(2) Specific Entrusted Wealth Management

Unit: RMB

| Trustee | Product of entrusted Wealth management | Amount | Valid from | Maturity date | Source of fund | Investment orientation | Yield determination | Annual return ratio | Expected return (if has) | Actual income or loss | Actual amount of principal taken back | whether plan to entrust wealth | | Provision for impairment (if yes) |
|---|---|---------------|-----------------|------------------|-----------------|--|------------------------|------------------------|-----------------------------|--------------------------|---|--------------------------------------|-----------------------------|---|
| | | | | | | | | | | | | passed legal procedure or not | management in the future | |
| Jining Branch of Industrial Bank Co., Ltd. | bank wealth management product | 2,000,000,000 | 25 January 2017 | 25 April 2017 | Self-owned fund | monetary market tools and fixed return product in compliance with supervisory regulations | Interest | 4.0% | 19,726,027.40 | 19,726,027.40 | 2,019,726,027.40 | Yes | No | 0 |
| Zoucheng Jining Branch of Bank of Communications | Bank wealth management product | 2,000,000,000 | 26 January 2017 | 27 February 2017 | self-owned fund | monetary market instruments and fixed return product in compliance with supervisory regulations | Interest | 4.1% | 7,189,041.10 | 7,189,041.10 | 2,007,189,041.10 | Yes | No | 0 |

Note: At the 2014 first extraordinary general meeting of the Company held on 24 October 2014, the Company was approved to carry out the principal-guaranteed wealth management business for a balance not exceeding RMB5.0 billion. The expiration period of such business is 36 months starting from the date of the meeting.

The above-mentioned entrusted wealth management business does not constitute connected transactions and the Company has not made provision for impairment loss of asset for these. As at the disclosure date of this report, the Company has taken back all principal and income occurring in the reporting period.

For details, please refer to the announcements in relation to purchase of wealth management products dated 25 January 2017. The above announcement was also posted on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the website of the Company and/or China Securities Journal and Shanghai Securities news.

(3) Provisions for impairment of loss for entrusted wealth management

Not applicable

2. Entrusted Loan

(1) General information on entrusted loan

Unit: RMB

| Consigner | Source of fund | Amount | Outstanding balance | Amount due but not taken back |
|---------------|-----------------|-------------|---------------------|----------------------------------|
| Heze Neng Hua | self-owned fund | 890,000,000 | 890,000,000 | - |

(2) Specific entrusted loan

Unit: RMB

| Consignee | Type of entrusted loan | Amount of entrusted loan | Valid from | Maturity date | Source of fund | Use of fund | Yield determination | Annual return ratio | Expected return (if yes) | Actual return or loss | Actual amount taken back | Whether | Whether | Provision for |
|--------------------------------|------------------------|--------------------------|----------------|----------------|-----------------|--|---------------------|---------------------|--------------------------|-----------------------|---|-------------------------|--|--------------------------------------|
| | | | | | | | | | | | | passed legal procedures | has plan of entrusted loan in the future | impairment of loss of asset (if yes) |
| Jining Branch of Bank of China | Entrusted loan | 890,000,000 | 15 March, 2016 | 15 March, 2021 | Self-owned fund | Construction of Zhaolou coalmine and preparation plant | Interest | 4.90% | 221,078,472.8 | 44,215,694.44 | Received interests: 44,215,694.44 The principals have not taken back | Yes | No | 0 |

3. Other information

Not applicable

XVI. EXPLANATION ON OTHER SIGNIFICANT EVENTS

(I) Non-public issuance of A shares

As reviewed and approved at the 2017 second extraordinary general meeting, the 2017 third class meeting of holders of A Shares and the 2017 third class meeting of the holders of H Shares held on 25 August 2017, the Company will issue non-public A Shares in an amount not exceeding 647 million shares (including 647 million shares) to specific investors, with issuing price not less than 90% of the average trading price of twenty days ahead of the date of pricing benchmark, which is the first day of the non-public issuance. The fund financed is expected to be an amount not exceeding RMB7 billion, and the net proceeds after deduction of financing expenses will be used for the purchase of 100% equity of C&A. The issuance is to be implemented upon review and approval by China Securities Regulatory Commission.

For details, please refer to the announcements dated 31 March 2017, 28 April 2017, 29 June 2017, 25 August 2017 and 15 December 2017 in relation to the non-public issuance, respectively, the announcement in relation to “Notice of Acceptance of the Application for Administrative Permission” issued by the China Securities Regulatory Commission (“CSRC”) dated 27 December 2017 and the announcement in relation to “Receipt of CSRC Notice of the First Feedback on the Review of Administrative Item” dated 9 February 2018, which were posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company’s website and/or China Securities Journal, Shanghai Securities News and Securities Times.

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(II) Financing of Insurance Bond Investment Plan

As reviewed and approved at the thirty-second meeting of the sixth session of the Board dated 13 June 2017, the Company assigned China Life Asset Management Company Limited as trustee to launch “China Life-Yanzhou Coal Mining Bonds Investment Plan” financing. The bonds investment plan was divided into four phases, totally obtaining financing of not more than RMB10 billion. The financing amount of each phase was not more than RMB3 billion and the term of investment for each phase shall not be more than eight years.

For details, please refer to the announcement in relation to the resolutions passed at the thirty-second meeting of the sixth session of the Board dated 13 June 2017, which was posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company’s website and/or China Securities Journal and Shanghai Securities News.

(III) Subscription of shares in Hangzhou CRRC Times Venture Investment Partnership (LP)

Duanxin Beijing subscribed shares in Hangzhou CRRC Times Venture Investment Partnership (LP), which mainly makes equity investment in the high-end equipment manufacturing, with total capital contribution not more than RMB500 million. As the fund limited partner, Duanxin Investment Holding (Beijing) Company Limited subscribed RMB50 million.

For details, please refer to the announcement in relation to the subscription of shares in Hangzhou CRRC Times Venture Investment Partnership (LP) dated 28 February 2017, which was posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company’s website and/or China Securities Journal and Shanghai Securities News.

(IV) Establishment of Qingdao (Region) Headquarter

As reviewed and approved at the twenty-ninth meeting of the sixth session of the Board held on 10 March 2017, the Company established Qingdao (Region) Headquarter to be in charge of the management of all existing subordinate enterprises and projects under planning or development in Qingdao area of the Company.

For details, please refer to the announcement in relation to the resolutions passed at the twenty-ninth meeting of the sixth session of the Board dated 10 March 2017, which was posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company’s website and/or China Securities Journal and Shanghai Securities News.

(V) Adjustment to the headquarter organization of the Company

As reviewed and approved at the thirty-second meeting of the sixth session of the Board held on 13 June 2017, the Company set up Machinery Management Center of the Company, which is responsible for the purchase, maintenance, lease and management of machinery and general equipment of the Company and other related business; and adjusted Machinery Management Center of the Company as Machinery Installation and Removal Center of the Company, which is responsible for installation and removal of the fully mechanized mining equipment for mine workfaces.

As reviewed and approved at the second meeting of the seventh session of the Board held on 25 July 2017, the Company established Supervisory and Inspection Department of the Company, which is responsible for the supervision and efficiency inspection of the Company.

As reviewed and approved at the tenth meeting of the seventh session of the Board held on 13 February 2018, the Company removed Information Management Department, of which both internal control function and employees were transformed to the Accounting Service Center. The former Production Technology Department (Ventilation and Gas Monitoring Department) and Safety Inspection Department (Central Dispatching Office) will not co-working. The former Production Technology Department (Ventilation and Gas Monitoring Department) was separated into Production Technology Department and Ventilation and Gas Monitoring Department, while the former Safety Inspection Department (Central Dispatching Office) was separated into Safety Inspection Department and Central Dispatching Office.

For details, please refer to the announcement in relation to the resolutions passed at the thirty-second meeting of the sixth session of the Board dated 13 June 2017, the announcement in relation to the resolutions passed at the second meeting of the seventh session of the Board dated 26 July 2017 and the announcement in relation to the resolutions passed at the tenth meeting of the seventh session of the Board dated 13 February 2018, which were posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times.

(VI) Acquisition of Equity Interest in C&A by Yancoal Australia

As reviewed and approved at the 2017 second extraordinary meeting held on 25 August 2017, Yancoal Australia acquired 100% equity of C&A, which was formerly owned by Australian Coal Holdings Pty Limited and Hunter Valley Resources Pty Ltd, wholly-owned members of Rio Tinto plc for a consideration of USD2.45 billion. Within five years after delivery, a total of USD240 million will be paid for non-contingent royalties. As at 1 September 2017, the acquisition transaction has been completed with all of the conditions precedent fulfilled. Upon the completion, C&A has become a wholly-owned subsidiary of Yancoal Australia and thus a consolidated subsidiary in the combined financial statements of the Company.

For details, please refer to the announcements dated 24 January 2017, 24 May 2017, 11 June 2017, 12 June 2017, 20 June 2017, 26 June 2017, 27 July 2017, 1 August 2017, 25 August 2017, respectively and the announcement in relation to the completion of allotting shares, converting hybrid bonds to shares and the acquisition of C&A by Yancoal Australia dated 1 September 2017, which were posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company's website and/or China Securities Journal and Shanghai Securities News.

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(VII) Operation of Hunter Valley Operation Joint Venture (“HVO JV”)

As reviewed and approved at the second meeting of the seventh session of the Board dated 25 July 2017, Yancoal Australia will transfer its 16.6% interest in HVO JV to Glencore Coal Pty Ltd (“Glencore”) following the completion of 100% equity acquisition of C&A, and establish a joint venture to undertake joint operation management of the related coal assets of HVO and any other arrangements in relation to the cooperation.

For details, please refer to the announcement in relation to the resolutions passed at the second meeting of the seventh session of the Board dated 25 July 2017 and the announcement in relation to the updates in relation to equity acquisition of overseas controlled subsidiary dated 27 July 2017, which were posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company’s website and/or China Securities Journal and Shanghai Securities News.

(VIII) Subscription of allotted shares of Yancoal Australia and implementation of converting convertible hybrid bonds to shares

As reviewed and approved at the second meeting of the seventh session of the Board held on 25 July 2017, the Company agreed to subscribe right issued by Yancoal Australia and wholly or partially convert the USD1.8 billion convertible hybrid bonds of Yancoal Australia which it held to ordinary shares of Yancoal Australia. As at 31 August 2017, the Company completed the subscription of right issues of Yancoal Australia and the implementation of converting convertible hybrid bonds into shares, the shareholding of Yancoal Australia held by the Company dropped from 78% to 65%.

For details, please refer to the announcement in relation to the resolutions passed at the second meeting of the seventh session of the Board dated 25 July 2017, the announcement in relation to the subscription of allotted shares of Yancoal Australia and the implementation of converting convertible hybrid bonds to shares dated 1 August 2017 and the announcement in relation to the completion of allotting shares, converting hybrid bonds to shares and the acquisition of C&A by Yancoal Australia dated 1 September 2017. The above announcements were also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company’s website and/or China Securities Journal and Shanghai Securities News.

(IX) Subscription and acquisition of shares of Linshang Bank Co. Ltd.

As reviewed and approved at the seventh meeting of the seventh session of the Board dated 27 November 2017, the Company subscribed for 400 million shares privately placed by Linshang Bank at a price of RMB3.00 per share, and acquired 377 million shares transferred from five existing shareholders at a price of RMB3.00 per share. Upon completion of the transaction, the Company will hold 717.7 million shares of Linshang Bank. Now the transaction is subject to approval procedures by the banking regulatory authority.

For details, please refer to the announcement in relation to the resolutions passed at the seventh meeting of the seventh session of the Board and the announcement in relation to investment in Linshang Bank Co. Ltd, dated 27 November 2017 which were also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company’s website and/or China Securities Journal and Shanghai Securities News.

(X) Acquisition of equity interest of Inner Mongolia Yitai Zhundong Railroad Co., Ltd.

As reviewed and approved at the eighth meeting of the seventh session of the Board held on 1 December 2017, Ordos Neng Hua, a wholly-owned subsidiary of the Company acquired 25% equity interest held by Inner Mongolia Yitai Coal Co., Ltd. in Inner Mongolia Yitai Zhundong Railroad Co., Ltd. at a total consideration of RMB1.9425 billion.

For details, please refer to the announcement in relation to the resolutions passed at the eighth meeting of the seventh session of the Board and the announcement in relation to the acquisition of 25% equity interest in Yitai Zhundong both dated 1 December 2017, which were also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company's website and/or China Securities Journal and Shanghai Securities News.

(XI) Change of the Company's ADS's trading form

As reviewed and approved at the twenty-eighth meeting of the sixth session of the Board held on 24 January 2017, the ADSs of the Company were changed to be traded in over the counter market instead of the public market of the New York Stock Exchange ("NYSE"). The Company applied for deregistration to NYSE on 25 January 2017 and the delisting became effective on 16 February 2017 following the close of the market in New York City. The Company completed the deregistratis procedure in May 2017. Upon completion of this change, the Company's ADSs are no longer registered with the Securities and Exchange Committee of the United States of America.

For details, please refer to the announcement in relation to the delisting of the ADS from the New York Stock Exchange dated on 25 January 2017, which was published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

(XII) Acquisition of Wuxi Dingye by Debt Restructuring

As discussed and approved at the working meeting of the general manager of the Company, the Company and the related parties entered into Agreement on Credit Assignment and Debt Transfer, under which the credit and debt was restructured between the Company, Zhongyin Logistics, Rizhao Coal Storage and Blending, and Jiangsu Tianyu Energy Co., Ltd. ("Jiangsu Tianyu"), Wuxi Zhongshang Energy Co., Ltd ("Wuxi Zhongshang") and Wuxi Zhongmai Trade Co., Ltd. ("Wuxi Zhongmai"). Zhongyin Logistics and Rizhao Coal Storage and Blending assigned its claims of RMB460 million against Jiangsu Tianyu, Wuxi Zhongshang and Wuxi Zhongmai to the Company, while Wuxi Zhongshang and Wuxi Zhongmai transferred the debt of RMB460 million to Jiangsu Tianyu. As a result, the Company has RMB460 million in claims against Jiangsu Tianyu. Jiangsu Tianyu paid off the debt by its 100% equity interest of Wuxi Dingye at equity evaluation of RMB131 million; its claims of RMB328 million against Wuxi Dingye; and the remaining RMB6.83 million in cash. After the debt restructuring, the Company holds 100% equity interest in Wuxi Dingye.

XVII. IMPLEMENTATION OF SOCIAL RESPONSIBILITIES IN AN ACTIVE MANNER

(I) Performance of Poverty Alleviation by the Company

1. Targeted poverty alleviation program

The Company, based on its own status quo, undertook the social responsibilities in an active manner and in compliance with the relevant national targeted poverty alleviation program and local authority regulations, pursued mutual development with local community and contributed to social harmony and poverty alleviation.

2. Summary of annual targeted poverty alleviation

In 2017, the Company undertook the social responsibilities in a positive manner and continuously carried out all kinds of targeted poverty alleviation works in accordance with the relevant requirements by the governmental authorities. According to “Opinions on Continuously Selection and Assignment the First Party Secretary from the Subordinates of Shandong Province to Promote Party Construction and Poverty Alleviation” issued by Shandong provincial party committee and provincial government, the Company assigned the first party secretary to help three targeted poverty-stricken villages in Huangdian county Dingtao region Heze City, namely Xitaiji, Chenlou and Shaoji, in respect of party construction, infrastructure construction, industry development and poverty-stricken households, totally providing poverty alleviation fund of RMB2.6 million and material donations of RMB11,900. According to the local government’s arrangement and deployment of employment in targeted poverty alleviation area, the Company totally donated fund of RMB190,000; facilitated support for industry development and donated RMB0.15 million for construction of aricultural product processing project of Saiwugai Village Ordos. carried out health aid by sponsored RMB200,000 of health check-up expenses for the urban and rural sanitation workers of Yijinhuoluo Banner in Ordos city; provided targeted alleviation to the property-stricken villages or households in places where the enterprise located with total fund of RMB1.087 million. carried out donation in response to the call of “Charity Day Donation” campaign, all the funds were collected for the relief of natural disasters and emergencies, the rescue of urban and rural residents; and implemented the Red Cross charity home project. The company continued to carry out activities of poverty alleviation and love care, including a poverty relief fund of RMB2,666,100 was disbursed to 3,758 needy families, a relief fund of RMB1,427,900 was disbursed to 48 households with serious diseases, and a subsidy of RMB819,400 was disbursed to 179 students of needy workers under the activity of “Golden Autumn Student Subsidy”.

3. Achievements in targeted poverty alleviation

Unit: RMB10 thousand

| Indicators | Amount of Investment and Implementation |
|--|---|
| I. Overview | |
| of which, 1. Poverty alleviation fund | 904.34 |
| 2. Material equivalent in RMB | 51.95 |
| II. Investment by items | |
| 1. Social poverty alleviation | |
| of which: 1.1 Types of industrial poverty alleviation project | Agriculture, forestry |
| 1.2 Number of industrial poverty alleviation project | 1 |
| 1.3 Amount of investment in industrial poverty alleviation project | 15 |
| 2. Poverty alleviation education | |
| of which: 2.1 Amount of subsidy to poverty-stricken students | 81.94 |
| 2.2 Number of poverty-stricken students subsidized (persons) | 179 |
| 3. Social poverty alleviation | |
| of which: Investment in specific place poverty alleviation | 443.95 |
| 4. Others | |
| of which: 4.1 Number of projects | 3 |
| 4.2 Investment amount | 415.40 |
| 4.3 Other projects explanation | Carry out "Charity Donation Day" activity to rescue families of employees who were in difficulties and implemented emergency treatment. |

4. Following targeted poverty alleviation plan

Yanzhou Coal has always taken targeted poverty alleviation as an effective way to perform its social responsibilities. In 2018, the Company will continue to adopt a series of measures based on its own reality to ensure the effectiveness of targeted poverty alleviation in compliance with the relevant poverty alleviation requirements by the state government and local authorities. First, the Company will strengthen communication with local governments to ensure that poverty alleviation works in line with the local poverty alleviation plan. Second, the Company will increase support of poverty relief workers to ensure the smooth implementation of poverty alleviation work. Third, the Company will strengthen research on poverty alleviation projects to ensure the implementation of poverty alleviation projects.

(II) Performance of Social Responsibilities Works

The Company, focusing on sustainable development, has integrated the concept of social responsibilities with the enterprise's whole process of development all the time. During the reporting period, there is no major environmental or social security problem. For details in relation to environment protection, safety and other social responsibilities, please refer to the "2017 Social Responsibility Report" published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

Chapter 06 Significant Events

(III) Environmental Protection Practices

Explanation on environmental protection practices of the Company and its subsidiaries in the list of key pollutant discharging units released by the environmental protection authorities

The Group proactively promoted and optimized the environment and energy management system construction, increased investment in environmental protection treatment, energy-saving technology renovation, and continuously improved production technique and process. During this reporting period, the Group invested RMB190 million in environmental protection facilities, and simultaneously realized energy saving and consumables reduction and met standards on pollutants discharging. The Group further reduced the discharge of greenhouse gases like CO₂, realized 100% compliance on discharge of mine water, dusts and SO₂ and 100% comprehensive utilization of solid wastes, achieved reclamation and environmental-friendly treatment of wastes, with all met relevant requirements made by local environmental authorities.

The Group implemented strict management procedures on energy saving and environment protection, did a good job in review, supervision and management of environment impact assessment, energy saving assessment and “three simultaneous” program of projects under construction, by which making prevention on problems concerning energy, resource and environment that the construction project may encounter, thus to realize source control.

Besides, through establishing and improving environmental contingency plan at all levels, optimizing emergency facilities and equipment, carrying out regular emergency rehearsal, the Group greatly enhanced its capability in prevention and control over environmental pollution events and emergency treatment, and decreased the occurrence of environmental accidents to the minimum.

During this reporting period, the Group carried out production and operation in accordance with relevant laws and regulations on environment protection of the State, and did not receive any administrative penalty due to any preachment in relation to environment protection.

XVIII. COMPLIANCE WITH LAWS, REGULATIONS AND RULES

The Company understood the importance of complying with the requirements of laws, regulations and rules, and had established a relatively mature system to ensure the continuous compliance with applicable laws, regulations and rules. During the reporting period, as far as the Company knew, all major issues of the Company were in compliance with the applicable laws, regulations and rules, including but not limited to, “Safe Production Act of the People’s Republic of China”, “Occupational Disease Prevention Law of the People’s Republic of China” and other laws and regulations that have significant meaning or influence on the Company’s operations in the Company’s main business. As a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company also complied with the Listing Rules and applicable laws, regulations and rules during the reporting period.

XIX. CONVERTIBLE CORPORATE BONDS

Not applicable.

Changes in Ordinary Shares and Shareholders

I. CHANGES IN ORDINARY SHARES

(I) Table of Changes in Ordinary Shares

1. Table of Changes in Ordinary Shares

| | Unit: Share(s) | | | | | |
|---|----------------|----------------|------------------------|-----------|---------------|----------------|
| | Before change | | Increase/Decrease(+,-) | | After change | |
| | Shares | Percentage (%) | Others | Sub-total | Shares | Percentage (%) |
| I Listed shares with restricted moratorium | 170,500 | 0.0035 | -40,000 | -40,000 | 130,500 | 0.0027 |
| 1. State shareholding | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. shareholding by state-owned legal person | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. other domestic shareholding | 170,500 | 0.0035 | -40,000 | -40,000 | 130,500 | 0.0027 |
| Including: domestic shareholding by | | | | | | |
| non-state-owned legal person | 0 | 0 | 0 | 0 | 0 | 0 |
| domestic natural person shareholding | 170,500 | 0.0035 | -40,000 | -40,000 | 130,500 | 0.0027 |
| 4. foreign shareholding | 0 | 0 | 0 | 0 | 0 | 0 |
| II Shares without trading moratorium | 4,911,845,500 | 99.9965 | 40,000 | 40,000 | 4,911,885,500 | 99.9973 |
| 1. A Shares | 2,959,829,500 | 60.2569 | 40,000 | 40,000 | 2,959,869,500 | 60.2577 |
| 2. Foreign shares domestically-listed | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Foreign shares listed overseas | 1,952,016,000 | 39.7396 | 0 | 0 | 1,952,016,000 | 39.7396 |
| 4. Others | 0 | 0 | 0 | 0 | 0 | 0 |
| III. Total share capital | 4,912,016,000 | 100 | 0 | 0 | 4,912,016,000 | 100 |

2. Explanation on changes in ordinary shares

The shares with restricted moratorium held by the former Director, Supervisor and senior management of the Company will be released after six month ever since the date of their resignation from the Company. For details, please refer to the section headed “Changes in Shares with Restricted Moratorium” herein.

3. The impact of changes in ordinary shares on financial indicators such as earnings per share, net asset per share of last year and last financial year (if any)

Not Applicable

4. Other disclosures the Company considers necessary or required by securities regulatory institutions

As at the latest practicable date prior to the issue of this annual report, according to the information publicly available to the Company and within the knowledge of the Directors, the Directors believe that during the reporting period, the public float of the Company is more than 25% of the Company’s total issued shares, which is in compliance with the requirements of the Hong Kong Listing Rules.

Chapter 07 Changes in Ordinary Shares and Shareholders

(II) Changes in Shares with Restricted Moratorium

Unit: share(s)

| Name of shareholder | Number of shares with restricted trading moratorium at the beginning of the year | Number of shares released from trading moratorium | Increase in number of shares with restricted trading moratorium | Number of shares with restricted trading moratorium at the end of the year | Reasons for trading moratorium |
|---------------------|--|---|---|--|--|
| Yin Mingde | 10,000 | 10,000 | 0 | 0 | Held by Directors, Supervisors and Senior Management |
| Shi Chengzhong | 10,000 | 10,000 | 0 | 0 | Held by Directors, Supervisors and Senior Management |
| Liu Chun | 10,000 | 10,000 | 0 | 0 | Held by Directors, Supervisors and Senior Management |
| Ding Guangmu | 10,000 | 10,000 | 0 | 0 | Held by Directors, Supervisors and Senior Management |
| Total | 40,000 | 40,000 | 0 | 0 | / |

Note: The shares held by the former Directors, Supervisors and senior management were released from trading moratorium due to expiration of six months since their resignation from the position.

Chapter 07 Changes in Ordinary Shares and Shareholders

II. SECURITIES ISSUANCE AND LISTING

(I) Securities Issuance during the Reporting Period

| Type of stock and its related derivative securities | Date of placement | Issuing price (or interest) | Amount of placement | Date of listing | Approved listed tradable amount | Date of trade termination |
|---|-------------------|-----------------------------|---------------------|------------------|---------------------------------|---|
| Renewable corporate bonds | 17 August 2017 | 5.70% | RMB5 billion | 4 September 2017 | RMB5 billion | perpetual, cannot be redeemed in the first three years, the initial date of redemption is 17 August 2020. |
| Senior guaranteed USD perpetual capital securities | 13 April 2017 | 5.75% | USD500 million | 18 April 2017 | USD500 million | perpetual, cannot be redeemed in the first three years, the initial date of redemption is 13 April 2020. |
| Super short-term financing securities | 29 March 2017 | 4.70% | RMB3 billion | - | - | 24 December 2017 |
| Super short-term financing securities | 31 March 2017 | 4.75% | RMB1.5 billion | - | - | 26 December 2017 |
| Super short-term financing securities | 30 June 2017 | 4.73% | RMB3 billion | - | - | 27 March 2018 |
| Super short-term financing securities | 21 July 2017 | 4.62% | RMB3 billion | - | - | 17 April 2018 |
| Super short-term financing securities | 31 July 2017 | 4.60% | RMB1.5 billion | - | - | 27 April 2018 |
| Super short-term financing securities | 2 August 2017 | 4.65% | RMB1.5 billion | - | - | 29 April 2018 |
| Super short-term financing securities | 9 August 2017 | 4.68% | RMB1.5 billion | - | - | 6 May 2018 |
| Super short-term financing securities | 24 November 2017 | 5.39% | RMB1.5 billion | - | - | 21 August 2018 |

Chapter 07 Changes in Ordinary Shares and Shareholders

(II) Changes in Total Number of Shares, Shareholders' Structure, and Assets and Liability of the Company

Not applicable.

(III) Changes in Total Number of Shares Held by the Employees of the Company

Not applicable.

III. SHAREHOLDERS AND ACTUAL CONTROLLER

(I) Total Number of the Shareholders

| | |
|--|--------|
| Total number of shareholders as at 31 December 2017 | 50,823 |
| Total number of ordinary shareholders at the end of last month prior to the disclosure date of this annual report | 68,257 |
| Total number of preferred shareholders with resumed voting right by the end of the reporting period | 0 |
| Total number of preferred shareholders with resumed voting right at the end of last month before disclosure date of this annual report | 0 |

Chapter 07 Changes in Ordinary Shares and Shareholders

(II) Top ten Shareholders holding trading shares not subject to trading moratorium as at 31 December 2017

Unit: share(s)

| Name of shareholders | Shareholding of the top ten shareholders | | | | | | |
|--|--|---|-------------------|--|-------------------|---------------------|--------------------------|
| | Increase/ decrease during the reporting period | Number of shares held by the end of 2017 | Percentage (%) | Number of shares held with trading moratorium | Pledged or locked | | |
| | | | | | Status | Number of shares | Class of shareholders |
| Yankuang Group Company Limited | -65,905,624 | 2,534,094,376 | 51.59 | 0 | No | 0 | State-owned legal person |
| Hong Kong Securities Clearing Company (Nominees) Limited | 1,256,400 | 1,946,403,099 | 39.63 | 0 | N/A | - | Foreign legal person |
| Central Huijin Assets Management Limited | 0 | 19,355,100 | 0.39 | 0 | No | 0 | State-owned legal person |
| Bank of Communications Limited-Hua'an Strategic Chosen Hybrid Securities Investment Fund | 11,259,267 | 11,259,267 | 0.23 | 0 | No | 0 | Other |
| New China Life Insurance Co., Ltd.- Dividend-Group Annuity Insurance- 018L-FH001HU | 9,664,038 | 9,664,038 | 0.20 | 0 | No | 0 | Other |
| Bank of China Limited-Gongyin Ruixin Core Value Hybrid Securities Investment Fund | 7,848,568 | 7,848,568 | 0.16 | 0 | No | 0 | Other |
| Abu Dhabi Investment Authority (ADIA) | 6,958,248 | 6,958,248 | 0.14 | 0 | No | 0 | Other |
| China Construction Bank-Baoying Emerging Industry Flexible Allocated Hybrid Securities Investment Fund | 6,557,210 | 6,557,210 | 0.13 | 0 | No | 0 | Other |
| Agriculture Bank of China-Jingshun Great Wall Hushen300 Index Strong Securities Investment Fund | 4,980,440 | 5,801,773 | 0.12 | 0 | No | 0 | Other |
| Bank of China Limited-Gongyin Ruixin Medical Healthcare Industry Stocks Securities Investment Fund | 5,800,069 | 5,800,069 | 0.12 | 0 | No | 0 | Other |

Chapter 07 Changes in Ordinary Shares and Shareholders

Top ten shareholders holding tradable shares not subject to trading moratorium

| Name of shareholders | Number of tradable shares held | Class and number of shares held | |
|--|---|---------------------------------|-----------------------|
| | | Class of shares | Number of shares held |
| Yankuang Group Company Limited | 2,534,094,376 | A shares | 2,534,094,376 |
| Hong Kong Securities Clearing Company (Nominees) Limited | 1,946,403,099 | H shares | 1,946,403,099 |
| Central Huijin Assets Management Limited | 19,355,100 | A shares | 19,355,100 |
| Bank of Communications Limited-Hua'an Strategic Chosen Hybrid Securities Investment Fund | 11,259,267 | A shares | 11,259,267 |
| New China Life Insurance Co., Ltd.-Dividend-Group Annuity Insurance-018L-FH001HU | 9,664,038 | A shares | 9,664,038 |
| Bank of China Limited-Gongyin Ruixin Core Value Hybrid Securities Investment Fund | 7,848,568 | A shares | 7,848,568 |
| Abu Dhabi Investment Authority (ADIA) | 6,958,248 | A shares | 6,958,248 |
| China Construction Bank-Baoying Emerging Industry Flexible Allocated Hybrid Securities Investment Fund | 6,557,210 | A shares | 6,557,210 |
| Agriculture Bank of China-Jingshun Great Wall Hushen300 Index Strong Securities Investment Fund | 5,801,773 | A shares | 5,801,773 |
| Bank of China Limited-Gongyin Ruixin Medical Healthcare Industry Stocks Securities Investment Fund | 5,800,069 | A shares | 5,800,069 |
| Connected relationship or concerted-party relationship among the above shareholders | The subsidiary of Yankuang Group incorporated in Hong Kong held 180,000,000 H shares through HKSCC (Nominees) Limited. Both Gongyin Ruixin Core Value Hybrid Securities Investment Fund and Gongyin Ruixin Medical Healthcare Industry Stocks Securities Investment Fund are under management by the same fund manager. Apart from this, it is unknown whether other shareholders are connected with one another or whether any of these shareholders fall within the meaning of parties acting in concert. | | |
| Explanation on the preferred shareholders with resumed voting right and their corresponding number of shareholdings held | No | | |

Notes:

- The above information regarding "Total number of Shareholders" and "The top ten Shareholders and the top ten holders of tradable shares" is based on the register of members provided by the China Securities Depository and Clearing Corporation Limited Shanghai Branch and the Hong Kong Registrars Limited.
- As the clearing and settlement agent for the Company's H Shares, HKSCC (Nominees) Limited holds the Company's H Shares in the capacity of a nominee.
- On 29 December 2017, Yankuang Group removed the pledge of 520,000,000 A shares without trading moratorium of the Company in favor of the Export-Import Bank of China. As at the date of this report, there is no pledge of the shares of the Company held Yankuang Group.
- The first tranche of non-public issuance of exchangeable corporate bonds by Yankuang Group entered into swap period since 23 October 2017. In 2017, the exchangeable corporate bonds of Yankuang Group were swapped into 65,905,624 A shares accumulatively. As at 31 December 2017, Yankuang Group directly held 2,534 million A shares of the Company, of which 714 million A shares was used as guarantee for its issuance of exchangeable corporate bonds.

Chapter 07 Changes in Ordinary Shares and Shareholders

(III) Strategic Investors or Ordinary Legal Persons Becoming Top Ten Shareholders through New Shares Allotment

Not applicable.

(IV) Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As far as the Directors are aware, save as disclosed below, as at 31 December 2017, other than the Directors, Supervisors or chief executives of the Company, there were no other persons who were substantial shareholders of the Company or had interests or short positions in the shares or underlying shares of the Company, which should (i) be disclosed pursuant to Sections 2 and 3 under Part XV of the SFO; (ii) be recorded in the register to be kept pursuant to Section 336 of the SFO; (iii) notify the Company and the Hong Kong Stock Exchange in other way.

| Name of Substantial Shareholders | Class of Shares | Capacity | Number of Shares | | Nature of Interests | Percentage in the | Percentage in |
|------------------------------------|--|--|------------------|--|---------------------|-------------------|------------------------|
| | | | Held (shares) | | | H Share Capital | Total Share |
| | | | | | | of the Company | Capital of the Company |
| Yankuang Group | A Shares (state-owned legal person shares) | Beneficial owner | 2,534,094,376 | | Long position | - | 51.59% |
| | | Beneficial owner | 714,094,376 | | Short position | - | 14.54% |
| Yankuang Group (Note 1) | H Shares | Interest of controlled corporations | 180,000,000 | | Long position | 9.22% | 3.66% |
| JPMorgan Chase & Co. | H Shares | Beneficial owner | 17,425,258 | | Long position | 0.89% | 0.35% |
| | | | 9,616,530 | | Short position | 0.49% | 0.20% |
| | | Investment manager | 25,170,000 | | Long position | 1.29% | 0.51% |
| | | Custodian corporation/ approved lending agent | 195,000,601 | | Long position | 9.99% | 3.97% |
| Templeton Asset Management Ltd. | H Shares | Investment manager | 173,864,000 | | Long position | 8.91% | 3.54% |
| BNP Paribas Investment Partners SA | H Shares | Investment manager | 117,641,207 | | Long position | 6.03% | 2.39% |
| BlackRock, Inc. | H Shares | Interest of controlled corporations | 105,880,723 | | Long position | 5.42% | 2.16% |
| | | | 1,344,000 | | Short position | 0.07% | 0.03% |

Notes:

- Those H Shares are held by Yankuang Group's wholly-owned subsidiary incorporated in Hong Kong in the capacity of beneficial owner.
- The percentage figures above have been rounded off to the nearest second decimal place.
- Information disclosed hereby is based on the information available on the website of Hong Kong Stock Exchange at www.hkex.com.hk.

Chapter 07 Changes in Ordinary Shares and Shareholders

IV. CONTROLLED SHAREHOLDERS AND ACTUAL CONTROLLER

(I) Controlled Shareholders

1. Legal person

| | |
|--|---|
| Name | Yankuang Group |
| Person in charge or legal representative | Li Xiyong |
| Date of establishment | 12 March 1996 |
| Main business | coal production and sales, coal chemicals, coal aluminum, machinery manufacturing, external investment, operation and management etc. |
| Controlling shares or participating shares held by Yankuang Group of other companies listed at home and abroad | Please see the table below. |
| Other explanations | At 31 December 2017, Yankuang Group held 2.534 billion A Shares of the Company, representing 51.59% of the total share capital of the Company; the subsidiary of Yankuang Group incorporated in Hong Kong held 180 million shares in the Company, representing 3.66% of the total share capital of the Company; Yankuang Group and its subsidiary in Hong Kong held 2.714 billion shares of the Company, representing 55.25% of the total share capital of the Company. |

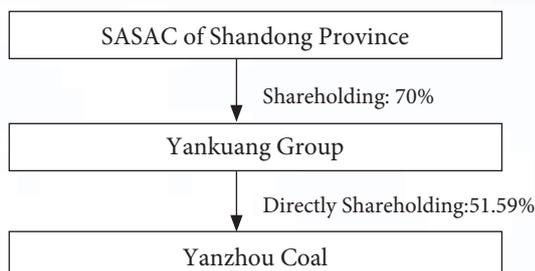
As at 31 December 2017, participating shares held by Yankuang Group of other companies listed at home and abroad are as follows:

| No. | Name of the Listed Company | Stock Exchange | Stock Code | Number of Shares Held (shares) | Percentage of Shares Held (%) |
|-----|---|-------------------------|------------|--------------------------------|-------------------------------|
| 1 | Guizhou Panjiang Refined Coal Co., Ltd. | Shanghai Stock Exchange | 600395 | 191,970,000 | 11.60 |
| 2 | Rizhao Port Co., Ltd. | Shanghai Stock Exchange | 600017 | 167,550,000 | 5.45 |
| 3 | Tiandi Science and Technology Co., Ltd. | Shanghai Stock Exchange | 600582 | 21,460,000 | 0.52 |
| 4 | Shenzhen DAS Intelligence Co., Ltd. | Shenzhen Stock Exchange | 002421 | 1,520,000 | 0.08 |
| 5 | Guotai Junan Securities | Shanghai Stock Exchange | 601211 | 48,710,000 | 0.56 |

Chapter 07 Changes in Ordinary Shares and Shareholders

(II) Actual Controller

1. Name of actual controller: State-owned Assets Supervision and Administration Commission of Shandong Province (SASAC of Shandong Province)
2. Diagram of equity and relationship of control between the Company and the actual controller:



3. The actual controller controlling the Company through trust or other asset management
Not applicable.

(III) Other explanations on the controlled shareholder and the actual controller

Not Applicable.

V. LEGAL PERSONS AS SHAREHOLDERS WITH SHAREHOLDING OF 10% OR MORE

As at 31 December 2017, the HKSCC (Nominees) Limited holds 1,946,403,099 H Shares on behalf of its several clients, representing 39.63% over the total share capital of the Company. The HKSCC (Nominees) Limited is a member of Hong Kong central clearing and settlement system, providing customers with security registration and custody business.

VI. EXPLANATION ON RESTRICTION OF SELLDOWN SHAREHOLDING

Not applicable.

VII. PRE-EMPTIVE RIGHTS

The Articles and the laws of the PRC do not contain any provision for any pre-emptive rights requiring the Company to offer new shares on a pro-rata basis to its existing Shareholders.

Directors, Supervisors, Senior Management and Employees

I. CHANGES IN SHAREHOLDING AND REMUNERATION

(I) Changes in Shareholding and Remuneration of Current and Resigned Directors, Supervisors and Senior Management

| Name | Title (note) | Gender | Age | Beginning Date of the Office Term | Ending Date of the Office Term | Number of Shares | | Increase/Decrease of Shareholding During the Reporting Period | Reasons for Change | Unit: Share(s) | |
|----------------|--|--------|-----|-----------------------------------|--------------------------------|---|--|---|--------------------|---|--|
| | | | | | | Held at the Beginning of the Reporting Period | Held at the end of this Reporting Period | | | Remuneration Before Tax Received From the Company During the Reporting Period (RMB10,000) | Whether Receive Remuneration From Connected Parties of the Company |
| Li Xiyong | Director, Chairman of the Board | Male | 54 | 9 Sep 2013 | 29 June 2020 | 10,000 | 10,000 | 0 | - | 0 | Yes |
| Li Wei | Director, Vice Chairman of the Board | Male | 51 | 3 June 2016 | 29 June 2020 | 10,000 | 10,000 | 0 | - | 0 | Yes |
| Wu Xiangqian | Director General Manager | Male | 52 | 14 May 2014 6 Jan 2016 | 29 June 2020 29 June 2020 | 10,000 | 10,000 | 0 | - | 61.85 | No |
| Wu Yuxiang | Director | Male | 56 | 22 April 2002 | 29 June 2020 | 30,000 | 30,000 | 0 | - | 0 | Yes |
| Guo Dechun | Director | Male | 56 | 3 June 2016 | 29 June 2020 | 0 | 0 | 0 | - | 62.87 | No |
| Zhao Qingchun | Director Chief Financial Officer | Male | 50 | 3 June 2016 6 Jan 2016 | 29 June 2020 29 June 2020 | 0 | 0 | 0 | - | 60.82 | No |
| Guo Jun | Employee Director | Male | 55 | 3 June 2016 | 29 June 2020 | 10,000 | 10,000 | 0 | - | 57.47 | No |
| Kong Xiangguo | Independent Director | Male | 62 | 10 Mar 2017 | 29 June 2020 | 0 | 0 | 0 | - | 9.76 | No |
| Cai Chang | Independent Director | Male | 46 | 27 November 2017 | 29 June 2020 | 0 | 0 | 0 | - | 1.08 | No |
| Poon Chiu Kwok | Independent Director | Male | 55 | 29 June 2017 | 29 June 2020 | 0 | 0 | 0 | - | 6.51 | No |
| Qi Anbang | Independent Director | Male | 65 | 3 June 2016 | 29 June 2020 | 0 | 0 | 0 | - | 13.01 | No |
| Gu Shisheng | Supervisor Chairman of Supervisory Committee | Male | 54 | 14 May 2014 29 June 2017 | 29 June 2020 29 June 2020 | 10,000 | 10,000 | 0 | - | 0 | Yes |
| Zhou Hong | Supervisor, Vice Chairman of the Supervisory Committee | Male | 47 | 29 June 2017 | 29 June 2020 | 0 | 0 | 0 | - | 0 | Yes |
| Meng Qingjian | Supervisor | Male | 56 | 3 June 2016 | 29 June 2020 | 0 | 0 | 0 | - | 0 | Yes |
| Zhang Ning | Supervisor | Male | 49 | 29 June 2017 | 29 June 2020 | 0 | 0 | 0 | - | 0 | Yes |
| Jiang Qingquan | Employee Supervisor | Male | 54 | 3 June 2016 | 29 June 2020 | 10,000 | 10,000 | 0 | - | 58.54 | No |
| Tang Daqing | Employee Supervisor | Male | 54 | 23 November 2017 | 29 June 2020 | 0 | 0 | 0 | - | 61.99 | No |
| Liu Jian | Vice General Manager | Male | 49 | 30 December 2016 | 29 June 2020 | 0 | 0 | 0 | - | 60.92 | No |
| Wang Fuqi | Chief Engineer | Male | 53 | 6 March 2014 | 29 June 2020 | 10,000 | 10,000 | 0 | - | 60.60 | No |
| Zhao Honggang | Vice General Manager | Male | 52 | 23 December 2014 | 29 June 2020 | 10,000 | 10,000 | 0 | - | 60.72 | No |
| He Jing | Vice General Manager | Male | 47 | 29 June 2017 | 29 June 2020 | 0 | 0 | 0 | - | 60.86 | No |

Chapter 08 Directors, Supervisors, Senior Management and Employees

| Name | Title (note) | Gender | Age | Beginning Date of the Office Term | Ending Date of the Office Term | Number of Shares | | Increase/Decrease of Shareholding During the Reporting Period | Reasons for Change | Total Remuneration Before Tax Received From the Company During the Reporting Period (RMB10,000) | Whether Receive Remuneration From Connected Parties of the Company |
|-----------------|------------------------------------|--------|-----|-----------------------------------|--------------------------------|---|--|---|--------------------|---|--|
| | | | | | | Held at the Beginning of the Reporting Period | Held at the end of this Reporting Period | | | | |
| Jin Qingbin | Secretary to the Board | Male | 40 | 29 March 2016 | 29 June 2020 | 0 | 0 | 0 | - | 51.76 | No |
| Wang Lijie | Independent Director (resigned) | Male | 64 | 14 May 2014 | 10 March 2017 | 0 | 0 | 0 | - | 3.25 | No |
| Jia Shaohua | Independent Director (resigned) | Male | 67 | 14 May 2014 | 27 November 2017 | 0 | 0 | 0 | - | 11.93 | No |
| Wang Xiaojun | Independent Director (resigned) | Male | 63 | 20 May 2011 | 29 June 2017 | 0 | 0 | 0 | - | 6.51 | No |
| Zhang Shengdong | Supervisor (resigned) | Male | 61 | 22 April 2002 | 29 June 2017 | 10,000 | 10,000 | 0 | - | 0 | Yes |
| Xue Zhongyong | Supervisor (resigned) | Male | 53 | 3 June 2016 | 29 June 2017 | 0 | 0 | 0 | - | 0 | Yes |
| Chen Zhongyi | Supervisor (resigned) | Male | 52 | 26 April 2014 | 23 November 2017 | 10,500 | 10,500 | 0 | - | 19.67 | No |
| An Manlin | Vice general manager (resigned) | Male | 51 | 30 December 2016 | 29 June 2017 | 0 | 0 | 0 | - | 9.49 | No |
| Total | / | / | / | / | / | 130,500 | 130,500 | 0 | / | 739.61 | / |

As at 31 December 2017, the Directors, Supervisors and senior management together held 130,500 A Shares, representing 0.0027% of the Company's total issued share.

All of the above disclosed interests represent the Company's long position in shares.

Chapter 08 Directors, Supervisors, Senior Management and Employees

(II) Work experience of Directors, Supervisors and Senior Management

| Name | Major Work Experience |
|-----------|---|
| Li Xiyong | <p>born in October 1963, a research fellow in applied engineering technology with an EMBA degree, is the Chairman of the Company and the Chairman and the Secretary of the Party Committee of Yankuang Group. Mr. Li commenced his career in 1981. He was appointed as the head of Huafeng Coal Mine of Xinwen Mining Group Co., Ltd. (“Xinwen Group”) in May 2001. In June 2006, he was appointed as the Vice General Manager of Xinwen Group. In May 2010, he was appointed as the Chairman and the Secretary of the Party Committee of Xinwen Group. In March 2011, he was appointed as the Vice Chairman of Shandong Energy Group Co., Ltd. and the Chairman and the Secretary of the Party Committee of Xinwen Group. In July 2013, he was appointed as the Director, the General Manager and the Deputy Secretary of the Party Committee of Yankuang Group. In February 2015, he was appointed as the Chairman and Party Committee Secretary of Yankuang Group. In September 2013, he was appointed as the Chairman of the Company. Mr. Li graduated from Shandong University of Science and Technology and Nankai University.</p> |
| Li Wei | <p>born in September 1966, a research fellow in applied engineering technology with doctor degree of engineering, is the Vice Chairman of the Company and the General Manager of Yankuang Group. Mr. Li joined the Company’s predecessor of Yankuang Group in 1988. He was appointed as the deputy head of Baodian Coal Mine of Yankuang Group in December 1996, the Director of reorganization division of strategic resource development department of Yankuang Group in May 2002, the Chairman, the Secretary of the Party Committee and the General Manager of Yankuang Xilin Neng Hua Co., Ltd in September 2002. In March 2004, he was in charge of all party committee works and management of Baodian Coal Mine, and he was appointed as the Head and Vice Secretary of the Party Committee of Baodian Coal Mine in September 2004, the Head and the Vice Secretary of party committee of Nantun Coal Mine in August 2007, the Deputy Chief Engineer of Yankuang Group and the Vice Director of production safety inspection office in August 2009, the Vice General Manager of Yankuang Group and the Director of production safety inspection bureau in April 2010. In May 2015, he was appointed as the Director, the General Manger and the Vice Secretary of the Party Committee of Yankuang Group, the General Manager of Yankuang Group in December 2015, and the Vice Chairman of the Company in June 2016. Mr. Li graduated from Shandong University of Science and Technology and University of Science and Technology Beijing.</p> |

Chapter 08 Directors, Supervisors, Senior Management and Employees

| Name | Major Work Experience |
|---------------|---|
| Wu Xiangqian | born in February 1966, a research fellow in applied engineering technology and a doctor of engineering, is the Director and the General Manager of the Company. Mr. Wu joined the Company's predecessor in 1988. In 2003, he was appointed as the deputy head of Jining No. 3 Coal Mine of the Company. In 2004, Mr. Wu was appointed as the Deputy Head and the Chief Engineer of Jining No.3 Coal Mine. In 2006, he was appointed as the General Manager of Jining No. 3 Coal Mine. In March 2014, he was promoted as the Chairman and the General Manager of Yanzhou Coal Ordos Neng Hua Co., Ltd. and Chairman of Inner Mongolia Haosheng Coal Mining Co., Ltd. In May 2014, he was appointed as a Director of the Company. In January 2016, he was appointed as the General Manager of the Company. Mr. Wu graduated from Shandong University of Science and Technology and China University of Mining and Technology. |
| Wu Yuxiang | born in January 1962, a senior accountant with a master's degree, is a Director of the Company. Mr. Wu joined the Company's predecessor in 1981. Mr. Wu was appointed as the Director of the Finance Department of the Company in 1997, and was appointed as CFO of the Company in 2002. In 2016, he was appointed as the Deputy Chief Accountant of Yankuang Group and the Director of Investment and Development Department of Yankuang Group. And he was appointed as the Director of the Company in 2002. Mr. Wu graduated from the Party School of Shandong Provincial Communist Committee. |
| Guo Dechun | born in February 1962, a senior engineer with master of engineer, is a Director of the Company. Mr. Guo joined the Company's predecessor in 1987 and was appointed as the Director of the Safety Inspection Department of Dongtan Coal Mine in January 2000, the Vice Head of Dongtan Coal Mine in June 2002. In August 2008, he was appointed as the Vice Head and the Chief Engineer of Baodian Coal Mine, and the Vice Head of Baodian coalmine in September 2009, the Head and the Vice Secretary of the Party Committee of Yangcun Coal Mine in April 2010. In January 2014, he was appointed as the Head and the Vice Secretary of Party Committee of Dongtan Coal Mine. In December 2015, he was appointed as the Chairman, the General Manager and the Vice Secretary of Party Committee of Ordos Neng Hua, the Chairman of Inner Mongolia Haosheng Coal Co., Ltd., the Chairman, the General Manager and the Secretary of Party Committee of Yulin Neng Hua. And he was pointed as the Director of the Company in June 2016. Mr. Guo graduated from China University of Mining and Technology. |
| Zhao Qingchun | born in March 1968, a senior accountant with an EMBA degree, is a Director and the CFO of the Company. Mr. Zhao joined the Company's predecessor in 1989 and was appointed as the Chief Accountant of Finance Department in 2002 and Director of the Planning and Finance Department of the Company in 2006. In March 2011, he was appointed as the Vice Chief Financial Officer and the Director of the Finance Department of the Company. In March 2014, Mr. Zhao was appointed the General Manager Assistant and the Director of the Finance Management Department of the Company. In January 2016, he was appointed as the CFO of the Company. And he was appointed as the Director of the Company in June 2016. Mr. Zhao graduated from Nankai University. |

Chapter 08 Directors, Supervisors, Senior Management and Employees

| Name | Major Work Experience |
|---------------|---|
| Guo Jun | born in January 1963, is a professor-level senior administrative officer, a senior economist, a doctor of management, an Employee Director and the Deputy Secretary of Party Committee and the Chairman of Trade Union of the Company. Mr. Guo joined the Company's predecessor in 1980 and served as the Chief Economist of the General Manager's Office in 1996. He was appointed as the Vice Director of the General Manager's Office in 1997 and served as the Office Director of Board of Directors respectively in 2000. He was appointed as the Secretary of the Party Committee and Deputy Head of Baodian Coal Mine of the Company in 2004. In March 2014, Mr. Guo was appointed as the Secretary of the Discipline Inspection Commission of the Company in March 2014 and the Employee Supervisor of the Company in April 2014. And he was appointed as the Vice Secretary of party committee and the Chairman of trade union of the Company in April 2016 and the Employee Director of the Company in June 2016. Mr. Guo graduated from the China University of Mining Technology (Beijing). |
| Kong Xiangguo | born in June 1955, a professor-level senior engineer, national registered consulting engineer, national registered mining engineer, who enjoys allowance of the State Council, is an Independent Director of the Company. Mr. Kong now serves as the Director of Transportation Technology Department of Survey and Engineering Commission of China Coal Construction Association, the Director of CCTEG Xi'an Research Institute, Mr. Kong had been the member of the thirteenth session of CPPCC. the Chairman and the Vice Secretary of Party Committee of CCTEG Nanjing Engineering Co., Ltd., and he was awarded with Excellent President of National Survey and Engineering Institute, Ten Best Modern Management Entrepreneur among national survey and engineering industry and many other honors. Mr. Kong was appointed as the Independent Director of the Company in March 2017. Mr. Kong graduated from Shandong University of Science and Technology. |
| Cai Chang | born in December 1971, professor, doctoral tutor, Doctor of Accountancy, Post-doctor of Economics, International Certified Senior Public Accountant (ICSPA), an Independent Director of the Company. Mr. Cai is currently the Director of the Tax Planning and Legal Research Center of the Central University of Finance and Economics, the Director of the Tax Administration Department and the Director of Editorial Board of the Chinese Tax and Legal Think Tank. Mr. Cai is also an academic member of the Chinese Tax Institute, a distinguished consultant of China Certified Tax Agents Association, a visiting professor of Peking University and Tsinghua University, a master tutor of Chinese Academy of Social Sciences Graduate School of Taxation, and a professor of Jinyuan Lecture in Harbin Finance University. Mr. Cai presided over the completion of a number of national and provincial key scientific research projects and published ten famous works in the field of accounting and tax. Mr. Cai assumed the position as the Independent Director of the Company in November 2017. Mr. Cai graduated from Tianjin University of Finance and Economics and the Chinese Academy of Social Sciences. |

Chapter 08 Directors, Supervisors, Senior Management and Employees

| Name | Major Work Experience |
|----------------|--|
| Poon Chiu Kwok | <p>Born in April 1962, a bachelor of laws and a bachelor of business, a master of international accounting, FCPA Australia, a senior member of Hong Kong Institute of Chartered Secretaries and a member of its consulting group, the audit committee, the China focus group, the professional development committee, a senior member of the Secretary of the Chartered Company and the Executive Council of the UK, a senior member and invited tutor of the Hong Kong Securities and Investment Association, an Independent Director of the Company. Mr. Poon currently is the executive Director, Vice president and the Company Secretary of Huabao International Holdings Limited. Mr. Poon is experienced in compliance supervision, enterprise financing and listed company management. Now he also acts as a non-executive director of Chuangjian Group (Holdings) Company Limited, an Independent Director of companies listed in the Hong Kong Stock Exchange including Sunac China Holdings Limited, SANY Heavy Equipment International Holdings Limited, AUX International Holdings Limited, Chongqing Changan Minsheng APLL Logistics Co., Ltd., Green Town Service Group Co., Ltd., Tonly Electronics Holdings Limited, TUS International Limited, Yuanda China Holdings Limited, Jinchuan Group International Resource Co. Ltd, Honghua Group Co., Ltd and etc. Mr. Poon was appointed as an Independent Director of the Company in June 2017. He graduated from University of London UK.</p> |
| Qi Anbang | <p>born in February 1952, professor, doctoral tutor, doctor of management, is an Independent Director of the Company. Mr. Qi is the Director of the master center of project management of Nankai University, the Director of modern project management research center, and the Vice Director of MBA center of Nankai University. Mr. Qi is mainly engaged in enterprise management, project management, investment project assessment, technological and economic analysis and has completed many topic researches at national-level and provincial level. He was awarded a series of honors, including 2009 Research Award by International Project Management Association and Excellent Achievement on Social Science Research of Tianjin City. He also served as the Chairman of Research Committee of International Project Management Association, the Vice Chairman of China Project Management Research Association, the Vice Chairman of Information System Research Association of China System Union, a member of expert committee of China Engineering Cost Association, a consultant for government management of Tianjin City and many other social positions. Mr. Qi was appointed as the Independent Director of the Company in June 2016. He graduated from Nankai University.</p> |

Chapter 08 Directors, Supervisors, Senior Management and Employees

| Name | Major Work Experience |
|---------------|--|
| Gu Shisheng | <p>born in January 1964, a professor level senior administrative officer with a master degree, is the Vice Chairman of the Supervisory Committee of the Company and the Employee Director, a member of the Party's standing committee and the Chairman of the Trade Union of Yankuang Group. Mr. Gu joined the Company's predecessor in 1979. He served as the Deputy Party Committee Secretary of Xinglongzhuang Coal Mine of Yankuang Group in 1996 and the Party Committee Secretary of Xinglongzhuang Coal Mine of the Company in 2002. He served as the Deputy Secretary of the Discipline Inspection Commission and the Director of Supervision Department of Yankuang Group in 2003. He was appointed as the Chairman of the Trade Union of Yankuang Group in January 2014 and an Employee Director and member of the Party's standing Committee in December 2015. He served as a Supervisor of the Company in May 2014 and Vice Chairman of the Supervisory Committee of the Company in July 2015. He was appointed as the Chairman of the Supervisory Committee of the Company in June 2017. Mr. Gu graduated from the Party School of Shandong Provincial Communist Committee.</p> |
| Zhou Hong | <p>born in May 1970, bachelor of economics, senior accountant, senior economist, A level Human Resource Professional, is the Vice Chairman of the supervisory committee of the Company. Mr. Zhou joined the predecessor of the Company in 1994 and served as the Chief Economist, the Vice Director and the Director of the Human Resource Department of Yankuang Group in August 2006, August 2009, June 2012 successively. He was appointed as the Director of the operation management department of Yankuang Group in March 2014, the Director of the Organization Department of the Party Committee (Human Resource Department) in November 2015, the Employee Supervisor of Yankuang Group in December 2015, and the General Manager Assistant of Yankuang Group in June 2016. And he assumed as the Vice Chairman of the Supervisory Committee of the Company in June 2017. Mr. Zhou graduated from China Coal Economics Institute.</p> |
| Meng Qingjian | <p>born in February 1962, a senior accountant, bachelor degree, is a Supervisor of the Company and the Director of the Finance Management Department of Yankuang Group. Mr. Meng joined the Company's predecessor in 1981, and was appointed as the Chief Accountant and the Vice Director of Finance Department of Yankuang Group in December 1999 and June 2002, respectively. He was appointed as the Vice Director and the Director of the Finance Management Department of Yankuang Group in October 2008 and January 2014, respectively. He was appointed as the Supervisor of the Company in June 2016. He assumed as the Vice Chief Accountant of Yankuang Group and the Director of the Financial Department of Yankuang Group in December 2017. Mr. Meng graduated from the Party School of the Central Committee of CPC.</p> |

Chapter 08 Directors, Supervisors, Senior Management and Employees

| Name | Major Work Experience |
|----------------|--|
| Zhang Ning | Born in October 1968, Executive MBA, senior accountant, international financial manager, is the Supervisor of the Company. Mr. Zhang joined the predecessor of the Company in 1991 and served as the Chief Accountant and the Vice Director of the Financial Department of Yankuang Group in September 2006 and July 2008, respectively. He took a temporary position as the Assistant Director of the Customer Department II of China Development Bank Shandong Branching August 2011, and became the Vice Director of the finance department of Yankuang Group in June 2012 and the Director of the Audit and Risk Department of Yankuang Group in 24 February 2016. He was appointed as the Supervisor of the Company in June 2017. Mr. Zhang graduated from Tianjin University of Finance and Economics. |
| Jiang Qingquan | born in December 1963, a professor level senior administrative officer and engineer with a master's degree, is an Employee Supervisor and the Secretary of the Discipline Committee of the Company. Mr. Jiang joined the Company's predecessor in 1984 and served as the office Director of Safety Supervision Office of Yankuang Group in 1994 (worked in Personnel Division of Yankuang Group from November 1996 to September 1997). He served as the Vice President of Yankuang Group General Hospital in 1997 (worked in Organization Department of Yankuang Group from June 1999 to January 2000). He served as the Party Committee Secretary of the Railway Transportation Department of Yankuang Group in 2000. He served as the Head and the Deputy Party Committee secretary of the Railway Transportation Department in 2004. He served as the General Manager Assistant of the Company in 2012, the Chairman of the Trade Union of the Company in March 2014, an Employee Director of the Company in April 2014 and the Secretary of the Discipline Inspection Committee in April 2016. He was appointed as the Employee Supervisor of the Company in June 2016. Mr. Jiang graduated from the Qufu Normal University and the Party School of Shandong Provincial Communist Committee. |
| Tang Daqing | born in May 1963, a senior economist, a bachelor degree, is an Employee Supervisor of the Company. He is currently a member of the Party Committee, a Deputy Party Secretary, a Secretary of the Discipline Inspection Committee and the Chairman of the Trade Union of Jining No. 3 Coal Mine of the Company. Mr. Tang joined the predecessor of the Company in July 1987. He was appointed as the Vice Director of the Corporate Management Department of Yankuang Group in September 2006 and was appointed as a member of the Party Committee, a Deputy Party Secretary, a Secretary of Discipline Inspection Committee and the Chairman of the Trade Union of Jining No. 3 Coal Mine of the Company in March 2014. He was appointed as the Employee Supervisor of the Company in November 2017. Mr. Tang graduated from China University of Mining & Technology. |
| Liu Jian | born in February 1969, a research fellow in applied engineering technology and a master of engineering, is the Vice General Manager of the Company. Mr. Liu joined the Company's predecessor in 1992 and was appointed as the Vice Manager of Dongtan Coal Mine of the Company in 2009. He was appointed as the Manager of Jining No. 3 Coal Mine and the Manager of Dongtan Coal Mine of the Company in 2014 and January 2016, respectively. In December 2016, he was appointed as the Vice General Manager of the Company. Mr. Liu graduated from Shandong Mining Institute. |

Chapter 08 Directors, Supervisors, Senior Management and Employees

| Name | Major Work Experience |
|---------------|--|
| Wang Fuqi | born in May 1964, a research fellow in applied engineering technology with EMBA degree and master of engineering, serves as the chief engineer of the Company. Mr. Wang joined the Company's predecessor in 1985. In 2000, he was appointed as the Chief Engineer of Production and Technology Division of Yankuang Group. In 2002, he served as the Director of Production and Technique Department of the Company. In 2003, he was appointed as the Deputy Chief Engineer of the Company and Director of Production and Technique Department of the Company. In March 2014, he served as the chief engineer of the Company. Mr. Wang graduated from Northeastern University and Nankai University. |
| Zhao Honggang | born in November 1965, a research fellow in applied engineering technology and master of engineering, serves as the Vice General Manager of the Company. Mr. Zhao joined the Company's predecessor in 1987 and served as the Vice Manager of Dongtan Coal Mine of the Company in March 2006. In September 2009, he was appointed as the Director of Electromechanical Department. In December 2013, he was appointed as the Chairman and the General Manager of Huaju Energy. In December 2014, he was appointed as the Vice General Manager of the Company. Mr. Zhao graduated from Shandong University of Science and Technology. |
| He Jing | born in June 1970, senior economist, is the Vice General Manager of the Company. Mr. He joined the Company's predecessor in 1992 and served as the Vice Director of the Human Resource Department of Yankuang Group in 2013 and the Vice Director of the Operation Management Department of Yankuang Group in 2014, the Vice Director and the Director of the Materials Supply Center of the Company in 2015 and 2016 successively. In 2017, he assumed the position as the Director of the Marketing Center of the Company. He was appointed as the Vice General Manager of the Company in June 2017. Mr. He graduated from China Coal Economics Institute. |
| Jin Qingbin | born in November 1977, a senior accountant, a senior economist with MBA degree, serves as the Secretary to the Board of the Company. Mr. Jin joined the Company in 1998 and was appointed as the Vice Director and the Director of the Secretary Office of the Board of the Company successively. He assumed the position as the Security Representative of the Company in November 2013. In March 2016, he was appointed as the Secretary to the Board of the Company. Mr. Jin graduated from Missouri State University. |

(III) Share Incentive Mechanism to the Directors, Supervisors and Senior Management during the Reporting Period

Not applicable.

Chapter 08 Directors, Supervisors, Senior Management and Employees

II. POSITIONS OF CURRENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Term of Office of Directors, Supervisors and Senior Management in Yankuang Group

| Name | The shareholding company | Title | Beginning date of office term | Termination of the office term |
|---------------|--------------------------|--|-------------------------------|--------------------------------|
| Li Xiyong | Yankuang Group | Chairman, Secretary of the Party Committee | 15 February 2015 | |
| Li Wei | Yankuang Group | General manager | 18 May 2015 | |
| Wu Yuxiang | Yankuang Group | Deputy chief accountant | 3 January 2016 | |
| | | Director of Investment and Development department | 3 January 2016 | 24 February 2017 |
| Gu Shisheng | Yankuang Group | Chairman of the Trade Union | 29 January 2014 | |
| | | Employee Director | 11 December 2015 | |
| | | Member of Party's Standing Committee | 30 October 2015 | |
| Zhou Hong | Yankuang Group | General Manager Assistant and the Director of the Organization Department of the Party Committee (Human Resource Department) | 11 December 2015 | |
| | | Employee Supervisor | 11 December 2015 | |
| Meng Qingjian | Yankuang Group | Vice Chief Accountant | 28 December 2017 | |
| | | Director of the Finance Management Department | 5 March 2014 | |
| Zhang Ning | Yankuang Group | Director of the Audit and Risk Department | 24 February 2016 | |

Chapter 08 Directors, Supervisors, Senior Management and Employees

(II) Term of Office of Directors, Supervisors and Senior Management in Other Entities in Addition to Yankuang Group

| Name | Name of other entities | Title | Beginning date of office term |
|--|--|---|-------------------------------|
| Li Xiyong | Yancoal Australia Limited | Chairman of the board | 9 September 2013 |
| Li Wei | Yancoal International (Holding) Co., Ltd. | Chairman of the board | 4 January 2018 |
| Wu Xiangqian | Duanxin Investment Holding (Shenzhen) Co., Ltd | Chairman of the board | 22 March 2016 |
| | Yancoal Australia Limited | Director | 28 April 2017 |
| | Yancoal International (Holding) Co., Ltd. | Director | 4 January 2018 |
| Guo Dechun | Yanzhou Coal Ordos Neng Hua Co., Ltd | Chairman, General Manager and the Deputy Secretary of the Party's Committee | 17 December 2015 |
| | Inner Mongolia Haosheng Coal Mining Co., Ltd. | Chairman | 17 December 2015 |
| Zhao Qingchun | Yanzhou Coal Yulin Neng Hua Co., Ltd | Chairman and General Manager | 17 December 2015 |
| | Inner Mongolia Haosheng Coal Mining Co., Ltd. | Supervisor | 19 November 2010 |
| | Shengdi Fenlei Coal Preparation Engineering Technology (Tianjin) Co., Ltd. | Chairman of the supervisory committee | 18 December 2014 |
| | Shandong Duanxin Supply Chain Management Co., Ltd. | Supervisor | 9 July 2015 |
| | Shandong Zhongyin International Trade Co., Ltd | Head of the supervisory committee | 9 July 2015 |
| | Zhongyin Financial Leasing Co., Ltd | Chairman | 21 October 2015 |
| | Qilu Bank Co., Ltd | Director | 31 December 2015 |
| | Yankuang Group Finance Co., Ltd | Director | 20 December 2017 |
| | Shanghai CIFCO Futures | Director | 6 July 2015 |
| | Shaanxi Future Energy Chemical Co., Ltd | Chairman of the Supervisory Committee | 19 May 2014 |
| | Duanxin Investment Holding (Beijing) Co., Ltd | Director | 17 November 2014 |
| | Huadian Zouxian Power Generation Company Limited | Chairman of the Supervisory Committee | 26 April 2016 |
| | Duanxin Investment Holding (Shenzhen) Co., Ltd | Director and General Manager | 22 March 2016 |
| | Qingdao Duanxin Asset Management Co., Ltd | Executive Director | 3 August 2016 |
| Yancoal Australia Limited | Director | 28 April 2017 | |
| Yancoal International (Holding) Co., Ltd. | Director | 4 January 2018 | |
| Qingdao Zhongyin Ruifeng International Trade Co., Ltd. | Chairman | 15 May 2017 | |
| Shanghai Jujiang Asset Management Co., Ltd. | Chairman | 18 December 2017 | |
| Guo Jun | Yanmei Heze Neng Hua Co., Ltd. | Head of the supervisory committee | 26 July 2014 |
| Kong Xiangguo | CCTEG Xi'an Research Institute | External Director | 11 May 2016 |

Chapter 08 Directors, Supervisors, Senior Management and Employees

| Name | Name of other entities | Title | Beginning date of office term |
|---------------------------------------|---|--|-------------------------------|
| Poon Chiu Kwok | Huabao International Holdings Limited | Executive Director, Vice president, Company Secretary | 1 May 2006 |
| | Rongchuang China Holdings Limited | Independent Director | 8 June 2011 |
| | Sany Heavy Equipment International Holdings Limited | Independent Director | 18 December 2015 |
| | AUX International Holdings Limited | Independent Director | 15 May 2015 |
| | Chongqing Changan Minsheng APLL Logistics Co., Ltd. | Independent Director | 30 September 2011 |
| | Green Town Service Group Co., Ltd. | Independent Director | 13 June 2016 |
| | Tonly Electronics Holdings Limited | Independent Director | 12 July 2013 |
| | TUS International Limited | Independent Director | 1 September 2015 |
| | Yuanda China Holdings Limited | Independent Director | 12 April 2011 |
| | Jinchuan Group International Resource Co. Ltd | Independent Director | 21 March 2017 |
| | Honghua Group Co., Ltd | Independent Director | 15 June 2017 |
| | Chuangjian Group (Holdings) Limited | Non-executive Director | 15 January 2018 |
| | Liu Jian | Shaanxi Future Energy Chemical Co. Ltd. | Director |
| Yanmei Heze Neng Hua Co., Ltd | | Director | 15 March 2017 |
| Yanzhou Coal Shanxi Neng Hua Co., Ltd | | Chairman | 15 March 2017 |
| Wang Fuqi | Yanmei Heze Neng Hua Co., Ltd. | Director | 26 July 2014 |
| | Yancoal Australia Limited | Director | 23 April 2015 |
| | Shaanxi Future Energy Chemical Co. Ltd. | Director | 19 May 2014 |
| Zhao Honggang | Yankuang Donghua Heavy Industry Co., Ltd. | Executive director | 11 May 2015 |
| He Jing | Shandong Zhongyin International Trade Co., Ltd | Chairman | 1 August 2017 |
| | Yanzhou Coal Shanxi Neng Hua Co., Ltd | Director | 1 August 2017 |
| Jin Qingbin | Yancoal International (Holding) Co., Ltd | Director | 4 January 2018 |

III. REMUNERATION POLICY AND ANNUAL REMUNERATION FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

| | |
|--|--|
| Remuneration Policy for Directors, Supervisors and Senior Management | The remuneration for the Directors, Supervisors and senior management is proposed to the Board by the remuneration committee under the Board. Upon review and approval by the Board, any remuneration proposal for the Directors and Supervisors will be proposed to the Shareholders' general meeting for approval. The remuneration for senior management is reviewed and approved by the Board. |
| Remuneration Calculating Basis for Directors, Supervisors and Senior Management | The Company adopts a system combining annual remuneration, risk control and special contribution award as the means for assessing and rewarding the Directors and senior management. The annual remuneration consists of annual basic salary and annual performance salary. The annual basic salary is determined according to the operational scale, profitability, operating management difficulty and employees' income of the Company, whereas annual performance salary is determined by the actual operational results of the Company. The annual basic salaries for the Directors and senior management of the Company are pre-paid on a monthly basis and the annual performance salaries are cashed after the audit assessment to be carried out in the following year. |
| Actual Payment of Remuneration for Directors, Supervisors and Senior Management | Please refer to the section headed "Changes in Shareholding and Remuneration" in this Chapter. |
| Total Remuneration received by Directors, Supervisors and Senior Management by the end of the reporting period | Please refer to the section headed "Changes in Shareholding and Remuneration" in this Chapter. |

IV. ELECTION OR RESIGNATION OF DIRECTORS AND SUPERVISORS AND APPOINTMENT OR DISMISSAL OF SENIOR MANAGEMENT DURING THE REPORTING PERIOD

| Name | Title | Changes | Causes for Change |
|-----------------|--|-----------|------------------------|
| Wang Lijie | Independent Director | Resigned | Health problem |
| Jia Shaohua | Independent Director | Resigned | Health problem |
| Wang Xiaojun | Independent Director | Resigned | Expiration of term |
| Cai Chang | Independent Director | Elected | Other work committment |
| Poon Chiu Kwok | Independent Director | Elected | Other work committment |
| Zhang Shengdong | Chairman of the supervisory committee | Resigned | Retirement |
| Xue Zhongyong | Supervisor | Resigned | Other work committment |
| Chen Zhongyi | Supervisor | Resigned | Other work committment |
| Gu Shisheng | Chairman of the supervisory committee | Elected | Other work committment |
| Zhou Hong | Deputy Chairman of the supervisory committee | Elected | Other work committment |
| Zhang Ning | Supervisor | Elected | Other work committment |
| Tang Daqing | Employee Supervisor | Elected | Other work committment |
| An Manlin | Deputy general manager | Resigned | Other work committment |
| He Jing | Deputy general manager | Appointed | Other work committment |

(I) Changes of Members of the Board

1. Changes of Members of the Sixth Session of the Board

Mr. Wang Lijie, independent Director of the Company, has tendered his resignation to the Company on 13 August 2016. Due to his health problem, Mr. Wang applied for resignation from his position as independent Director and other relevant positions in the special committees to the Board. He ceased to perform his duty as independent Director from the conclusion of the first extraordinary general meeting of 2017 held on 10 March 2017.

As approved at the first extraordinary general meeting of 2017 held on 10 March 2017, Mr. Kong Xiangguo was elected as the independent director of the Company, with the term from the conclusion of the first extraordinary general meeting of 2017 to the conclusion of the general meeting for election of Directors of the seventh session of the Board.

2. Changes of Members of the Seventh Session of the Board

As approved at 2016 annual general meeting held on 29 June 2017, Mr. Li Xiyong, Mr. Li Wei, Mr. Wu Xiangqian, Mr. Wu Yuxiang, Mr. Guo Dechun, Mr. Zhao Qingchun, Mr. Kong Xiangguo, Mr. Jia Shaohua, Mr. Poon Chiu Kwok and Mr. Qi Anbang were elected as Directors of the seventh session of the Board, with terms from the conclusion of 2016 annual general meeting to the conclusion of the general meeting for election of Directors of the eighth session of the Board.

As approved at the congress of workers and staff representatives held on 29 April 2017, Mr. Guo Jun was elected as the Employee Director of the seventh session of the Board.

Chapter 08 Directors, Supervisors, Senior Management and Employees

As approved at the first meeting of the seventh session of the Board held on 29 June 2017, Mr. Li Xiyong was elected as the Chairman of the Company and Mr. Li Wei was elected as the Vice Chairman.

Mr. Jia Shaohua, Independent Director of the Company, has tendered his resignation to the Company on 25 September 2017. Due to his health problem, Mr. Jia applied for resignation from his position as Independent Director and other relevant positions in the special committees to the Board. He ceased to perform his duty as Independent Director from the conclusion of the third extraordinary general meeting of 2017 held on 27 November 2017.

As approved at the third extraordinary general meeting of 2017 held on 27 November 2017, Mr. Cai Chang was elected as the Independent Director of the Company, with the term from conclusion of the third extraordinary general meeting of 2017 to the conclusion of the general meeting for election of Directors of the eighth session of the Board.

(II) Changes of Members of the Supervisory Committee

As approved at the 2016 annual general meeting held on 29 June 2017, Mr. Gu Shisheng, Mr. Zhou Hong, Mr. Meng Qingjian and Mr. Zhang Ning were elected as the Supervisors of the seventh session of the supervisory committee, with terms from the conclusion of 2016 annual general meeting to the conclusion of the general meeting for election of supervisors of eighth session of the supervisory committee.

As approved at the congress of workers and staff representatives held on 29 April 2017, Mr. Jiang Qingquan and Mr. Chen Zhongyi were elected as the Employee Supervisors of the Company.

As approved at the first meeting of the seventh session of the supervisory committee held on 29 June 2017, Mr. Gu Shisheng was elected as the Chairman of the Supervisory Committee and Mr. Zhou Hong was elected as the Vice Chairman of supervisory committee.

As approved at the congress of workers and staff representatives held on 23 November 2017, Mr. Tang Daqing was elected as the Employee Supervisors of the Company. Mr. Chen Zhongyi ceased to perform his duty of Employee Supervisor of the Company due to work allocation.

(III) Changes of Members of Senior Management

As approved at the first meeting of the seventh session of the Board held on 29 June 2017, Mr. Wu Xiangqian was appointed as the general manager of the Company; Mr. Liu Jian, Mr. Zhao Honggang, Mr. He Jing were appointed as the deputy general managers; Mr. Wang Fuqi was appointed as the chief engineer; Mr. Zhao Qingchun was appointed as the Chief Financial Officer; Mr. Jin Qingbin was appointed as the secretary to the Board and the secretary of the Company and Ms. Leung Wing Han Sharon was appointed as co-secretary of the Company.

Chapter 08 Directors, Supervisors, Senior Management and Employees

(IV) Changes in the current positions of the Company's directors, supervisors and senior management in the Company's subsidiaries

(Prepared in accordance with the Hong Kong Listing Rules)

| Title | Name | Before Changes | After Changes | Time of Changes |
|-----------------------------------|---------------|--|--|------------------|
| Chairman | Li Xiyong | Chairman of Yancoal International (Holding) Co., Ltd. | - | 4 January 2018 |
| Deputy Chairman | Li Wei | - | Chairman of Yancoal International (Holding) Co., Ltd. | 4 January 2018 |
| Director, General Manager | Wu Xiangqian | - | Director of Yancoal Australia | 28 April 2017 |
| | | | Director of Yancoal International (Holding) Co., Ltd. | 4 January 2018 |
| Director | Wu Yuxiang | Director of Yancoal Australia | - | 28 April 2017 |
| | | Director of Yancoal International (Holding) Co., Ltd. | - | 4 January 2018 |
| | | Director of Yanmei Heze Neng Hua Co., Ltd | - | 15 March 2017 |
| | | Director of Yanzhou Coal Shanxi Neng Hua Co., Ltd | - | 15 March 2017 |
| Director, Chief Financial Officer | Zhao Qingchun | - | Director of Yancoal Australia | 28 April 2017 |
| | | - | Director of Yancoal International (Holding) Co., Ltd. | 4 January 2018 |
| | | - | Chairman of Qingdao Zhongyin Ruifeng International Trade Co., Ltd. | 15 May 2017 |
| | | - | Chairman of Shanghai Jujiang Asset Management Co., Ltd. | 18 December 2017 |
| | | Supervisor of Yankuang Group Finance Co., Ltd. | Director of Yankuang Group Finance Co., Ltd. | 20 December 2017 |
| | | Head of the Supervisory committee of Shandong Yancoal Shipping Co., Ltd. | - | 13 January 2018 |
| Deputy General Manager | Liu Jian | - | Director of Shaanxi Future Energy Chemical CO., Ltd | 9 January 2017 |
| | | - | Director of Yanmei Heze Neng Hua Co., Ltd | 15 March 2017 |
| | | - | Chairman of Yanzhou Coal Shanxi Neng Hua Co., Ltd | 15 March 2017 |
| Deputy General Manager | He Jing | - | Chairman of Shandong Zhongyin International Trade-Co., Ltd. | 1 August 2017 |
| | | - | Director of Yanzhou Coal Shanxi Neng Hua Co., Ltd | 1 August 2017 |
| | | Chairman of Zhongyan Trade Company Limited in Qingdao Free Trade Zone | - | 16 November 2017 |
| Board secretary | Jin Qingbin | - | Director of Yancoal International (Holding) Co., Ltd. | 4 January 2018 |

Chapter 08 Directors, Supervisors, Senior Management and Employees

V. PENALTY BY SECURITY REGULATORY AUTHORITIES IN RECENT THREE YEARS

During the reporting period, no punishment was imposed by the security regulatory authorities to the current Directors, Supervisors and senior management of the Company in the recent three years.

VI. EMPLOYEES OF THE GROUP AND ITS SUBSIDIARIES

(I) Employees

| | |
|---|--------|
| On-the-job Employees of the Company | 44,395 |
| On-the-job Employees of its subsidiaries | 23,635 |
| Total on-the-job Employees | 68,030 |
| Total resigned and retired staff whose welfare fees shall be paid by the Company and its main subsidiaries | 26,437 |

Composition by Specialty

| Specialty | Number |
|---------------------------|--------|
| Production personnel | 38,058 |
| Sales personnel | 440 |
| Technical personnel | 3,647 |
| Financial personnel | 588 |
| Administrative staff | 3,547 |
| Other auxiliary personnel | 21,750 |
| Total | 68,030 |

Education Level

| Education Level | Number (Persons) |
|------------------------------|------------------|
| College degree or above | 24,473 |
| Secondary education | 23,467 |
| Junior high school and below | 20,090 |
| Total | 68,030 |

(II) Remuneration Policy

The total wages and allowances of the staff of the Group for the year 2017 amounted to RMB5.173 billion. For the details of remuneration policy for Directors, Supervisors and senior management, please refer to the section headed “*Remuneration Policy and Annual Remuneration for Directors, Supervisors and Senior Management*” in this chapter.

The Group adopts a post-performance salary system for employees other than Directors, Supervisors and senior management, which consists post basic salary and post-performance salary. The post-performance salary is cashed upon assessment of individual post performance while putting the overall economic benefit of the Company into consideration.

Chapter 08 Directors, Supervisors, Senior Management and Employees

(III) Training Plan

The Group values employee training in respect of technical skills and professional competence. By making full use of various educational resources, training institutes and various ways of training, the Group focused on the training of professional skills and improved the trainings of political ideology, management, ongoing education, skills, safety, transfer-employment talent, pre-employment and others. In 2017, it was planned that 53,603 person times would participate off-job training and 66,783 person times actually participated, representing a completion rate of 125%.

(IV) Welfare policies

In accordance with the Mutual Supply Agreement of Labor and Services signed between the Company and Yankuang Group, Yankuang Group provides the emeritus and retired staff with welfare services, and the Company provides the emeritus and retired staff with welfare payment (including housing subsidies, subsidiary relief fund and other welfare expenses according to state provisions). During the reporting period, there were totally 26,437 retired employees whose expenses shall be borne by the Company.

(V) Labor Outsourcing

Not Applicable.

VII. OTHERS

(I) Service Contracts of Directors and Supervisors

No Director or Supervisor has entered into any service contract with the Company, which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

(II) Interests of Directors, Supervisors and Senior Management in Contracts

None of the Directors, Supervisors or senior management of the Company had a direct or indirect material interest in any material contract entered into or performed by the Company, its Controlling Shareholder, any of its subsidiaries or subsidiaries of its controlling shareholder during the year ended 31 December 2017.

(III) Directors', Supervisors' and Senior Managements' Interest in Competing Business

As at 31 December 2017, none of the Directors, Supervisors or senior management has interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Company.

Except for their working relationship, there is no financial, business, family or any other material relationship between the Directors, Supervisors and senior management of the Company.

Chapter 09

Corporate Governance

I. RELATED INFORMATION ON CORPORATE GOVERNANCE

The Company has closely monitored the securities market standards and rule of law, and has actively improved its corporate governance structure based on the Company's situation during the reporting period as follows:

As reviewed and approved at the 2017 third extraordinary general meeting held on 27 November 2017, the Company made amendments to terms in relation to the Party Building and Union Organizations in the Articles of the Company. For details, please refer to the announcement in relation to the resolutions passed at the third meeting of the seventh session of the Board and the announcement in relation to amendments to the Articles of the Company both dated 25 August 2017 and the announcement in relation to the resolutions passed at the 2017 third extraordinary general meeting dated 27 November 2017. The above announcements were also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company and/or China Securities Journal and Shanghai Securities News.

Since the listing of the Company, in accordance with PRC Company Law, PRC Securities Law, foreign and domestic laws and regulations in places where the Company's shares are traded, the Company has set up a relatively regulated and stable corporate governance system in accordance with the principles of transparency, accountability and protection of the rights and interests of all Shareholders. There is no significant difference between the corporate governance system and the requirements in relevant documents detailed by the CSRC.

II. SHAREHOLDERS' GENERAL MEETING DURING THE REPORTING PERIOD

| Session and Number of Meeting | Date of Meeting | Designated Website on which Resolutions Posted | Date of Resolution Disclosed |
|---|------------------|---|------------------------------|
| The 2017 First Extraordinary General Meeting | 10 March 2017 | Website of the Shanghai Stock Exchange: (http://www.sse.com.cn) | 10 March 2017 |
| The First Class Meeting of the Holders of A shares for year 2017 | 10 March 2017 | Website of the Hong Kong Stock Exchange: (http://www.hkexnews.hk) | 10 March 2017 |
| The First Class Meeting of the Holders of H shares for year 2017 | 10 March 2017 | Website of the Company: (http://www.yanzhoucoal.com.cn) | 10 March 2017 |
| The 2016 Annual General Meeting | 29 June 2017 | | 29 June 2017 |
| The Second Class Meeting of the Holders of A shares for year 2017 | 29 June 2017 | | 29 June 2017 |
| The Second Class Meeting of the Holders of H shares for year 2017 | 29 June 2017 | | 29 June 2017 |
| The 2017 Second Extraordinary General Meeting | 25 August 2017 | | 25 August 2017 |
| The Third Class Meeting of the Holders of A shares for year 2017 | 25 August 2017 | | 25 August 2017 |
| The Third Class Meeting of the Holders of H shares for year 2017 | 25 August 2017 | | 25 August 2017 |
| The 2017 Third Extraordinary General Meeting | 27 November 2017 | | 27 November 2017 |

III. PERFORMANCE OF DIRECTORS

(I) Director's Attendance of the Board Meeting and the General Meeting of Shareholders

| Name of Directors | Whether Independent Director or Not | Should be Present | Times of Present | Attendance at the Board Meetings | | | | Attendance at the General Meetings | | |
|--|-------------------------------------|-------------------|------------------|----------------------------------|--|---------------------------|-----------------|--|------------------|-------------------|
| | | | | Times of Present at Person | Times of Present via Telecommunication | Times of Present by Proxy | Times of Absent | Whether Absent from Two Consecutive Meetings | Times of Present | Should be Present |
| | | | | | | | | | | |
| Li Xiyong | No | 16 | 16 | 16 | 14 | 0 | 0 | No | 6 | 10 |
| Li Wei | No | 16 | 16 | 16 | 14 | 0 | 0 | No | 7 | 10 |
| Wu Xiangqian | No | 16 | 16 | 16 | 13 | 0 | 0 | No | 10 | 10 |
| Wu Yuxiang | No | 16 | 16 | 16 | 14 | 0 | 0 | No | 7 | 10 |
| Guo Dechun | No | 16 | 16 | 16 | 13 | 0 | 0 | No | 10 | 10 |
| Zhao Qingchun | No | 16 | 16 | 16 | 14 | 0 | 0 | No | 7 | 10 |
| Guo Jun | No | 16 | 16 | 16 | 14 | 0 | 0 | No | 7 | 10 |
| Kong Xiangguo | Yes | 15 | 15 | 15 | 12 | 0 | 0 | No | 7 | 7 |
| Cai Chang | Yes | 3 | 3 | 3 | 2 | 0 | 0 | No | 0 | 0 |
| Poon Chiu Kwok | Yes | 9 | 9 | 9 | 7 | 0 | 0 | No | 4 | 4 |
| Qi Anbang | Yes | 16 | 16 | 16 | 15 | 0 | 0 | No | 1 | 10 |
| Wang Lijie (resigned) | Yes | 1 | 1 | 1 | 1 | 0 | 0 | No | 0 | 3 |
| Jia Shaohua (resigned) | Yes | 13 | 13 | 13 | 11 | 0 | 0 | No | 9 | 10 |
| Wang Xiaojun (resigned) | Yes | 7 | 7 | 7 | 6 | 0 | 0 | No | 6 | 9 |
| Times of Board meetings held during the reporting year | | | | | | | 16 | | | |
| of which: Site meetings | | | | | | | 3 | | | |
| Meetings via telecommunication | | | | | | | 13 | | | |
| Site meetings combined with telecommunication | | | | | | | 2 | | | |

(II) Independent Directors' Opposing Opinions against Relevant Matters of the Company

Not Applicable.

(III) Others

Not Applicable.

IV. DISCLOSURES ON OPPOSING OPINIONS GIVEN BY THE COMMITTEES TO THE BOARD DURING THE REPORTING PERIOD, IF ANY

Not Applicable.

V. RISKS IDENTIFIED BY THE SUPERVISORY COMMITTEE OF THE COMPANY

During the reporting period, all Supervisors of the Company have, in accordance with the Company Law, the Articles and the Working Rules of the Supervisory Committee, faithfully performed their duties, safeguarded the rights and interests of the Company and all its shareholders and carried out works under principle of good faith.

The Supervisory Committee of the Company had no objections to the supervisory items during the reporting period, and confirmed no risks existing in the company during the reporting period.

VI. THE COMPANY'S SEPARATE BUSINESS, PERSONNEL, ASSETS, ORGANIZATION AND FINANCE FROM ITS CONTROLLING SHAREHOLDERS

Not Applicable.

RELEVANT SOLUTION, WORK SCHEDULE AND FOLLOW-ON WORK PLAN ON CONTROLLING SHAREHOLDERS WITH HORIZONTAL COMPETITION

Not Applicable.

VII. THE ESTABLISHMENT AND IMPLEMENTATION OF THE APPRAISAL AND MOTIVATION SYSTEM FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD

The Company has adopted an appraisal and motivation system combined annual remuneration, risk control and special contribution award in the senior management, which links the assessment results of the senior management with the economic and operational achievement of the Company. In accordance with the relevant operation indicators and management standards, the Company assesses, rewards or penalizes the performance and efficiency of the senior management. Pursuant to the completion of the operation indicators of the senior management and the results of the assessment, the Company would pay the remuneration to the senior management for the year 2017.

VIII. RISK MANAGEMENT AND INTERNAL CONTROL

In accordance with the domestic and overseas listing regulatory requirements, the Company formulated the Design and Applications on Internal Control of Yanzhou Coal in 2006, establishing an effective operating internal control system.

In 2011, in accordance with the relevant requirements under the “General Rules on Internal Control for Enterprises” and the “Supporting Guidelines of Internal Control for Enterprises” jointly issued by five ministries including Ministry of Finance, and the regulatory requirements of places where the Company is listed, the Company has made arrangements regarding internal control procedures and systems to itself, its subordinated departments and subsidiaries, and their businesses. On the basis of 18 provisions in the Supporting Guidelines of Internal Control, seven new provisions on production, inventory, taxation, legal affairs, etc., were added according to the practical conditions of the Company, which further improved and strengthened the internal control system.

The Board and its subordinate special committees are responsible for the establishment and effective implementation of internal control system; the Supervisory Committee is responsible for supervision of the internal control system established and implemented by the Board; the management is responsible for the organization and management of the daily operation of internal control.

The Board has assessed the effectiveness of the Company’s internal control system once a year since 2007. At the eleventh meeting of the seventh session of the Board held on 23 March 2018, the Board made an assessment on the effectiveness of the internal control systems of the Company for the year 2017. The Board considered that the internal control system of the Company is sound and has been implemented effectively and no major defect was found in the design of the internal control or its implementation.

The report of self-evaluation on internal control of the Company was posted on the Shanghai Stock Exchange website, the Hong Kong Stock Exchange website and the Company’s website.

The company has formulated the *Comprehensive Risk Management Method*, and established comprehensive risk control mechanisms. The Company conducts comprehensive risk identification and assessments within the Company and its subsidiaries, and issues the *Annual Risk Assessment Report* and *Annual Risk Management Report*; regarding to the identified major risks, the Company sets up realistic risk management strategies and responding solutions, summarizes the management and control situations regularly, and compiles the management and control reports. Through the identifications, assessments, responses, implementation and evaluations, the Company achieved the whole process closed-loop management of major risks.

The Board is responsible for the risk management and internal control systems mentioned above, and for review the effectiveness of those systems. The Board has further clarified that the systems mentioned above are designated to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable rather than absolute assurance against material misrepresentation or loss.

IX. EXPLANATION ON INTERNAL CONTROL IN AUDIT REPORT

The Company has appointed domestic annual auditing accountants since 2013 to make a review and assessment on whether the internal control of the financial statements complied with the domestic regulatory requirements and the efficiency of internal control operation.

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The Company appointed Shine Wing Certified Public Accountants (special general partnership) to make a review and assessment of the efficiency of internal control of the 2017 financial statements. Shine Wing Certified Public Accountants considered that on 31 December 2017, in accordance with the requirements of General Rules on Internal Control for Enterprises and relevant regulations, the Company maintained efficient internal control of financial statement in all material aspects.

The audit report of the internal control of the 2017 financial statement report issued by the domestic registered auditing accountants was posted on the Shanghai Stock Exchange website, the Hong Kong Stock Exchange website and the Company's website.

X. OTHERS

CORPORATE GOVERNANCE REPORT (PREPARED IN ACCORDANCE WITH THE HONG KONG LISTING RULES)

(I) Compliance with Corporate Governance Practices

The Group has set up a relatively regulated and stable corporate governance system and has abided by the corporate governance principles of transparency, accountability and protection of the rights and interests of all Shareholders.

The Board believes that good corporate governance is important to the operation and development of the Group. The Group has established reporting mechanism to all Directors so as to ensure Directors are all informed of its business, and believed that the regular Board meetings held are efficient communication ways for non-executive Directors to make full and open discussion on the Group's business. The Board regularly reviews corporate governance practices to ensure the Company's operation is in compliance with the laws, regulations and supervisory rules of the places where the Company is listed, and consistently endeavors to implement a high standard of corporate governance.

The corporate governance rules implemented by the Group include, but not limited to the followings: the Articles, the *Rules of Procedures for Shareholders' General Meeting*, the *Rules of Procedures for the Board of Directors*, the *Rules of Procedures for Supervisory Committee*, the *Work Policy of the Independent Directors*, the *Rules for Disclosure of Information*, the *Rules for the Approval and the Disclosure of Connected Transactions of the Company*, the *Rules for the Management of Relationships with Investors*, the *Code for Securities Transactions of the Management*, the *Standard of Conduct and Professional Ethics for Senior Employees*, the *Measures on the Establishment of Internal Control System* and the *Measures on Overall Risk Management*. For the year ended 31 December 2017 and as of the disclosure date of this annual report, the corporate governance rules and practices of the Group are compliant with the principles and the code provisions set out in the Corporate Governance Code (the "Code") contained in the Hong Kong Listing Rules. The Group's corporate governance performance also meets the requirements of the Code.

The following are the major aspects of the corporate governance practice adopted by the Group:

- To actively carry forward the development of the special committees to the Board. Besides the requirement to establish the audit committee to the Board (the "Audit Committee"), the remuneration committee to the Board (the "Remuneration Committee") and the nomination committee to the Board (the "Nomination Committee") as set out in the Code, the Company also established the strategy and development committee to the Board (the "Strategy and Development Committee"). All these committees were entrusted with detailed responsibilities;

- To formulate more stringent provisions in the Code for Securities Transactions of the Management, and the Standard of Conduct and Professional Ethics of the Senior Employees than those of the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”);
- To establish an internal control system in accordance with the Guidance on Internal Control for Listed Companies issued by the Shanghai Stock Exchange, General Rules on Internal Control jointly issued by five ministries including the Chinese Ministry of Finance and the provisions under the Code. The standards of the internal control system are more detailed than those of the Code;
- To announce the evaluation conclusions of the Board and auditors in relation to the effectiveness of internal control of the Company for the year 2017.

(II) Securities Transactions of Directors and Supervisors

Having made inquiries with all the Directors and Supervisors, the Directors and Supervisors have strictly complied with the Model Code and the Code for Securities Transactions of the Management of the Company during the reporting period.

On 21 April 2006, the Code for Securities Transactions of the Management was approved at the fifth meeting of the third session of the Board. On 23 April 2010, the Code for Securities Transactions of the Management was amended at the fourteenth meeting of the fourth session of the Board. On 13 February 2018, the Management System of Securities Held and Transacted by Directors, Supervisors, Senior Management and Insiders was approved at the tenth meeting of the seventh session of the Board. The relevant requirements relating to the securities transactions under the PRC domestic and overseas laws, regulations and supervisory requirements are included in the Code for Securities Transactions of the Management, which is drafted based on the Model Code, but is more stringent than the Model Code.

(III) Board of Directors

As at the disclosure date of this annual report, the Board comprises eleven Directors including four independent non-executive Directors. The names, appointments and resignations of the Directors are set out in the section headed “Chapter 8 Directors, Supervisors, Senior Management and Employees” in this annual report.

The duties and authorities of the Board and the senior management team have been stipulated in details in the Articles.

The Board is mainly responsible for making strategic decisions for the Company and the supervision of operations of the Company and its management team. The Board primarily has the powers to decide on operation plans and investment policy, to formulate the policy for financial decision and distribution of profits, to implement and review the internal control system, to execute the duty of corporate governance and to confirm the management organization and the basic management system of the Company, etc.

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The management team of the Company is mainly responsible for the operation and management of the production of the Company and shall exercise the following functions and powers: to be in charge of the operation and management of the Company's production; to organize the implementation of the resolutions of the Board; to organize the implementation of the Company's annual business plan and investment proposal; to draft plans for the Company's internal management organization; to draft the Company's basic management system; to protocol a package of staff's salaries, benefits, awards and penalties, and to decide the appointment and dismissal of the staff of the Company, etc.

The Company has received from each of the independent non-executive Directors an annual confirmation concerning his independence pursuant to the Hong Kong Listing Rules. The Company confirms that all of the four independent non-executive Directors comply with the qualification requirements of independent non-executive Directors as required under the Hong Kong Listing Rules.

The Directors are responsible for preparing the Company's financial accounts as a true and fair reflection of the Company's financial situation, operating results and cash flows for the relevant accounting period.

Since 2008, the Company has purchased liability insurance for the Directors, Supervisors and senior management of the Company and its subsidiaries every year.

(IV) Board Meetings and Director's Training

According to the Articles and the *Rules of Procedures for the Board of Directors*, all Directors are entitled to propose matters to be included in the agenda for Board meetings. The Company delivered the meeting notice to the Directors fourteen days before an ordinary Board meeting or three days before an extraordinary Board meeting; circulated the agenda and information for discussion of the meeting to the Directors for their review five days before an ordinary Board meeting or three days before an extraordinary Board meeting; kept detailed minutes of the matters considered and the decisions formed by each Director in the meetings; sent the draft versions and the final versions of the minutes of Board meetings to all Directors for their comments and records respectively within a reasonable time after the Board meetings were held. Each Director is entitled to inspect the minutes of Board meetings kept by the Company at any reasonable time.

The Board and each Director has independent channels to communicate with the senior management of the Company. Any of the Directors is entitled to inspect the files and relevant documents of the Board.

The Company has set up a special institution under the Board, through which all Directors are able to access the services of the Secretary to the Board. The Board is entitled, at the Company's expense, to seek independent professional advice for its Directors in appropriate circumstances. When the Board reviews connected transactions, any connected Director would abstain from voting on such transactions.

For the year ended 31 December 2017, sixteen Board meetings were held. For the Directors' attendance at the Board meetings and the Shareholders' general meetings, please refer to the section headed "Performance of Directors" in this chapter.

All the Directors were involved in the continued professional development to strengthen their knowledge and skills and make greater contributions to the Board.

The trainings of Directors during the reporting period are as follows:

| Name | Training |
|---------------|---|
| Zhao Qingchun | attended the 2017 second training for chief financial officer of listed companies held in Hefei, Anhui from 23 May 2017 to 25 May 2017. attended the training for 2017 annual report disclosure and audit of Shandong listed companies held in Jinan, Shandong on 1 December 2017. |
| Wu Xiangqian | attended the third training for chairman of the board and general manager organized by the China Association for Public Companies held in Beijing from 25 May 2017 to 26 May 2017. |

During the reporting period, all Directors of the Company have participated in the business trainings organized by domestic and overseas legal consultants and annual audit accountants, through which, they have learned about the updates on listing rules for domestic listed company and overseas listed company, accounting standards and other supervision regulations, and have continuously improved their working capabilities.

(V) Chairman and Chief Executive Officer

Mr. Li Xiyong serves as the chairman of the Board of the Company (the “**Chairman**”), and Mr. Wu Xiangqian is the general manager of the Company (the “**General Manager**”). The authorities and responsibilities of the Chairman and the General Manager are clearly divided. Details of such authorities and responsibilities of the Chairman and the General Manager are documented in the Articles.

The duties of the Chairman of the Board include, but are not limited to, (1) to ensure the efficient operation of the Board; (2) to check on the implementation of resolutions passed by the Board; (3) to formulate and continuously improve the corporate governance rules and procedures; (4) to convene and preside over meetings of the Board and ensure that all Directors are properly informed of the current issues and timely acquire complete, accurate and sufficient information at the Board meetings and have sufficient opportunities to speak and express different opinions; (5) to ensure the constructive relationship and efficient communications between the Company and investors, executive Directors and non-executive Directors.

In 2017, the Chairman and non-executive Directors (including Independent Non-executive Directors) held a meeting without the presence of Executive Directors.

(VI) Non-Executive Directors

Each of the non-executive Directors has entered into a service contract with the Company. Pursuant to the Articles, the term of office of the members of the Board (including the non-executive Directors) is three years. The members of the Board can be reappointed consecutively after the expiry of the term. However, the term of reappointment of independent non-executive Directors cannot exceed six years.

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The duties of the non-executive Directors include, but are not limited to, the followings:

- to participate in the Board meetings of the Company, provide independent advice on matters involving strategy, policy, performance of the Company, accountability, resources, main appointments and codes of conduct;
- to play a leading and guiding role in the event of potential conflicts of interest;
- to act as members of the Audit Committee, Remuneration Committee, Nomination Committee and Strategy and Development Committee;
- to scrutinize whether the performance of the Company achieves its objectives and targets, supervise and report the performance of the Company.

(VII) Performance of Committees to the Board

As approved at the first meeting of the seventh session of the Board held on 29 June 2017, the Company set up the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy and Development Committee of the seventh session of the Board. All of the special committees to the Board formulate the terms of reference which set out the role, composition and responsibilities of each committee. During the reporting period, every committee performed its duties in compliance with the terms of reference strictly.

As the Company has not established a corporate governance committee, the Board is responsible for matters in relation to corporate governance, including (1) to develop and review the Company's policies and practices on corporate governance; (2) to review and monitor the training and continuous professional development of directors and senior management; (3) to review and monitor the Company's policies and practices in relation to their compliance with legal and regulatory requirements; (4) to formulate, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and (5) to review the Company's compliance with the Corporate Governance Code of the stock exchange on which the Company's securities are listed and disclosure in the Corporate Governance Report.

Audit Committee to the Board

The Audit Committee comprises four independent Directors, namely Mr. Cai Chang, Mr. Kong Xiangguo, Mr. Poon Chiu Kwok, Mr. Qi Anbang and one Employee Director Mr. Guo Jun. Mr. Cai Chang serves as the chairman of the Audit Committee.

The Audit Committee's main responsibilities include recommending the appointment or replacement of external auditor, reviewing the accounting policy, financial information disclosure and financial reporting procedures, and reviewing financial monitor and control system, internal control system and risk management system of the Company.

During the reporting period, the Audit Committee conscientiously fulfilled the responsibilities specified in the Terms of Reference of the Audit Committee and conducted various tasks in a strict and regulated manner. The Audit Committee already reviewed the interim results of the Company for the first half of 2017 and the final results of the Company for the year 2017, and also examined the effectiveness of the risk management and the

Chapter 09 Corporate Governance

internal control system of the Group for the year 2017. The examination covered financial control, operational control, compliance control and all other material aspects under control. The Audit Committee considered that the risk management and the internal control system of the Group is effective and adequate.

During the reporting period, the Audit Committee held four meetings. Details are as follows:

| Date | Main Topic | Member | Present |
|------------------|---|--|-----------------------|
| 23 February 2017 | Shine Wing Certified Public Accountants, SHINEWING (HK) CPA Limited and Grant Thornton reported to the Audit Committee of the Board on the pre-audit matters of the 2016 annual report in written form. | Jia Shaohua Wang Lijie Wang Xiaojun Qi Anbang Guo Jun | √ √ √ √ √ |
| 24 March 2017 | Shine Wing Certified Public Accountants, SHINEWING (HK) CPA Limited and Grant Thornton communicated with the Audit Committee of the Board on the audit matters for the year 2016; Reviewed the 2016 Financial Statements of the Company | Jia Shaohua Kong Xiangguo Wang Xiaojun Qi Anbang Guo Jun | √ √ √ √ √ |
| 24 August 2017 | Shine Wing Certified Public Accountants, SHINEWING (HK) CPA Limited made report and communications regarding the problems found for the 2017 interim period. | Jia Shaohua Kong Xiangguo Poon Chiu Kwok Qi Anbang Guo Jun | √ √ √ √ √ |
| 17 January 2018 | Shine Wing Certified Public Accountants, SHINEWING (HK) CPA Limited reported to the Audit Committee of the Board on the pre-audit matters of the 2017 annual report. | Cai Chang Kong Xiangguo Poon Chiu Kwok Qi Anbang Guo Jun | √ √ √ √ √ |

Note: As considered and approved by the twenty-ninth meeting of the sixth session of the Board held on 10 March 2017, Mr. Kong Xiangguo was elected as the member of the Audit Committee of the sixth session of the Board. As considered and approved by the first meeting of the seventh session of the Board held on 29 June 2017, Mr. Jia Shaohua, Mr. Kong Xiangguo, Mr. Poon Chiu Kwok, Mr. Qi Anbang and Mr. Guo Jun were elected as the members of the Audit Committee of the seventh session of the Board. Mr. Jia Shaohua served as the chairman of the Audit Committee. As considered and approved by the seventh meeting of the seventh session of the Board held on 27 November 2017, Mr. Cai Chang was elected as a member of the Audit Committee of the seventh session of the Board. Mr. Cai Chang served as the chairman of the Audit Committee.

On 17 January 2018, the Audit Committee convened a meeting to discuss the Company's 2017 annual review schedule with ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited to discuss the 2017 financial report preparation plan and supervise the accounting affairs. The 2017 annual audit report is submitted within the agreed time frame.

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On 26 February 2018, the Audit Committee requested the Audit Risk Department and the Financial Management Department to urge the auditing accountants to submit audit reports as soon as possible.

On 21 March 2018, the Audit Committee convened a special meeting to hear major issues and suggestions for improvement in the 2017 Annual Report audit conducted by ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited. The report shall be voted and the resolution shall be submitted to the board of directors for review.

Remuneration Committee to the Board

The Company established the Remuneration Committee to the Board (the “**Remuneration Committee**”). The seventh session of Remuneration Committee is comprised of three members, namely Mr. Qi Anbang, Mr. Poon Chiu Kwok and Mr. Guo Jun. Mr. Qi Anbang serves as the chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for formulating remuneration policies for the Directors, Supervisors and senior management, and recommending to the Board the remuneration plans for the Directors, Supervisors and senior management.

1. The Assessment and Payment of the Remuneration of the Directors, Supervisors and Senior Management for 2016

Pursuant to the Proposal on Remuneration for Directors, Supervisors and the Senior Management for the Year 2016, which passed at the seventeenth meeting of the sixth session of the Board held on 29 March 2016, and with reference to the operation results of the Company for the year 2016, the remuneration of the Directors, Supervisors and senior management for 2016 were reviewed and paid in accordance with the relevant procedures.

2. The Review of the Performance of the Directors, Supervisors and Senior Management in 2017

In accordance with relevant domestic and international supervisory regulations, the internal control system of the Company and the Terms of Reference of the Remuneration Committee, the Remuneration Committee has reviewed the remuneration of the Directors, Supervisors and senior management as disclosed by the Company for the year 2017.

Pursuant to the Remuneration Standards and Operation Assessment Methods for the Directors, Supervisors and Senior Management of the Company, and having considered the key financial indicators and the results of the operating objectives for the year 2017, the division of work and the key responsibilities of the Directors, Supervisors and senior management, as well as the performance targets of the Directors, Supervisors and senior management, the Remuneration Committee has reviewed the performance of the Directors, Supervisors and senior management and made comparisons with the requirements of their performance appraisals. The Remuneration Committee believed that:

The Company determined the remuneration standards for the Directors, Supervisors and senior management of the Company for the year in accordance with the unified remuneration management system. The remuneration management system and the assessment and reward measures of the Company are in the interest of the employees of the Company and consistent with the principles of more pay for more work and the linkage with performance.

3. The Review of the Company's Remuneration Disclosure

The Remuneration Committee reviewed the remuneration of the Directors, Supervisors and senior management as disclosed in this annual report and found the disclosure was consistent with the actual payments made. The disclosure of the remuneration of the Directors, Supervisors and senior management complied with the remuneration management system and was not in violation of the remuneration management system nor was it inconsistent with the remuneration management system.

During the reporting period, the Remuneration Committee held one meeting. Details are as follows:

| Date | Main Topic | Members | Present |
|------------------|---|--|-------------|
| 28 February 2018 | 1. discussed and reviewed the Proposal on Remuneration for Directors, Supervisors and Senior Management for the Year 2018; | Qi Anbang Poon Chiu Kwok Guo Jun | √ √ √ |
| | 2. discussed and reviewed the Remuneration Standards and Operation Assessment Target for the Directors, Supervisors and Senior Management | | |

Nomination Committee to the Board

The Nomination Committee is comprised of two independent Directors, namely Mr. Poon Chiu Kwok and Mr. Kong Xiangguo, and Mr. Li Xiyong, the Chairman of the Company. Mr. Poon Chiu Kwok serves as the chairman of the Nomination Committee.

The main duties of the Nomination Committee are: (1) to recommend to the Board on the structure, the number of Directors and the composition of the Board according to the operation, asset scale and share structure of the Company, to realize the diversity of the Board members by considering the related factors including but not limited to gender, age, culture and education background, professional experience, skills and service year, etc., according to the Company's business model and specific needs; (2) to study and formulate the selection criteria and procedures for Directors and senior management, and make relevant recommendations; (3) to extensively identify eligible candidates for the positions of Directors and senior management of the Company, and make relevant recommendations to the Board; (4) to review the candidates for Directors and senior management, and to recommend to the Board on the proposed appointments and the succession plan of Directors and senior management and other relevant matters; (5) to assess the independence of independent non-executive Directors.

Chapter 09 Corporate Governance

During the reporting period, the Nomination Committee held three meetings. The details are as follows:

| Date | Main topic | Member | Present |
|-----------------|---|--|-------------|
| 29 March 2017 | The eighth meeting of the sixth session of the Nomination Committee to the Board reviewed and passed the nomination of Mr. Li Xiyong, Mr. Li Wei, Mr. Wu Xiangqian, Mr. Wu Yuxiang, Mr. Zhao Qingchun and Mr. Guo Dechun as the candidates for non-employee Directors of the seventh session of the Board; Mr. Kong Xiangguo, Mr. Jia Shaohua, Mr. Poon Chiu Kwok and Mr. Qi Anbang as the candidates for independent Directors of the seventh session of the Board. | Wang Xiaojun Li Xiyong Kong Xiangguo | √ √ √ |
| 29 June 2017 | The first meeting of the seventh session of the Nomination Committee to the Board reviewed and passed the nomination of Mr. Wu Xiangqian as the candidate for general manager of the Company; Mr. Liu Jian, Mr. Zhao Honggang, Mr. He Jing as the candidates for deputy general manager of the Company; Mr. Wang Fuqi as the candidate for the chief engineer of the Company; Mr. Zhao Qingchun as the candidate for the chief financial officer of the Company, and Mr. Jin Qingbin as the candidate for secretary to the Board. | Poon Chiu Kwok Li Xiyong Kong Xiangguo | √ √ √ |
| 12 October 2017 | The second meeting of the seventh session of the Nomination Committee to the Board reviewed and passed the nomination of Mr. Cai Chang as the candidate for independent Director of the seventh session of the Board. | Poon Chiu Kwok Li Xiyong Kong Xiangguo | √ √ √ |

Note: As considered and approved by the twenty-ninth meeting of the sixth session of the Board held on 10 March 2017, Mr. Kong Xiangguo was elected as a member of the Nomination Committee of the sixth session of the Board. As considered and approved by the first meeting of the seventh session of the Board held on 29 June 2017, Mr. Poon Chiu Kwok, Mr. Li Xiyong and Mr. Kong Xiangguo were elected as the members of the Nomination Committee of the seventh session of the Board. Mr. Poon Chiu Kwok served as the chairman of the Nomination Committee.

During the reporting period, pursuant to the relevant requirements of the Articles, the Nomination Committee reviewed the structure, the number of Directors and the composition of the Board (including professional skills, knowledge and experience) according to the operation, asset scale and share structure of the Company, and considered that the structure, composition and Directors numbers of the sixth session of the Board were suitable to and consistent with the Company's development strategy; and the independence of the independent non-executive Directors was in compliance with the regulatory requirements.

Strategy and Development Committee to the Board

The members of the Strategy and Development Committee are Director Mr. Li Xiyong, Director Mr. Li Wei, Director Mr. Wu Xiangqian and independent non-executive Director Mr. Qi Anbang. Mr. Li Xiyong serves as the chairman of the Strategy and Development Committee.

The main duties and responsibilities of the Strategy and Development Committee include: (1) to conduct research and propose on the long-term development strategy and significant investment decisions of the Company; (2) to conduct research and propose on the annual strategic development plan and operational plan of the Company; (3) to supervise the implementation of the Company's strategic plan and operational plan; (4) to conduct research and propose on other significant issues affecting the development of the Company.

During the reporting period, the Strategy and Development Committee held one meeting. The details are as follows:

| Date | Main Topic | Member | Present |
|------------------|---|--|------------------|
| 16 December 2017 | Discussed and reviewed the plan of production and operation and the plan of capital investment of the Company for the year 2018 | Li Xiyong Li Wei Wu Xiangqian Qi Anbang | √ √ √ √ |

(VIII) Auditors' Remuneration

The details are set out in the section headed "Appointment and Dismissal of Auditors" of "Chapter 6 Significant Events" in this annual report.

Chapter 09 Corporate Governance

(IX) Company Secretary

As considered and approved by the first meeting of the seventh session of the Board held on 29 June 2017, Mr. Jin Qingbin was appointed as the Secretary to the Board and the Company secretary, and Ms. Leung Wing Han Sharon was appointed as the co-secretary to the Company.

Mr. Jin Qingbin has worked on public company's governance and investor relations management for a long time. He is a senior accountant and senior economist with bachelor of economics and master of MBA. He is competent to the company secretary in the aspects of academics, professional qualification and work experience. Meanwhile, Mr. Jin is the senior management who can well know daily operation so as to make sure the effective communication with the Directors and other senior management and help the Board strengthen corporate governance mechanism construction.

During the reporting period, Mr. Jin participated in the relevant trainings organized by domestic and overseas regulatory authorities such as the CSRC, the Shanghai Stock Exchange and the Hong Kong Institute of Secretaries for more than 15 hours in total.

The authorities and responsibilities of the company secretary are set out in detail in the Articles.

(X) Shareholder's Right

The procedures for Shareholders' proposal to convene a general meeting of Shareholders, for submitting enquires to the Board and for submitting proposals at general meetings have been set out in details in the Articles.

After providing enough contact details, the qualified Shareholders can propose to convene an extraordinary general meeting by the following ways: (1) Shareholders are entitled to propose to the Board to convene an extraordinary general meeting in writing and state the motions of the meeting. Within the prescribed period, the Board shall provide its written decision to the Shareholders. (2) If the Board decides against convening the proposed extraordinary general meeting, the shareholders are entitled to propose to convene the extraordinary general meeting to the Supervisory Committee in writing. (3) If the Supervisory Committee fails to issue a notice of general meeting within the prescribed period, the Supervisory Committee shall be deemed not to convene and hold the meeting. Shareholders may convene and hold the extraordinary general meeting on their own. All reasonable expenses incurred for such extraordinary general meeting convened by Shareholders as a result of the failure of the Board and the Supervisory committee to convene an extraordinary general meeting as required by the above request(s) shall be borne by the Company. The Board and the secretary of the Company should cooperate in organizing and convening the Shareholders' extraordinary general meeting and the relevant matters.

After submitting relevant proof of identities and enough contact details, the Shareholders are entitled to enquire the Board for the inspection of the register of Shareholders, personal information of Directors, Supervisors and senior management, minutes of Shareholders' general meetings, resolutions of the meetings of the Board, resolutions of the meetings of the Supervisory Committee, financial and accounting reports and the copies of the Company's debentures.

The qualified Shareholder(s) may propose special resolutions in writing to the convener 10 days before the Shareholders' general meeting is convened. The convener shall issue a supplementary notice of the general meeting within two days after receiving the proposal to announce the content of the proposal. All Directors, Supervisors and senior management should attend the meeting. Except where trade secrets of the Company are involved, the Board, the Supervisors and the senior management should make an explanation or statement regarding the Shareholders' queries and suggestions.

(XI) Investor Relations

1. *Continuously optimizing the Rules for the Management of Relationships with Investors*

Pursuant to the laws and supervisory regulations of both the domestic and overseas markets where the Company's shares are traded, and based on day-to-day business practices, the Company has developed and enhanced the *Rules for the Management of Relationship with Investors and the Rules for Disclosure of Information* etc. to regulate the management of investor relations by effective information collection, compilation, examination, disclosure and feedback control procedures.

The Company amends and perfects the Articles and other documents from time to time. The details of the amendments are set out in the section headed "Related Information on Corporate Governance" under this Chapter.

2. *Actively communicating with the investors*

The Company always communicates with investors sincerely, adhering to the principles of transparency, equity and justice.

During the reporting period, the Company reported to investors on its business operations and collected opinions and recommendations on the Company from investors and capital market through face-to-face meetings at international and domestic road-shows. In order to facilitate its bidirectional communications with the capital market, the company has actively participated in investment strategy meetings organized by brokers at home and abroad, invited investors for Company site visits and also made full use of the "SSE e-interactive platform", hotlines, faxes and e-mails. The company has had over 890 contacts with analysts, fund managers and investors.

The Company emphasizes greatly on communications with Shareholders through Shareholders' general meetings, and encourages the minority Shareholders to participate in Shareholders' general meetings by various means such as Internet voting. The chairman and vice chairman of the Board, the general manager, the chairman and the vice chairman of the Supervisory Committee, and the relevant Directors, Supervisors and senior management should attend the Shareholders' general meeting. At the Shareholders' meeting, each proposal is submitted separately and all the proposals are voted by poll.

Chapter 09 Corporate Governance

(XII) Information Disclosure

The Company emphasizes on the truthfulness, timeliness, equity, accuracy and transparency of information disclosure and has observed the disclosure requirements set out in the Hong Kong Listing Rules. The Chief Financial Officer shall ensure the financial report and related information disclosed are a true and fair reflection of the Company's business operations and financial status, applying the applicable accounting standards and relevant rules and regulations.

1. *Providing the investors with the information timely and fairly*

The Company has set up standardized and effective information collection, compilation, examination, disclosure and feedback control procedures to ensure that disclosure of information is in compliance with the regulatory requirements of places where the Company's shares are listed, and also to give investors reasonable access to the Company's information. The Company actively considers the needs of investors and strives to enable investors to draw conclusions independently based on the disclosed information.

The Company, through its website, provides investors with up-to-date information of the Company, the improved status of the corporate governance system and the industrial information, realizing the simultaneous disclosure of the Company's extraordinary announcements, periodic reports on the websites of the stock exchanges and the statutory media.

2. *The fair information disclosure of the Company which is listed on four stock markets*

Due to the Company's multiple stock listings domestically and internationally, the Company consistently adheres to the principle of simultaneous and fair disclosure. Therefore, domestic and foreign investors could get timely and fair information on business conditions of the Company and Yancoal Australia.

(XIII) Risk Management and Internal Supervision and Control

The details are set out in the section headed "Risk Management and Internal Control" in this chapter.

(XIV) Directors' Acknowledgment of Their Responsibilities in the Preparation of the Company's Accounts

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31 December 2017 as a true and fair reflection of the Company's financial situation, operating results and cash flows.

Chapter 10

Corporate Bonds

(Financial data listed in this section, according to the Chinese accounting standards)

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: RMB100 million

| Name | Abbreviation | Code | Issue date | Maturity date | Balance | Interest rate | Way to repay capital and interest | Trade place |
|---|--------------------|--------|------------|---------------------------|---------|---------------|--|-------------------------|
| 2012 Corporate Bond of Yanzhou Coal (second tranche) | 12 Yanzhou Coal 04 | 122272 | 2014/3/3 | 2024/3/3 | 30.50 | 6.15% | Interest paid once a year, the entire principal repaid at one time at maturity, the final interest paid together with the principal. | Shanghai Stock Exchange |
| 2012 Corporate Bond of Yanzhou Coal (second tranche) | 12 Yanzhou Coal 03 | 122271 | 2014/3/3 | 2019/3/3 | 19.50 | 5.92% | Interest paid once a year, the entire principal repaid at one time at maturity, the final interest paid together with the principal. | |
| 2012 Corporate Bond of Yanzhou Coal (first tranche) | 12 Yanzhou Coal 02 | 122168 | 2012/7/23 | 2022/7/23 | 40 | 4.95% | Interest paid once a year, the entire principal repaid at one time at maturity, the final interest paid together with the principal. | |
| 2017 Renewable Corporate Bond of Yanzhou Coal (first tranche) | 17 Yanzhou Coal Y1 | 143916 | 2017/8/17 | 2020/8/17 ^{Note} | 50 | 5.70% | If the Company does not exercise deferred payment of interest, the interest will be paid once a year. | |

Note: For the renewable corporate bond, every three interest-bearing years are regarded as one cycle. At the end of each cycle, the Company has the right to choose to extend the term of the current bond by one cycle (that is, by three years) or to repay the principal and interest of the current bond due at maturity in full at the end of the cycle.

Principal and interest payment of corporate bonds

In March 2017, the Company paid back the annual interest of RMB115.4 million for “12 Yanzhou Coal 03” bond, paid back the annual interest of RMB187.6 million for “12 Yanzhou Coal 04” bond. In July 2017, the Company paid back the principal of RMB1 billion for the 2012 Company Bond of Yanzhou Coal (first tranche) (five-year period) (hereinafter referred to as “12 Yancoal 01”, having expired in July 2017) and the annual interest of RMB42 million for “12 Yanzhou Coal 01” bond, paid back the annual interest of RMB198 million for “12 Yanzhou Coal 02” bond.

Other explanation of corporate bond issues

Not applicable.

Chapter 10 Corporate Bonds

II. CONTACT INFORMATION OF CORPORATE BOND TRUSTEE AND CREDIT RATING AGENCY

| | | |
|----------------------|----------------|---|
| Bond trustee | Name | BOC International China Limited (“BOC International”) |
| | Office address | 7/F, No. 110 Xidan North Avenue, Xicheng District, Beijing, PRC |
| | Contact person | He Yinhui |
| | Contact number | 021-20328000 |
| Bond trustee | Name | Ping An Securities Co., Ltd. (“Ping An Securities”) |
| | Office address | Floor 16-20, Rongchao Building, No. 4036 Jintian Road, Futian District, Shenzhen, China |
| | Contact person | Zhou Ziyuan |
| | Contact number | 010-66299579 |
| Credit rating agency | Name | Dagong Global Credit Rating Co., Ltd. |
| | Office address | 29/F, Unit A, Eagle Run Plaza, No.26 Xiaoyun Road, Chaoyang District, Beijing, China |
| Credit rating agency | Name | China Credit Rating Co., Ltd. |
| | Office address | Room 968, Building 1, 599 Xinye Road, Qingpu District |

Other explanation:

The bond trustee for the 2012 corporate bond of Yanzhou Coal Mining Company Limited (first tranche) and the 2012 corporate bond (second tranche) is BOC International, and the credit rating agency is Dagong Global Credit Rating Co., Ltd.

The bond trustee of the renewable corporate bonds of Yanzhou Coal Mining Company Limited (first tranche) in 2017 is Ping An Securities, and the credit rating agency was China Credit Rating Co., Ltd.

III. USE OF PROCEEDS BY CORPORATE BONDS

The 2012 corporate bond (first tranche) and the 2012 corporate bond (second tranche) of Yanzhou Coal Mining Company Limited issued proceeds of RMB5 billion (before deducting issuing expenses), respectively, with RMB10 billion funds raised in total. The whole proceeds were used to replenish working capital including technical improvement for old mines, construction on new mines, coal mining, procurement and repair for preparation equipment, and the continuous input to ensure the safety production of coal mines. The utilization and use plan keep consistent with the prospectus.

The bond balance at the end of the year of 2012 corporate bond (first tranche) of Yanzhou Coal Mining Company Limited was RMB4 billion. The bond balance at the end of the year of 2012 corporate bond (second tranche) of Yanzhou Coal Mining Company Limited was RMB5 billion.

The Company publicly issued 2017 renewable corporate bonds (first tranche) to issue raised capital of RMB5 billion (before deducting issuing expenses). The funds raised were used to repay the due debts and replenish the working capital, including the technical transformation of old mines, the construction of new mines, the procurement and maintenance of coal mining and washing equipment, and the continuous investment needed to ensure the safe production of coal mines. It is consistent with the purpose of fund raising and use plan promised by the prospectus.

The balance of the 2017 renewable corporate bond of Yanzhou Coal (first tranche) is RMB5 billion.

IV. INFORMATION OF CREDIT RATING OF CORPORATE BOND

1. On 20 April 2017, the track ratings made by Dagong Global Credit Rating Co., Ltd. based on the conditions of the Company during the reporting period were as follows: the long-term credit rating to the Company remains AAA and the rating is expected to remain stable; the credit ratings to 12 Yanzhou Coal 01, 12 Yanzhou Coal 02, 12 Yanzhou Coal 03 and 12 Yanzhou Coal 04 remain AAA. The relevant information was published on the website of the Shanghai Stock Exchange and the website of the Company on 19 May 2017 respectively.
2. During the reporting period, the bond rating of 2012 corporate bond (first tranche) and 2012 corporate bond (second tranche) of Yanzhou Coal Mining Company Limited remain AAA without any change, which indicates that the risk of bonds unable to repay at maturity is very small.
3. On 7 August 2017, China Credit Rating Securities Rating Co., Ltd. issued the following issuance ratings for renewable bonds according to the Company's situation: The Company has a credit rating of AAA, and the rating outlook is stable; this bond's credit rating is AAA.

V. CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT SCHEME AND OTHER RELEVANT INFORMATION OF CORPORATE BONDS DURING THE REPORTING PERIOD

During the reporting period, credit enhancement mechanism, debt payment scheme and other debt payment supporting measures have not changed.

1. Guarantee

On 2 January 2012, the board of directors of Yankuang Group approved that, Yankuang Group, the controlling shareholder of the Company, to provide an irrevocable, unconditional and joint liability guarantee for the full amount of 2012 corporate bond (first tranche) and 2012 corporate bond (second tranche) of Yanzhou Coal.

Key financial data and indicators of Yankuang Group (unaudited financial data) are as follows:

Unit: RMB10 thousand

| | 31 December 2017 | 31 December 2016 |
|--|---------------------|---------------------|
| Net assets | 7,140,689 | 5,672,980 |
| Liability to asset ratio | 73.74% | 74.9% |
| Return rate on net assets | 2.31% | 2.54% |
| Current ratio | 1.20 | 0.89 |
| Liquidity ratio | 0.91 | 1.21 |
| Credit status of guarantor | AAA | AAA |
| Accumulative balance of external guarantee | 255,000 | 510,000 |
| Accumulative balance of external guarantee to net assets ratio | 3.57% | 8.99% |

2. Debt repayment scheme

The value date of 12 Yanzhou Coal 02 is on 23 July 2012. Bond interest will be paid once a year within the duration from the value date. The payment date of 12 Yanzhou Coal 02 for the previous interest year from 2012 to 2022 is in 23 July (extended accordingly when it is official holiday or rest day, hereinafter inclusive). The maturity date of 12 Yanzhou Coal 02 is on 23 July 2022. The principal and the interest for the final tranche should be paid on the maturity date.

The value date of 12 Yanzhou Coal 03 is on 3 March 2014. Bond interest will be paid once a year within the duration from the value date. The payment date of 12 Yanzhou Coal 03 for the previous interest year from 2015 to 2019 is in 3 March (extended accordingly when it is official holiday or rest day, hereinafter inclusive). The maturity date of 12 Yanzhou Coal 03 is on 3 March 2019. The principal and the interest for the final tranche should be paid on the maturity date.

The value date of 12 Yanzhou Coal 04 is on 3 March 2014. Bond interest will be paid once a year within the duration from the value date. The payment date of 12 Yanzhou Coal 04 for the previous interest year from 2015 to 2024 is on 3 March (extended accordingly when it is official holiday or rest day, hereinafter inclusive). The maturity date of 12 Yanzhou Coal 04 is on 3 March 2024. The principal and the interest for the final tranche should be paid on the maturity date.

The payment of principal and interest for 2012 corporate bond (first tranche) and 2012 corporate bond (second tranche) of Yanzhou Coal Mining Company Limited will be conducted by bond registration and depository institution and relevant organizations. The payment details will be explained in the announcement issued through the media designated by the Company in CSRC according to relevant requirements.

The value date of 17 Yanzhou Coal Y1 is on 17 August 2017. If the Company does not exercise deferred payment of interest, the bond pays interest once a year for the duration of the bond, and on 17 August of each year during the duration (in case of statutory holidays or rest days, it is postponed to the first trading day) is the interest payment date of the last interest-bearing year; if the Company chooses to extend the term of the bond during the renewal option exercise year, the term of the bond is extended from the interest payment date of the year on which the interest is paid in the cycle, if the Company chooses to pay the bond in full during the renewal option exercise year, the interest payment year of the interest-bearing year is the date on which the bond is redeemed.

3. Debt repayment supporting plan

During the reporting period, the plans and measures for debt repayment supporting were coincident with the prospectus, including:

(1) establish specialized team for debt payment; (2) ensure that the fixed fund is used for its specified purpose only; (3) give full play to the role of bond trustee; (4) formulate the rules for bondholders' meeting; (5) disclose the information strictly; (6) in case that the Company cannot pay back the principal and interests of this bond in time, the Company undertakes to take the following measures to effectively protect the interest of bondholders: ① don't distribute profits to shareholders; ② postpone the implementation of significant external investment, merger and acquisition and other capital expenditure projects; ③ reduce or suspend the salaries and bonuses for directors and senior management; ④ main responsibility person cannot be transferred.

4. Special account for debt payment

The Company didn't set up the special account for debt repayment.

Chapter 10 Corporate Bonds

VI. BONDHOLDERS' MEETING

During the reporting period, there was no bondholders' meeting.

VII. PERFORMANCE OF DUTIES BY BOND TRUSTEE

1. The Company and BOC International entered into the Agreement on Bond Entrusted Management in January 2012, according to which, BOC International was appointed as the trustee of the 2012 Corporate Bond (first tranche) and 2012 Corporate Bond (second tranche) issued by the Company. During the reporting period, reports on entrusted management businesses have been disclosed by BOC International and posted on the website of the Shanghai Stock Exchange.
2. The Company and Ping An Securities entered into the "Bond Trusteeship Agreement" in August 2017. Ping An Securities was appointed as the trustee of the 2017 Renewable Corporate Bonds (the first tranche) of the Company.

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE TWO YEARS PRECEDING THE END OF THE REPORTING PERIOD

Unit: RMB10 thousand

| Main Indicators | 2017 | 2016 | Increase/Decrease for the period compared |
|------------------------------|-----------|-----------|--|
| | | | with that of the same period of previous year (%) |
| EBITDA | 2,428,949 | 1,330,315 | 82.58 |
| Current ratio | 1.05 | 0.86 | 22.09 |
| Liquidity ratio | 0.94 | 0.78 | 20.51 |
| Liability to asset ratio (%) | 60.35 | 65.87 | decreased 5.52 percentage point |
| Total debt to EBITDA ratio | 4.84 | 7.58 | -36.15 |
| Interest cover ratio | 3.81 | 2.48 | 53.63 |
| Cash interest cover ratio | 5.05 | 3.21 | 57.32 |
| EBITDA interest cover ratio | 5.09 | 4.26 | 19.48 |
| Loan repayment rate (%) | 100.00 | 100.00 | 0 |
| Interest coverage (%) | 100.00 | 100.00 | 0 |

IX. PRINCIPAL AND INTEREST PAYMENT OF OTHER BONDS AND FINANCING INSTRUMENTS OF THE GROUP DURING THE REPORTING PERIOD

The Company paid the principal and interest of the USD bonds for a term of 5 years and for a term of 10 years, respectively issued in 2012, the USD perpetual bonds issued in 2017 and eight tranches of the super-short-term notes issued in the reporting period on schedule without the default.

X. BANK CREDIT STATUS OF THE GROUP DURING THE REPORTING PERIOD

As at 31 December 2017, the total bank credit facility of the Group was RMB113.377 billion, of which, RMB60.677 billion has been used, RMB52.7 billion remained unused. In 2017, the Company repaid the principal and interest of bank loan amounting to RMB18.4283 billion on schedule.

Save as disclosed above, there were no extension, drawdown and default during the reporting period.

XI. PERFORMANCE OF THE RELEVANT AGREEMENT OR COMMITMENT IN BOND PROSPECTUS DURING THE REPORTING PERIOD

The Company strictly performed the relevant agreement and fulfilled the commitment of prospectus without any default. There was no matter occurred that may affect the safety of investor's funds.

XII. EFFECT ON OPERATIONS AND DEBT PAYING ABILITY OF THE COMPANY BY SIGNIFICANT EVENTS

For the information on significant events and latest progress of the Company, please refer to the section headed "Significant Events" in this annual report.

The abovementioned significant events had no great effects on the Company's operation and didn't influence the Company's debt payment ability to investors as the Company operates stably and has smooth financing channel.

Independent Auditor's Report



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS of YANZHOU COAL MINING COMPANY LIMITED
(A joint stock company with limited liability established in the People's Republic of China)

OPINION

We have audited the consolidated financial statements of Yanzhou Coal Mining Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 154 to 285, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the “Code”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

RECOVERABILITY OF BILLS AND ACCOUNTS RECEIVABLES

Refer to note 18 to the consolidated financial statements.

The key audit matter

We have identified impairment of bills and accounts receivables as a key audit matter because the estimations of provisions are based on a significant degree of management judgement and may be subject to management bias.

The conclusions are dependent upon management's judgement in assessing the ultimate realisation of these receivables.

How the matter was addressed in our audit

Our procedures were designed to review the management's impairment assessment process and challenge the reasonableness of the methods and assumptions used in estimating the impairment of bills and accounts receivables.

We have challenged the assumptions and critical judgment used by the management by assessing the reliability of the management's past estimates and taking into account the ageing of receivables at year end, settlements received after year end and the recent creditworthiness of each material debtor.

VALUATION AND IMPAIRMENT OF INTANGIBLE ASSETS

Refer to note 23 to the consolidated financial statements.

The key audit matter

We have identified the impairment of intangible assets as a key audit matter because of its significance to the consolidated financial statements and because the Group's assessment of impairment of intangible assets is a judgmental process which requires estimates concerning the forecast future cash flows associated with the assets in determining the recoverable amount.

The selection of valuation model, adoption of key assumptions and input data may be subject to management bias and changes in these assumptions and inputs to the valuation model may result in significant financial impact.

How the matter was addressed in our audit

Our procedures were designed to evaluate the management's impairment assessment process and to challenge the reasonableness of the selection of valuation model, adoption of key assumptions and input data by reference to the historical information and internal forecasts, together with market and other externally available information and sensitivity analysis.

We have also considered the overall reasonableness of these forecasts.

Besides, we have also challenged the management's assessment on the appropriateness of the useful lives and the amortisation rate used, and considered the potential impact of reasonably possible downside changes in these key assumptions.

Chapter 11 Independent Auditor's Report

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Refer to note 24 to the consolidated financial statements.

The key audit matter

We have identified the impairment of property, plant and equipment as a key audit matter because of its significance to the consolidated financial statements of the Group and the Group's assessment of impairment of property, plant and equipment is a judgemental process which requires estimates concerning the forecast future cash flows associated with the assets in determining the recoverable amount.

The selection of valuation model, adoption of key assumptions and input data may be subject to management bias and changes in these assumptions and input to the valuation model may result in significant financial impact.

How the matter was addressed in our audit

Our procedures were designed to evaluate management's impairment assessment process and to challenge the reasonableness of the selection of valuation model, adoption of key assumptions and input data by reference to the historical information and internal forecasts, together with market and other externally available information and sensitivity analysis.

We have also considered the overall reasonableness of these forecasts.

IMPAIRMENT ASSESSMENT ON GOODWILL

Refer to note 25 to the consolidated financial statements.

The key audit matter

We have identified the impairment of goodwill as a key audit matter because of its significance to the consolidated financial statements and because the Group's assessment of impairment of goodwill is a judgemental process which requires estimates concerning forecast future cash flows expected to arise from cash-generating unit and a suitable discount rate in order to derive the value in use.

The selection of valuation model, adoption of key assumptions and input data may be subject to management bias and changes in these assumptions and input to the valuation model may result in significant financial impact.

How the matter was addressed in our audit

Our procedures were designed to evaluate management's impairment assessment process and challenge the reasonableness of the selection of valuation model, adoption of key assumptions and input data by reference to the historical information and internal forecasts, together with other externally available information and sensitivity analysis.

We have also considered the overall reasonableness of these forecasts.

ACQUISITION OF SUBSIDIARIES

Refer to note 48(A) to the consolidated financial statements.

The key audit matter

On 1 September 2017, the Group acquired the entire equity interests in Coal & Allied Industries Limited ("C&A") at a consideration of approximately RMB18.06 billion. Such acquisition was accounted for as a business combination using the acquisition accounting and resulted in a gain on bargain purchase of RMB896.9 million.

We had identified the acquisition of C&A as a key audit matter in view of the significance to the Group and the involvement of significant degree of judgements and estimates made by the directors of the Company in assessing the fair value of the consideration, and identifiable assets and liabilities as at the date of acquisition.

How the matter was addressed in our audit

Our procedures were designed to challenge the management's assessment process, including the judgements and estimates adopted in identifying identifiable assets and liabilities and the fair values of consideration, and assets and liabilities acquired.

We have also challenged the reasonableness of the methodologies adopted, key assumptions and input data used in the estimation of the fair values against available information.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Chapter 11 Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lau Kai Wong.

Chapter 12

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

| | NOTES | 2017 RMB'000 | 2016 RMB'000 |
|--|-------|---------------------|---------------------|
| Gross sales of coal | 7 | 48,471,820 | 29,295,367 |
| Railway transportation service income | | 302,896 | 287,355 |
| Gross sales of electricity power | | 563,131 | 572,522 |
| Gross sales of methanol | | 3,108,921 | 2,445,689 |
| Gross sales of heat supply | | 22,583 | 12,399 |
| Gross sales of equipment manufacturing | | 202,754 | 659,100 |
| Total revenue | | 52,672,105 | 33,272,432 |
| Transportation costs of coal | 7 | (2,430,124) | (1,810,092) |
| Cost of sales and services provided | 8 | (28,347,652) | (19,123,956) |
| Cost of electricity of power | | (570,654) | (473,891) |
| Cost of methanol | | (2,244,072) | (1,851,761) |
| Cost of heat supply | | (12,755) | (5,796) |
| Cost of equipment manufacturing | | (151,443) | (542,948) |
| Total cost of sales | | (33,756,700) | (23,808,444) |
| Gross profit | | 18,915,405 | 9,463,988 |
| Selling, general and administrative expenses | 9 | (9,259,124) | (7,788,733) |
| Share of profits of associates | | 682,948 | 708,368 |
| Share of profits (losses) of joint ventures | | 172,529 | (10,366) |
| Other income and gains | 10 | 4,021,887 | 2,822,871 |
| Finance costs | 11 | (3,255,404) | (2,501,016) |
| Profit before tax | 13 | 11,278,241 | 2,695,112 |
| Income tax expenses | 12 | (2,714,654) | (816,908) |
| Profit for the year | | 8,563,587 | 1,878,204 |
| Attributable to: | | | |
| Equity holders of the Company | | 7,362,675 | 1,649,391 |
| Owners of perpetual capital securities | 44 | 496,258 | 424,307 |
| Non-controlling interests | | | |
| – Perpetual capital securities | 44 | 131,612 | 67,353 |
| – Subordinated capital notes | | 231 | – |
| – Other | | 572,811 | (262,847) |
| | | 8,563,587 | 1,878,204 |
| Earnings per share, basic and diluted | 16 | RMB1.50 | RMB0.34 |
| Earnings per American Depository Shares ("ADS", one ADS represents 10 H shares), basic and diluted | 16 | RMB14.99 | RMB3.36 |

Chapter 12 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the year ended 31 December 2017

| | 2017 RMB'000 | 2016 RMB'000 |
|---|-----------------|-----------------|
| Profit for the year | 8,563,587 | 1,878,204 |
| Other comprehensive income (loss) (after income tax): | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Available-for-sales investments: | | |
| Change in fair value | 194,264 | 4,171 |
| Reclassification adjustments to income statements | – | (14,773) |
| Deferred taxes | (31,996) | 2,651 |
| | 162,268 | (7,951) |
| Cash flow hedges: | | |
| Cash flow hedge amounts recognised in other comprehensive income | (1,224,667) | (209,097) |
| Reclassification adjustments for amounts transferred to income statement (included in revenue) | 616,889 | 1,179,017 |
| Deferred taxes | 182,334 | (290,976) |
| | (425,444) | 678,944 |
| Share of other comprehensive loss of associates | (22,250) | (13,463) |
| Exchange difference arising on translation of foreign operations | 3,674,910 | (346,580) |
| Other comprehensive income for the year | 3,389,484 | 310,950 |
| Total comprehensive income for the year | 11,953,071 | 2,189,154 |
| Attributable to: | | |
| Equity holders of the Company | 10,356,185 | 1,818,099 |
| Owners of perpetual capital securities | 496,258 | 424,307 |
| Non-controlling interests | | |
| – Perpetual capital securities | 131,612 | 67,353 |
| – Subordinated capital notes | 231 | – |
| – Other | 968,785 | (120,605) |
| | 11,953,071 | 2,189,154 |

Chapter 12 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

| | NOTES | 2017 RMB'000 | 2016 RMB'000 |
|--|-------|--------------------|--------------------|
| Current assets | | | |
| Bank balances and cash | 17 | 21,073,256 | 16,422,769 |
| Pledged term deposits | 17 | 3,623,635 | 2,445,000 |
| Restricted cash | 17 | 3,871,361 | 1,144,800 |
| Bills and accounts receivables | 18 | 12,991,458 | 9,735,859 |
| Held-to-maturity investment | 34 | 69,427 | 130,573 |
| Long term receivables-due within one year | 28 | 2,791,092 | 1,944,050 |
| Royalty receivable | 19 | 124,450 | 156,461 |
| Inventories | 20 | 3,079,249 | 2,162,147 |
| Prepayments and other receivables | 21 | 14,451,550 | 7,313,141 |
| Prepaid lease payments | 22 | 27,675 | 29,056 |
| Derivative financial instruments | 40 | 21,888 | - |
| Tax recoverable | | - | 27,555 |
| | | 62,125,041 | 41,511,411 |
| Assets classified as held for sale | 33 | 3,123,514 | - |
| | | 65,248,555 | 41,511,411 |
| Non-current assets | | | |
| Intangible assets | 23 | 50,217,581 | 40,606,793 |
| Prepaid lease payments | 22 | 1,246,106 | 872,202 |
| Property, plant and equipment | 24 | 46,267,729 | 31,023,022 |
| Construction in progress | 26 | 4,516,288 | 10,929,944 |
| Prepayment for property, plant and equipment | | 905,648 | - |
| Goodwill | 25 | 1,668,727 | 1,646,717 |
| Investments in securities | 32 | 2,278,296 | 2,624,003 |
| Interests in associates | 27 | 8,654,205 | 5,133,273 |
| Interests in joint ventures | 30 | 348,243 | 65,390 |
| Held-to-maturity investments | 34 | - | 69,427 |
| Long term receivables-due after one year | 28 | 6,751,062 | 4,667,837 |
| Royalty receivable | 19 | 891,996 | 841,300 |
| Deposits made on investments | 29 | 117,926 | 118,926 |
| Deferred tax assets | 42 | 8,200,262 | 7,345,227 |
| | | 132,064,069 | 105,944,061 |
| Total assets | | 197,312,624 | 147,455,472 |

Chapter 12 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2017

| | NOTES | 2017 RMB'000 | 2016 RMB'000 |
|--|-------|--------------------|--------------------|
| Current liabilities | | | |
| Bills and accounts payables | 35 | 8,973,438 | 5,849,019 |
| Other payables and accrued expenses | 36 | 21,616,407 | 10,567,895 |
| Provision for land subsidence, restoration, rehabilitation and environmental costs | 37 | 2,679,015 | 2,689,433 |
| Amounts due to Parent Company and its subsidiaries | 51 | 693,014 | 315,956 |
| Borrowings – due within one year | 39 | 27,751,298 | 30,741,981 |
| Long term payables – due within one year | 41 | 605,522 | 396,285 |
| Provision | 38 | 289,746 | 44,982 |
| Derivative financial instruments | 40 | – | 3,246 |
| Tax payable | | 775,543 | 775,051 |
| | | 63,383,983 | 51,383,848 |
| Liabilities directly associated with assets classified as held for sale | 33 | 341,292 | – |
| | | 63,725,275 | 51,383,848 |
| Non-current liabilities | | | |
| Borrowings – due after one year | 39 | 42,609,396 | 34,835,810 |
| Deferred tax liabilities | 42 | 8,345,604 | 7,017,396 |
| Provision for land subsidence, restoration, rehabilitation and environmental costs | 37 | 1,296,597 | 617,447 |
| Provision | 38 | 1,429,117 | 197,418 |
| Long term payables – due after one year | 41 | 210,992 | – |
| | | 53,891,706 | 42,668,071 |
| Total liabilities | | 117,616,981 | 94,051,919 |
| Capital reserves | | | |
| Share capital | 43 | 4,912,016 | 4,912,016 |
| Reserves | 43 | 42,498,850 | 32,226,660 |
| Equity attributable to equity holders of the Company | | 47,410,866 | 37,138,676 |
| Owners of perpetual capital securities | 44 | 9,249,649 | 6,662,191 |
| Non-controlling interests | | | |
| – Perpetual capital securities | 44 | 3,417,351 | – |
| – Subordinated capital notes | 45 | 3,102 | 3,102 |
| – Other | | 19,614,675 | 9,599,584 |
| | | 79,695,643 | 53,403,553 |
| Total liabilities and equity | | 197,312,624 | 147,455,472 |

The consolidated financial statements on pages 154 to 285 were approved and authorised for issue by the Board of Directors on 23 March 2018 and are signed on its behalf by:

Li Xiyong
Director

Zhao Qingchun
Director

Chapter 12 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

| | Attributable to equity holders of the Company | | | | | | | | | | Non-controlling interests | | | | |
|---|---|----------------------------|--------------------------|---|---|--------------------------------|---|------------------------------------|---|------------------|--|---|--|-------------------|------------------|
| | Share capital RMB'000 (note 43) | Capital reserve RMB'000 | Share premium RMB'000 | Future development fund RMB'000 (note 43) | Statutory common reserve fund RMB'000 (note 43) | Translation reserve RMB'000 | Investment revaluation reserve RMB'000 | Cash flow hedge reserve RMB'000 | Retained earnings RMB'000 (note 43) | Total RMB'000 | Perpetual Capital Securities issued by the Company RMB'000 (note 44) | Perpetual Capital Securities issued by a subsidiary RMB'000 (note 44) | Subordinated Capital Notes RMB'000 (note 45) | Others RMB'000 | Total RMB'000 |
| At 1 January 2016 | 4,918,400 | (19,439) | 2,981,002 | 978,661 | 5,952,503 | (8,380,297) | 102,760 | (1,357,255) | 30,193,566 | 35,369,901 | 6,661,683 | 1,854,837 | 3,102 | 1,912,131 | 45,801,654 |
| Profit (loss) for the year | - | - | - | - | - | - | - | - | 1,649,391 | 1,649,391 | 424,307 | 67,353 | - | (262,847) | 1,878,204 |
| Other comprehensive (loss) income: | | | | | | | | | | | | | | | |
| - Fair value change of available-for-sale investments | - | - | - | - | - | - | (7,951) | - | - | (7,951) | - | - | - | - | (7,951) |
| - Cash flow hedge reserve recognised | - | - | - | - | - | - | - | 578,304 | - | 578,304 | - | - | - | 100,640 | 678,944 |
| - Share of other comprehensive loss from associate | - | - | - | - | - | - | (13,463) | - | - | (13,463) | - | - | - | - | (13,463) |
| - Exchange differences arising on translation of foreign operations | - | - | - | - | - | (388,182) | - | - | - | (388,182) | - | - | - | 41,602 | (346,580) |
| Total comprehensive (loss) income for the year | - | - | - | - | - | (388,182) | (21,414) | 578,304 | 1,649,391 | 1,818,099 | 424,307 | 67,353 | - | (120,605) | 2,189,154 |
| Transactions with owners | | | | | | | | | | | | | | | |
| - Distribution paid to holders of perpetual capital securities | - | - | - | - | - | - | - | - | - | - | (423,799) | (67,353) | - | - | (491,152) |
| - Establishment of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | 8,010,050 | 8,010,050 |
| - Share repurchased and cancelled (note 43) | (6,384) | 19,439 | (13,055) | - | - | - | - | - | - | - | - | - | - | - | - |
| - Dividends to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | (201,992) | (201,992) |
| - Dividends | - | - | - | - | - | - | - | - | (49,324) | (49,324) | - | - | - | - | (49,324) |
| - Redemption of perpetual capital securities | - | - | - | - | - | - | - | - | - | - | - | (1,854,837) | - | - | (1,854,837) |
| Transactions with owners | (6,384) | 19,439 | (13,055) | - | - | - | - | - | (49,324) | (49,324) | (423,799) | (1,922,190) | - | 7,808,058 | 5,412,745 |
| At 31 December 2016 | 4,912,016 | - | 2,967,947 | 978,661 | 5,952,503 | (8,768,479) | 81,346 | (778,951) | 31,793,633 | 37,138,676 | 6,662,191 | - | 3,102 | 9,599,584 | 53,403,553 |

Chapter 12 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2017

| | Attributable to equity holders of the Company | | | | | | | | | | Non-controlling interests | | | | |
|---|---|----------------------------|--------------------------|---|---|--------------------------------|---|------------------------------------|---|------------------|--|---|--|-------------------|------------------|
| | Share capital RMB'000 (note 43) | Capital reserve RMB'000 | Share premium RMB'000 | Future development fund RMB'000 (note 43) | Statutory common reserve fund RMB'000 (note 43) | Translation reserve RMB'000 | Investment revaluation reserve RMB'000 | Cash flow hedge reserve RMB'000 | Retained earnings RMB'000 (note 43) | Total RMB'000 | Perpetual Capital Securities issued by the Company RMB'000 (note 44) | Perpetual Capital Securities issued by a subsidiary RMB'000 (note 44) | Subordinated Capital Notes RMB'000 (note 45) | Others RMB'000 | Total RMB'000 |
| At 1 January 2017 | 4,912,016 | - | 2,967,947 | 978,661 | 5,952,503 | (8,768,479) | 81,346 | (778,951) | 31,793,633 | 37,138,676 | 6,662,191 | - | 3,102 | 9,599,584 | 53,403,553 |
| Profit for the year | - | - | - | - | - | - | - | - | 7,362,675 | 7,362,675 | 496,258 | 131,612 | 231 | 572,811 | 8,563,587 |
| Other comprehensive income (loss) for the year: | | | | | | | | | | | | | | | |
| - Fair value change of available-for-sale investments | - | - | - | - | - | - | 162,268 | - | - | 162,268 | - | - | - | - | 162,268 |
| - Cash flow hedge reserve recognised | - | - | - | - | - | - | (331,846) | - | (331,846) | - | - | - | (93,598) | (425,444) | |
| - Share of other comprehensive losses from associates | - | - | - | - | - | (22,250) | - | - | (22,250) | - | - | - | - | (22,250) | |
| - Exchange differences arising on translation of foreign operations | - | - | - | - | - | 3,185,338 | - | - | 3,185,338 | - | - | - | 489,572 | 3,674,910 | |
| Total comprehensive income (loss) for the year | - | - | - | - | - | 3,185,338 | 140,018 | (331,846) | 7,362,675 | 10,356,185 | 496,258 | 131,612 | 231 | 968,785 | 11,953,071 |
| Transactions with owners | | | | | | | | | | | | | | | |
| - Issuance of ordinary shares by a subsidiary | - | 509,651 | - | - | - | - | - | - | 509,651 | - | - | - | 9,111,786 | 9,621,437 | |
| - Acquisition of a subsidiary | - | - | - | - | - | - | - | - | - | - | - | - | 170,347 | 170,347 | |
| - Issuance of perpetual capital securities | - | - | - | - | - | - | - | - | - | 5,000,000 | 3,417,351 | - | - | 8,417,351 | |
| - Distribution paid to holders of perpetual capital securities | - | - | - | - | - | - | - | - | - | (423,800) | (131,612) | - | - | (555,412) | |
| - Distribution paid to holders of subordinated capital notes | - | - | - | - | - | - | - | - | - | - | - | (231) | - | (231) | |
| - Capital injection | - | - | - | - | - | - | - | - | - | - | - | - | 276,839 | 276,839 | |
| - Dividends to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | (507,659) | (507,659) | |
| - Dividends | - | - | - | - | - | - | - | (589,442) | (589,442) | - | - | - | - | (589,442) | |
| - Utilization of reserves | - | - | - | (9,211) | - | - | - | - | (9,211) | (9,211) | - | - | - | (9,211) | |
| - Transaction with non-controlling interests | - | 5,007 | - | - | - | - | - | - | 5,007 | - | - | - | (5,007) | - | |
| - Redemption of perpetual capital securities | - | - | - | - | - | - | - | - | - | (2,485,000) | - | - | - | (2,485,000) | |
| Total transactions with owners | - | 514,658 | - | (9,211) | - | - | - | (589,442) | (83,995) | 2,091,200 | 3,285,739 | (231) | 9,046,306 | 14,339,019 | |
| At 31 December 2017 | 4,912,016 | 514,658 | 2,967,947 | 969,450 | 5,952,503 | (5,583,141) | 221,364 | (1,110,797) | 38,566,866 | 47,410,866 | 9,249,649 | 3,417,351 | 3,102 | 19,614,675 | 79,695,643 |

Note: The amount credited to capital reserve represented gain on the dilution of the equity interests in Yancoal Australia Limited ("Yancoal Australia") as further set out in note 2 to note 60(a).

Chapter 12 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2017

| | NOTES | 2017 RMB'000 | 2016 RMB'000 |
|---|-------|-------------------|-------------------|
| OPERATING ACTIVITIES | | | |
| Profit before tax | | 11,278,241 | 2,695,112 |
| Adjustments for: | | | |
| Interest expenses | 11 | 3,255,404 | 2,501,016 |
| Interest income | 10 | (763,848) | (743,362) |
| Dividend income | 10 | (77,108) | (58,477) |
| Net unrealised foreign exchange loss (gain) | | 667,808 | (373,140) |
| Depreciation of property, plant and equipment | 24 | 3,558,452 | 3,439,994 |
| Release of prepaid lease payments | 13 | 27,675 | 27,847 |
| Gain on bargain purchase | 10 | (896,933) | - |
| Reversal of impairment loss on intangible assets | 10 | (505,430) | - |
| Gain on disposal of investment in securities | 10 | (41,370) | - |
| Amortisation of intangible assets | 13 | 1,093,966 | 727,091 |
| Provision of impairment loss on accounts receivable and other receivables, net | 9 | 728,510 | 1,109,053 |
| Provision of impairment loss on intangible assets | 9 | 1,491,986 | - |
| Provision of impairment loss on goodwill | 9 | - | 668,210 |
| Provision of impairment loss on inventories | 9 | 2,777 | 9,394 |
| Reversal of impairment loss on inventories | 10 | - | (17,360) |
| Share of (profits) losses of joint ventures | | (172,529) | 10,366 |
| Share of profits of associates | | (682,948) | (708,368) |
| Gain on change in fair value of derivative financial instruments | 10 | (21,888) | - |
| (Gain) loss on change of fair value of royalty receivable | 9, 10 | (38,326) | 30,872 |
| Loss on disposal of property, plant and equipment, net | 9, 10 | 23,668 | 142,440 |
| Operating cash flows before movements in working capital | | 18,928,107 | 9,460,688 |
| Increase in bills and accounts receivables | | (2,681,057) | (3,791,024) |
| Increase in inventories | | (571,498) | (265,834) |
| Movement in provision for land subsidence, restoration, rehabilitation and environmental cost | | 115,568 | 107,141 |
| Increase in prepaid lease payments | | - | (4,756) |
| Increase in provisions | | 167,355 | 1,949 |
| Decrease in prepayments and other receivables | | (839,537) | 6,245,778 |
| Decrease in royalty receivable | | 139,358 | 99,870 |
| Increase in bills and accounts payables | | 1,772,740 | 1,595,850 |
| Increase in other payables and accrued expenses | | 528,420 | 1,815,356 |
| Increase in amount due to Parent Company and its subsidiaries | | 377,058 | 125,806 |
| Decrease in long-term payables | | (396,285) | (496,865) |
| Utilisation of future development fund | | (9,211) | - |
| Settlement of derivative financial instruments | | (3,246) | - |
| Cash generated from operations | | 17,527,772 | 14,893,959 |
| Income taxes paid | | (2,748,159) | (1,251,250) |
| Interest paid | | (3,175,276) | (3,165,397) |
| Interest received | | 557,429 | 743,362 |
| NET CASH FROM OPERATING ACTIVITIES | | 12,161,766 | 11,220,674 |

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CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the Year ended 31 December 2017

| | NOTES | 2017 RMB'000 | 2016 RMB'000 |
|---|-------|---------------------|---------------------|
| INVESTING ACTIVITIES | | | |
| Net cash outflow from acquisition of subsidiaries | | (14,164,714) | - |
| (Placement) withdrawal of term deposits | | (1,178,635) | 550,066 |
| Placement of restricted cash | | (2,726,561) | (737,089) |
| Purchase of property, plant and equipment | | (3,388,301) | (1,682,789) |
| Purchase of construction in progress | | (3,438,440) | (6,101,635) |
| Purchase of intangible assets | | (255,750) | (241,925) |
| Payments for prepaid land lease payments | | (400,198) | - |
| Increase in deposit paid for property, plant and equipment | | (905,648) | - |
| Decrease in deposit made on investments | | 1,000 | - |
| Proceeds from disposal of held-to-maturity investments | | 130,573 | - |
| Proceeds for disposal of property, plant and equipment | | 397,465 | 993,142 |
| Investments in securities | | (50,000) | (2,520,404) |
| Investment in held-to-maturity investments | | - | (200,000) |
| Proceeds from disposals of investment in securities | | 216,699 | - |
| Investment in associates | | (1,434,579) | (550,000) |
| Investment in joint venture | | (117,063) | - |
| Loan receivables advanced | | (4,069,336) | (4,690,483) |
| Repayment of loan receivables | | 397,015 | - |
| Settlement of payables for acquisition of subsidiaries | | (16,354) | - |
| Dividend received | | 30,792 | 58,477 |
| Dividend received from joint ventures | | 10,000 | - |
| Dividend received from associates | | 120,642 | 167,346 |
| NET CASH USED IN INVESTING ACTIVITIES | | (30,841,393) | (14,955,294) |
| FINANCING ACTIVITIES | | | |
| Proceeds from bank borrowings | | 33,626,024 | 7,899,453 |
| Repayment of borrowings | | (21,969,918) | (16,738,268) |
| Proceeds from issuance of guaranteed notes | | 11,990,683 | 25,464,750 |
| Proceeds from issuance of perpetual capital securities | | 8,417,351 | - |
| Customers' deposits for financing business received | | 2,502,302 | - |
| Redemption of perpetual capital securities | | (2,485,000) | (1,854,837) |
| Repayment of guaranteed notes | | (16,786,042) | (22,000,000) |
| Dividends paid | | (550,517) | (49,324) |
| Distribution paid to holders of perpetual capital securities and subordinated capital notes | | (555,643) | (491,152) |
| Dividend paid to non-controlling shareholders | | (507,659) | (201,992) |
| Proceeds from issue of shares by a subsidiary | | 9,621,437 | - |
| Contribution from non-controlling interests | | 276,839 | 8,010,050 |
| NET CASH FROM FINANCING ACTIVITIES | | 23,579,857 | 38,680 |
| NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS | | 4,900,230 | (3,695,940) |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | | 16,422,769 | 20,175,120 |
| Effect of foreign exchange rate | | (248,494) | (56,411) |
| Changes included in assets held for sale | | (1,249) | - |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTED BY BANK BALANCES AND CASH | | 21,073,256 | 16,422,769 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

Yanzhou Coal Mining Company Limited (the “Company”) is established as a joint stock company with limited liability in the People’s Republic of China (the “PRC”). In April 2001, the status of the Company was changed to that of a Sino-foreign joint stock limited company. The Company’s A shares are listed on the Shanghai Stock Exchange (“SSE”) while its H shares are listed on The Stock Exchange of Hong Kong Limited (the “HKEX”). The Company’s parent and ultimate holding company is Yankuang Group Corporation Limited (the “Parent Company”), a state-owned enterprise in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the Group Profile section of the annual report.

On 24 January 2017, the American Depository Shares (“ADSs”) of the Company were changed to be traded in over the counter market instead of the public market of the New York Stock Exchange (“NYSE”). The Company applied for deregistration to NYSE on 25 January 2017 and the delisting became effective on 16 February 2017 following the close of the market in New York City. Upon completion of this change, the Company was delisted from NYSE and its ADSs would be traded on OTCQX of New York.

The principal activities of the Company are investment holdings, coal mining and coal railway transportation. The activities of its principal subsidiaries, associates, joint ventures and joint operations (together with the Company referred to as the “Group”) are set out in notes 60, 27, 30 and 31 respectively.

The consolidated financial statements as presented in Renminbi (“RMB”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Company also prepares a set of consolidated financial statements in accordance with the relevant accounting principles and regulations applicable to the PRC enterprises (“PRC GAAP”).

These consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the HKEX (the “Listing Rules”).

The consolidated financial statements have been prepared on a going concern basis.

In the opinion of the directors of the Company, the Group should be able to maintain itself as a going concern in the next twelve months from 31 December 2017 by taking into consideration the followings:

- The Group has net current assets of RMB1,523,280,000 (2016: net current liabilities of RMB9,872,437,000) as at 31 December 2017;
- The directors of the Company anticipate that the Group will generate positive cash flows from its operations;

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2. BASIS OF PREPARATION AND PRESENTATION (Continued)

- The undrawn borrowings facilities available for immediate use; and
- The result of future fund raising activities.

Based on the above, the directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations when they fall due for the next twelve months from 31 December 2017.

3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following amended standards (“new IFRSs”) applicable to the Group issued by the International Accounting Standards Board (the “IASB”), which are relevant to the Group and effective for the Group’s financial year beginning on 1 January 2017.

| | |
|--|--|
| Annual Improvements to IFRSs 2014 – 2016 Cycle | Amendments to IFRSs 12 Disclosure of interests in other Entities |
| Amendments to IAS 7 | Disclosure Initiative |
| Amendments to IAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |

Except as disclosed below, the application of the new and revised IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfill the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to IAS 7 has resulted in additional disclosures on the Group’s financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities is provided in note 59. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosures in note 59, the directors of the Company considered that these amendments have had no impact on the Group’s consolidated financial statements.

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3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

New and revised IFRSs issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

| | |
|-------------------------------------|---|
| IFRS 9 (2014) | Financial Instruments ¹ |
| IFRS 15 | Revenue from Contracts with Customers ¹ |
| IFRS 16 | Leases ² |
| IFRS 17 | Insurance Contracts ³ |
| Amendments to IFRSs | Annual improvements to IFRS Standards 2014-2016 Cycle ¹ |
| Amendments to IFRSs | Annual improvements to IFRS Standards 2015-2017 Cycle ² |
| Amendments to IFRS 2 | Classification and Measurement of Share-based Payment Transactions ¹ |
| Amendments to IFRS 4 | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹ |
| Amendments to IFRS 9 | Prepayment Features with Negative Compensation ² |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴ |
| Amendments to IAS 19 | Plan Amendment, Curtailment or Settlement ² |
| Amendments to IAS 28 | Long-term Interests in Associates and Joint Ventures ² |
| Amendments to IAS 40 | Transfers of Investment Property ¹ |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration ¹ |
| IFRIC 23 | Uncertainty over Income Tax Treatments ² |

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of the new and revised IFRSs will have no material impact on the results and the financial position of the Group.

3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

New and revised IFRSs issued but not yet effective (Continued)

The directors of the Company anticipate that all the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended IFRSs are not expected to have a material impact on the Group's financial statements.

IFRS 9 (2014) Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, IFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of IFRS 9 was issued in 2014 to incorporate all the requirements of IFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of IFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of IFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of IFRS 9 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

New and revised IFRSs issued but not yet effective (Continued)

IFRS 9 (2014) Financial Instruments (Continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in IAS 39 for the recognition of credit losses. Under the impairment approach in IFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- IFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, IFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under IAS 39, it is necessary to exhibit eligibility and compliance with the requirements in IAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for IAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

IFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

New and revised IFRSs issued but not yet effective (Continued)

IFRS 9 (2014) Financial Instruments (Continued)

The directors of the Company has performed a preliminary analysis of the Group's financial instruments as at 31 December 2017 based on the fact and circumstances existing at that date. The directors of the Company have assessed the impact of adoption of IFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

The directors of the Company expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs.

For the available-for-sale investments that are not held for trading and are currently stated at cost less impairment, the Group has made an irrevocable election to present in other comprehensive income the changes in fair value.

(b) Impairment

The directors of the Company expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables and lease receivables. The application of the expected credit loss model may result in earlier recognition of credit losses for trade and other receivables and increase the amount of impairment allowance recognised for these items.

The directors of the Company will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of IFRS 9 (2014). Based on the preliminary assessment, the directors of the Company expect that the adoption of IFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

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3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

New and revised IFRSs issued but not yet effective (Continued)

IFRS 15 Revenue from Contracts with Customers

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, IFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- i) Identify the contract with the customer;
- ii) Identify the performance obligations in the contract;
- iii) Determine the transaction price;
- iv) Allocate the transaction price to the performance obligations; and
- v) Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

IFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major sources of revenue of the Group are sales of goods, provision of services and interest income. Under IFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The directors of the Company have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under IAS 18 *Revenue*. Furthermore, IFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. However, the directors of the Company expect that the adoption of IFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 December 2017.

3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

New and revised IFRSs issued but not yet effective (Continued)

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 will supersede the current lease standards including IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

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3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

New and revised IFRSs issued but not yet effective (Continued)

IFRS 16 Leases (Continued)

The directors of the Company are in the process of assessing the impacts on the consolidated financial statement. However, it is not practicable to provide a reasonable estimate of the effect of until the Group performs a detailed review.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB1,031,108,000 as disclosed in note 56. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The directors of the Company are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under IFRS 16. The directors of the Company expect that the adoption of IFRS 16 will not have material impact on the Group's results but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments provide guidance on addressing the acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its joint venture and associate. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that constitutes or contains a business to a joint venture or associate in full. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that does not constitute or contain a business to a joint venture or associate only to the extent of the unrelated investors' interests in that joint venture or associate.

The effective date of amendments to IFRS 10 and IAS 28 has not yet been determined. However, earlier application is permitted. The amendments should be applied prospectively.

The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements.

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4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are stated at fair value. The principal accounting policies are set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Chapter 12 Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination (Continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 *Income Taxes*;
- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 *Employee Benefits*;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment at the acquisition date* (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination (Continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounting for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method, except for the investments classified as held for sale in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and the investments designated as at fair value through profit or loss upon initial recognition or is classified as held for trading in which case it is accounted for under IAS 39 Financial Instruments: Recognition and Measurement. Under the equity method, investments in associates and joint ventures are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates and joint ventures are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

If an associate or a joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's or joint venture's accounting policies conform to those of the Group when the associate's or joint venture's financial statements are used by the Group in applying the equity method.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate or joint venture is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognising the associate's or joint venture's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the associate or joint venture. Goodwill that forms part of the carrying amount of an investment in an associate or a joint venture is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the associate or joint venture. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be an associate or a joint venture upon the Group losing significant influence over the associate or joint control over the joint venture, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

When the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate or joint venture are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate or joint venture. The Group's share in the associate's or joint venture's gains or losses resulting from these transactions is eliminated.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group, as a joint operator, recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity enters into a transaction with a joint operation in which the group entity is a joint operator, such as a sale or contribution of assets, the Group is considered to be conducting the transaction with the other parties to the joint operation and the Group recognises gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation.

When a group entity enters into a transaction with a joint operation in which the group entity is a joint operator, such as a purchase of assets, the Group recognises its share of the gains and losses until it resells those assets to a third party.

Joint arrangements

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions relating about relevant activities require the unanimous consent of the parties sharing control.

Joint ventures are accounted for using the equity method and the details of equity method of accounting have been set out in the accounting policy for interests in associates. When a group entity transacts with a joint venture of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

When Group entity undertakes its activities under joint operations, the Group as a joint operator recognises its direct right to, and its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under appropriate headings.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale or loss of control transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale or disposal in its present condition subject only to terms that are usual and customary for sales or disposals of such assets (or disposal group) and the transaction is highly probable. Management must be committed to the transaction, which should be expected to qualify for recognition as a completed transaction within one year from the date of classification.

When the Group is committed to a sale plan or other transaction involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

Impairment other than goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible assets and intangible assets with finite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset (determined at the higher of its fair value less costs of disposal and its value in use) is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with an indefinite useful life will be tested for impairment annually. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Recoverable amount is the higher of fair value less costs of disposal and value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as an income immediately. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit) to which the mining activity (mining complex level) is attributed. Management monitors and manages operations at the mining complex level to identify cash-generating streams.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods (including coal, methanol and equipment manufacturing) are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Service income such as coal railway transportation and electricity and heat supply is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payments have been established.

Intangible assets (other than goodwill)

Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life. Expenditure incurred on projects to develop new products is capitalised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(i) Mining reserves

Mining reserves represent the portion of total proven and probable reserves in the mine of a mining right. Mining reserves are amortised over the life of the mine on a unit of production basis of the estimated total proven and probable reserves or the Australia Joint Ore Reserves Committee (“JORC”) reserves for the Group’s subsidiaries in Australia. Changes in the annual amortisation rate resulting from changes in the remaining reserves are applied on a prospective basis from the commencement of the next financial year.

(i) Mining resources

Mining resources represent the fair value of economically recoverable reserves (excluding the portion of total proven and probable reserves of a mining right i.e. does not include the above mining reserves) of a mining right (Details are set out in the accounting policy of exploration and evaluation expenditure). When production commences, the mining resources for the relevant areas of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each separately identifiable area of interest which is at individual mine level.

Exploration and evaluation expenditure comprises costs that are directly attributable to:

- Researching and analyzing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatments methods; and/or
- Compiling pre-feasibility and feasibility studies.

These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors.

Exploration expenditure relates to the initial search for deposits with economic potential. Expenditure on exploration activity is not capitalised.

Evaluation expenditure relates to a detailed assessment of deposits or other projects that have been identified as having economic potential. Capitalisation of evaluation expenditure commences when there is a high degree of confidence that the Group will determine that a project is commercially viable, i.e. the project will provide a satisfactory return relative to its perceived risks, and therefore it is considered probable that future economic benefits will flow to the Group.

Exploration and evaluation expenditure incurred is accumulated in respect of each separately identifiable area of interest which is at individual mine level. These costs are only carried forward where the right of tenure for the area of interest is current and to the extent that they are expected to be recouped through successful development and commercial exploitation, or alternatively, sale of the area, or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

The carrying amount of exploration and evaluation assets is assessed for impairment when facts or circumstances suggest the carrying amount of the assets may exceed their recoverable amount.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated costs in relation to an abandoned area are written-off in full in the period in which the decision to abandon the area is made.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and evaluation expenditure (Continued)

Capitalised exploration and evaluation expenditure considered to be tangible is recorded as a component of property, plant and equipment. Otherwise, it is recorded as an intangible asset. Exploration and evaluation expenditure acquired in a business combination are recognised at their fair value at the acquisition date (the fair value of potential economically recoverable reserves at the acquisition date which is shown as “Mining resources”).

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable (i.e. when proved reserves of coal are determined and development is approved by management), the exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining reserves or property, plant and equipment. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

On reclassification, the carrying amounts of exploration and evaluation assets are also reviewed and, where appropriate, written down to their recoverable amount.

Prepaid lease payments

Prepaid lease payments represent land use rights under operating lease arrangement and are stated at cost less accumulated amortisation and accumulated impairment losses.

Property, plant and equipment

Property, plant and equipment, other than construction in progress and freehold land, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost of items of property, plant and equipment, other than construction in progress and freehold land, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method or unit of production method.

Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised immediately in the consolidated income statement.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005 (transition to new IFRS)

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

The Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Goodwill is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment is recognised immediately in the consolidated income statement and is not subsequently reversed.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Construction in progress

Construction in progress represents production site development projects under construction for production or for its own use purposes. Construction in progress is carried at cost less any impairment loss. Costs included costs of constructing the manufacturing plant and acquisition of mining rights, mining permits and licenses that form an integral part of the overall development projects. Construction in progress is classified to the appropriate category of property, plant and equipment or intangible assets when completed and ready for intended use. Depreciation or amortisation commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and other financial institution and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the preparation of consolidated cash flow statement, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Inventories

Inventories of coal, methanol, iron ore and equipment are stated at the lower of cost and net realisable value. Cost, which comprises direct materials and, where applicable, direct labour and overheads that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price less all further costs to completion and costs to be incurred in selling, marketing and distribution.

Inventories of auxiliary materials, spare parts and small tools expected to be used in production are stated at weighted average cost less allowance, if necessary, for obsolescence.

Overburden in advance

Overburden in advance comprises mining stripping (waste removal) costs both during the development and production phase of the Group's operations.

When stripping costs are included in the development phase of a mine before the production phase commences (development stripping). Such expenditure is capitalised as part of the cost of constructing the mine if it can be demonstrated that it is probable that future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved. The stripping assets are subsequently amortised over its useful life using a units of production method, in accordance with the policy applicable to mine properties. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Waste development costs incurred in the production phase creates two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and the benefit is improved access to ore to be mined in the future, the costs are recognised as a stripping activity asset in mine properties.

If the costs of the inventory produced and the stripping asset are not separately identifiable, the allocation is undertaken based on waste-to-ore stripping ratio for the particular ore component concerned. If mining of waste in a period occurs in excess of the expected life-of-component average waste-to-ore strip ratio, the excess is recognised as part of the stripping asset. Where mining occurs at or below the expected life-of-component stripping ratio in a period, the entire production stripping cost is allocated to the cost of the ore inventory produced.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Overburden in advance (Continued)

Amortisation is provided using the units-of-production method over the life of the identified component of orebody. The units-of-production method results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves).

Stripping costs that do not satisfy the asset recognition criteria are expensed.

Taxation

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Current tax assets and current tax liabilities are presented in net if, and only if, the Group has the legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, interest in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Certain of the Company's wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the tax consolidated group recognises its own deferred tax assets and liabilities, except where the deferred tax assets relate to unused tax losses and credits, in which case the Australian subsidiaries recognises the assets. Australian subsidiaries have entered into a tax sharing agreement whereby each company of Australian subsidiaries contributes to the income tax payable in proportion to their contribution to the profit before tax of the tax consolidated group. The tax consolidated group has also entered into a tax funding agreement whereby each entity in Australian subsidiaries group can recognise their balance of the current tax assets and liabilities through inter-entity accounts.

Land subsidence, restoration, rehabilitation and environmental costs

One consequence of coal mining is land subsidence caused by the resettlement of the land above the underground mining sites. Depending on the circumstances, the Group may relocate inhabitants from the land above the underground mining sites prior to mining those sites or the Group may compensate the inhabitants for losses or damages from land subsidence after the underground sites have been mined. The Group may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the underground sites have been mined.

An estimate of such costs is recognised in the period in which the obligation is identified and is charged as an expense in proportion to the coal extracted. At each statement of financial position date, the Group adjusts the estimated costs in accordance with the actual land subsidence status. The provision is also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the undepreciated capitalised cost of any related assets, in which case the capitalised cost is reduced to nil and remaining adjustment is recognised in the income statement. Changes to the capitalised cost result in an adjustment to future depreciation and financial charges.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present values of the minimum lease payments of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as an obligation under finance leases.

Each lease payment is allocated between liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The finance lease liabilities are included in current and non-current borrowings. The finance charges are expensed in the income statement over the lease periods so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The assets accounted for as finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

All other borrowings costs are recognised as expenses in the period in which they are incurred.

Foreign currencies

In the individual financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e., the currency of the primary environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

In the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi) at the rate of exchange prevailing at the reporting date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Short-term and other long-term employee benefits

Benefits accruing to employees in respect of wages and salaries, annual leave and sick leave are included in trade and other payables. Related on-costs are also included in trade and other payables as other creditors. Long service leave is provided for when it is probable that settlement will be required and it is capable of being measured reliably.

Employee benefits expected to be settled within 12 months are measured using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets at FVTPL included financial assets held for trading and financial assets designated as FVTPL upon initial recognition.

Financial assets are classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other income line item in the consolidated statement of profit or loss. Fair value is determined in the manner described in note 47.

Royalty receivable is remeasured based on sales volume, price changes, foreign currency exchange rates and expected future cash flows at each reporting date. The gain or loss arising from the change in fair value of royalty receivable is recognised in profit or loss. Royalty receivable is reduced by cash receipts and decreases with time. Since the contract is long term, the unwinding discount (to reflect time value of money) is recognised in interest income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including bank balances and cash, pledged term deposits, restricted cash, bills and accounts receivable, long-term receivables, other receivables and deposits on investments) are subsequently measured at amortised cost using the effective interest method, less any identified impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as bills and accounts receivable and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of bills and accounts receivable and other receivables, where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a bills and accounts receivables and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investments revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities

The Group's financial liabilities including bills and accounts payables, other payables, amounts due to Parent Company and its subsidiary companies, long term payables and borrowings which are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method and financial liabilities at fair value through profit or loss.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is recognised in profit or loss includes any interest paid on the financial liabilities. Fair value is determined in a manner described in note 47.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Perpetual capital securities and subordinated capital notes issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, are classified as equity instruments and are initially recorded at the proceeds received.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Offsetting financial instruments

Financial assets and liabilities of the Group are offset and the net amount presented in the consolidated statement of financial position when, and only when, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities (fair value hedge); and (ii) hedges of highly probable forecast transactions (cash flow hedge).

The fair values of various derivative instruments used for hedging purposes are disclosed in note 40. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Accounting for derivative financial instruments and hedging activities (Continued)

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in cash flow hedge reserve in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

(ii) Derivatives that do not qualify for hedge accounting and those not designated as hedging instruments

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting and those not designated as hedges are recognised immediately in the profit or loss.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in investment revaluation reserve is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Depreciation of property, plant and equipment

The cost of mining structures (note 24) is depreciated using the unit of production method based on the estimated production volume for which the structure was designed. The management exercises their judgment in estimating the useful lives of the depreciable assets and the production volume of the mine. The estimated coal production volumes are updated at regular intervals and have taken into account recent production and technical information about each mine. These changes are considered a change in estimate for accounting purposes and are reflected on a prospective basis in related depreciation rates. Estimates of the production volume are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information.

Amortisation of assets

Mining reserve and mining resources (note 23) are amortised on a straight line basis or unit of production basis over the shorter of their useful lives and the contractual period. The expensing of overburden removal costs is based on saleable coal production over estimated economically recoverable reserves. The useful lives are estimated on the basis of the total proven and probable reserves of the mine. Proven and probable mining reserve estimates are updated at regular intervals and have taken into account recent production and technical information about each mine.

Provision for land subsidence, restoration, rehabilitation and environmental costs

The provision (note 37) is reviewed regularly to verify that it properly reflects the remaining obligation arising from the current and past mining activities. Provision for land subsidence, restoration, rehabilitation and environmental costs are determined by the management based on their best estimates of the current and future costs, latest government policies and past experiences.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 December 2017, the carrying amount of goodwill is RMB1,668,727,000 (2016: RMB1,646,717,000). During the year ended 31 December 2017, no impairment loss on goodwill (2016: RMB668,210,000) was recognised by the Group. Details of the Group's impairment assessment on goodwill are set out in note 25.

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5. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of goodwill (Continued)

Cash flow projections during the budget period for each of the above units are based on the budgeted revenue and expected gross margins during the budget period and the raw materials price inflation during the budget period. Expected cash inflows/outflows have been determined based on past performance and management's expectations for the market development.

Estimated impairment of property, plant and equipment

When there is an impairment indicator, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. In estimating the future cash flows, the management have taken into account the recent production and technical advancement. As prices and cost levels change from year to year, the estimate of the future cash flow also changes. Notwithstanding the management has used all the available information to make their impairment assessment, inherent uncertainty exists on conditions of the mine and of the environment and actual written off may be higher than the amount estimated. As at 31 December 2017, the carrying amount of property, plant and equipment is approximately RMB46,267,729,000 (2016: RMB31,023,022,000). During the year ended 31 December 2017, no impairment loss on property, plant and equipment (2016: nil) was recognised by the Group.

Exploration and evaluation expenditure

Under the Group's accounting policy, exploration expenditure is not capitalised. Evaluation expenditure is capitalised when there is a high degree of confidence that the Group will determine that a project is commercially viable and therefore it is considered probable that future economic benefits will flow to the Group.

There are occasions when the Group concludes that the asset recognition criteria are met at an earlier stage than approval to proceed. In these cases, evaluation expenditure is capitalised if there is a high degree of confidence that the Group will determine the project is commercially viable. The Group's view is that a high degree of confidence is greater than "more likely than not" (that is greater than 50 per cent certainty) and less than "virtually certain" (that is less than 90 per cent certainty). Determining whether there is a high degree of confidence that the Group will determine that an evaluation project is commercially viable requires a significant degree of judgment and assessment of all relevant factors such as the nature and objective of the project; the project's current stage and project timeline; current estimates of the project's net present value including sensitivity analyses for the key assumptions; and the main risks of the project. Development expenditure incurred prior to the decision to proceed is subject to the same criteria for capitalisation, being a high degree of confidence that the Group will determine that a project is commercially viable.

In accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources", the criteria for the capitalisation of evaluation costs are applied consistently from period to period.

Subsequent recovery of the carrying value for evaluation costs depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any related impairment provisions are charged to the consolidated statement of profit or loss.

6. SEGMENT INFORMATION

The Group is engaged primarily in the mining business. The Group is also engaged in the coal railway transportation business. The Company does not currently have direct export rights in the PRC and all of its export sales is made through China National Coal Industry Import and Export Corporation (“National Coal Corporation”), Minmetals Trading Co., Ltd. (“Minmetals Trading”) or Shanxi Coal Imp. & Exp. Group Corp. (“Shanxi Coal Corporation”). The exploitation right of the Group’s foreign subsidiaries is not restricted. The final customer destination of the Group’s export sales is determined by the Group, National Coal Corporation, Minmetals Trading or Shanxi Coal Corporation. Certain of the Company’s subsidiaries and associates are engaged in trading and processing of mining machinery and the transportation business via rivers and lakes and financial services in the PRC. No separate segment information about these businesses is presented in these financial statements as the underlying gross sales, results and assets of these businesses, which are currently included in the mining business segment, are insignificant to the Group. Certain of the Company’s subsidiaries are engaged in production of methanol and other chemical products, and invest in heat and electricity. Upon the acquisition of Yankuang Donghua Heavy Industry Limited (“Donghua”), the Group is also engaged in the manufacturing of comprehensive coal mining and excavating equipment.

Gross revenue disclosed below is same as the turnover (total revenue).

For management purposes, the Group is currently organised into four operating divisions-coal mining, coal railway transportation, methanol, electricity and heat supply and equipment manufacturing. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:

| | |
|---------------------------------------|---|
| Coal mining | Underground and open-cut mining, preparation and sales of coal and potash mineral exploration |
| Coal railway transportation | Provision of railway transportation services |
| Methanol, electricity and heat supply | Production and sales of methanol and electricity and related heat supply services |
| Equipment manufacturing | Manufacturing of comprehensive coal mining and excavating equipment |

The accounting policies of the reportable segments are same as the Group’s accounting policies described in note 4. Segment results represents the results of each segment without allocation of corporate expenses and directors’ emoluments, share of results of associates and joint ventures, interest income, interest expenses and income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Unallocated corporate income for the two years ended 31 December 2017 mainly included exchange gain and sundry items.

Unallocated corporate expenses for the two years ended 31 December 2017 mainly included bank charges, salaries and other employee benefits, miscellaneous taxes and sundry items.

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6. SEGMENT INFORMATION (Continued)

Unallocated corporate assets at 31 December 2016 and 2017 mainly included certain bank balances and cash, investments in securities, deferred tax assets and sundry items.

Unallocated corporate liabilities at 31 December 2016 and 2017 mainly included certain borrowings, deferred tax liabilities and sundry items.

(a) Segment revenues and results

Segment information about these businesses is presented below:

| | For the year ended 31 December 2017 | | | | | Consolidated RMB'000 |
|-----------------|-------------------------------------|---|--|---------------------------------------|-------------------------|-------------------------|
| | Coal mining RMB'000 | Coal railway transportation RMB'000 | Methanol, electricity and heat supply RMB'000 | Equipment manufacturing RMB'000 | Eliminations RMB'000 | |
| SEGMENT REVENUE | | | | | | |
| External | 48,471,820 | 302,896 | 3,694,635 | 202,754 | - | 52,672,105 |
| Inter-segment | 3,314,618 | 62,822 | 509,303 | 1,264,062 | (5,150,805) | - |
| Total | 51,786,438 | 365,718 | 4,203,938 | 1,466,816 | (5,150,805) | 52,672,105 |

Inter-segment revenue is charged at prices pre-determined by the relevant governmental authority.

| | For the year ended 31 December 2017 | | | | | | Consolidated RMB'000 |
|------------------------------------|-------------------------------------|---|--|---------------------------------------|------------------------|-------------------------|-------------------------|
| | Coal mining RMB'000 | Coal railway transportation RMB'000 | Methanol, electricity and heat supply RMB'000 | Equipment manufacturing RMB'000 | Unallocated RMB'000 | Eliminations RMB'000 | |
| RESULTS | | | | | | | |
| Segment results | 15,381,489 | 49,791 | 780,827 | 62,689 | - | - | 16,274,796 |
| Unallocated corporate expenses | - | - | - | - | - | - | (4,879,787) |
| Unallocated corporate income | - | - | - | - | - | - | 1,519,311 |
| Interest income | - | - | - | - | - | - | 763,848 |
| Share of profits of associates | 420,483 | - | 43,549 | - | 218,916 | - | 682,948 |
| Share of profits of joint ventures | 172,529 | - | - | - | - | - | 172,529 |
| Finance costs | - | - | - | - | - | - | (3,255,404) |
| Profit before tax | | | | | | | 11,278,241 |
| Income tax expenses | | | | | | | (2,714,654) |
| Profit for the year | | | | | | | 8,563,587 |

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6. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

| | For the year ended 31 December 2016 | | | | | Consolidated RMB'000 |
|------------------------|-------------------------------------|---|--|---------------------------------------|-------------------------|-------------------------|
| | Coal mining RMB'000 | Coal railway transportation RMB'000 | Methanol, electricity and heat supply RMB'000 | Equipment manufacturing RMB'000 | Eliminations RMB'000 | |
| SEGMENT REVENUE | | | | | | |
| External | 29,295,367 | 287,355 | 3,030,610 | 659,100 | - | 33,272,432 |
| Inter-segment | 308,120 | 40,191 | 521,554 | 789,557 | (1,659,422) | - |
| Total | 29,603,487 | 327,546 | 3,552,164 | 1,448,657 | (1,659,422) | 33,272,432 |

Inter-segment revenue is charged at prices pre-determined by the relevant governmental authority.

| | For the year ended 31 December 2016 | | | | | | Consolidated RMB'000 |
|---------------------------------|-------------------------------------|---|--|---------------------------------------|------------------------|-------------------------|-------------------------|
| | Coal mining RMB'000 | Coal railway transportation RMB'000 | Methanol, electricity and heat supply RMB'000 | Equipment manufacturing RMB'000 | Unallocated RMB'000 | Eliminations RMB'000 | |
| RESULTS | | | | | | | |
| Segment results | 4,334,005 | 24,122 | 570,876 | 116,152 | - | - | 5,045,155 |
| Unallocated corporate expenses | - | - | - | - | - | - | (2,241,348) |
| Unallocated corporate income | - | - | - | - | - | - | 950,957 |
| Interest income | - | - | - | - | - | - | 743,362 |
| Share of profit of associates | 305,895 | - | 152,573 | - | 249,900 | - | 708,368 |
| Share of loss of joint ventures | (10,366) | - | - | - | - | - | (10,366) |
| Finance costs | - | - | - | - | (2,501,016) | - | (2,501,016) |
| Profit before tax | | | | | | | 2,695,112 |
| Income tax expenses | | | | | | | (816,908) |
| Profit for the year | | | | | | | 1,878,204 |

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6. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

| | As at 31 December 2017 | | | | | Consolidated RMB'000 |
|-----------------------------------|------------------------|---|--|---------------------------------------|------------------------|-------------------------|
| | Coal mining RMB'000 | Coal railway transportation RMB'000 | Methanol, electricity and heat supply RMB'000 | Equipment manufacturing RMB'000 | Unallocated RMB'000 | |
| ASSETS | | | | | | |
| Segment assets | 140,735,565 | 516,288 | 10,124,225 | 5,359,990 | - | 156,736,068 |
| Interests in associates | 3,929,422 | 1,942,500 | 1,043,158 | - | 1,739,125 | 8,654,205 |
| Interests in joint ventures | 348,243 | - | - | - | - | 348,243 |
| Unallocated corporate assets | | | | | | 31,574,108 |
| | | | | | | 197,312,624 |
| LIABILITIES | | | | | | |
| Segment liabilities | 28,307,396 | 314,727 | 5,515,444 | 4,035,537 | - | 38,173,104 |
| Unallocated corporate liabilities | | | | | | 79,443,877 |
| | | | | | | 117,616,981 |
| As at 31 December 2016 | | | | | | |
| | Coal mining RMB'000 | Coal railway transportation RMB'000 | Methanol, electricity and heat supply RMB'000 | Equipment manufacturing RMB'000 | Unallocated RMB'000 | Consolidated RMB'000 |
| ASSETS | | | | | | |
| Segment assets | 111,553,219 | 456,946 | 6,307,618 | 6,580,469 | - | 124,898,252 |
| Interests in associates | 2,566,692 | - | 1,044,871 | - | 1,521,710 | 5,133,273 |
| Interests in joint ventures | 65,390 | - | - | - | - | 65,390 |
| Unallocated corporate assets | | | | | | 17,358,557 |
| | | | | | | 147,455,472 |
| LIABILITIES | | | | | | |
| Segment liabilities | 30,447,659 | 292,267 | 3,258,118 | 5,391,507 | - | 39,389,551 |
| Unallocated corporate liabilities | | | | | | 54,662,368 |
| | | | | | | 94,051,919 |

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6. SEGMENT INFORMATION (Continued)

(c) Other segment information

| | For the year ended 31 December 2017 | | | | | |
|---|-------------------------------------|---|--|---------------------------------------|----------------------|-------------------------|
| | Coal mining RMB'000 | Coal railway transportation RMB'000 | Methanol, electricity and heat supply RMB'000 | Equipment manufacturing RMB'000 | Corporate RMB'000 | Consolidated RMB'000 |
| Capital additions | 20,845,227 | 213,229 | 86,348 | 6,841,444 | 737,449 | 28,723,697 |
| Investments in associates | 995,850 | 1,942,500 | 30,000 | - | 433,329 | 3,401,679 |
| Amortisation of intangible assets | 1,066,965 | - | 21,600 | 4,365 | 1,036 | 1,093,966 |
| Depreciation of property, plant and equipment | 2,723,400 | 32,719 | 386,726 | 414,573 | 1,034 | 3,558,452 |
| Release of prepaid lease payments | 11,541 | 7,271 | 5,449 | 3,414 | - | 27,675 |
| Impairment loss on: | | | | | | |
| - inventories | 2,777 | - | - | - | - | 2,777 |
| - accounts and other receivables | 728,510 | - | - | - | - | 728,510 |
| - intangible assets | 1,491,986 | - | - | - | - | 1,491,986 |
| Gain on bargain purchase | (896,933) | - | - | - | - | (896,933) |
| Reversal of impairment loss on intangible assets | (505,430) | - | - | - | - | (505,430) |
| | | | | | | |
| | For the year ended 31 December 2016 | | | | | |
| | Coal mining RMB'000 | Coal railway transportation RMB'000 | Methanol, electricity and heat supply RMB'000 | Equipment manufacturing RMB'000 | Corporate RMB'000 | Consolidated RMB'000 |
| Capital additions | 6,997,590 | 16,951 | 4,460 | 1,303,577 | 9 | 8,322,587 |
| Investment in an associate | - | - | - | - | 550,000 | 550,000 |
| Amortisation of intangible assets | 719,557 | - | 6,017 | 1,364 | 153 | 727,091 |
| Depreciation of property, plant and equipment | 2,210,282 | 48,183 | 569,499 | 610,507 | 1,523 | 3,439,994 |
| Release of prepaid lease payments | 11,613 | 7,316 | 5,483 | 3,435 | - | 27,847 |
| Impairment loss on: | | | | | | |
| - inventories | 7,649 | - | - | 1,745 | - | 9,394 |
| - goodwill | 668,210 | - | - | - | - | 668,210 |
| - accounts and other receivables | 1,109,053 | - | - | - | - | 1,109,053 |
| Reversal of impairment loss on inventories | (17,360) | - | - | - | - | (17,360) |

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6. SEGMENT INFORMATION (Continued)

GEOGRAPHICAL INFORMATION

The following table sets out the geographical information. The geographical location of sales to external customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interests in associates and joint ventures.

The geographical information of revenue are as follows:

| | Revenue from external customers For the year ended 31 December | |
|-----------------------------|---|-------------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| The PRC (place of domicile) | 41,000,781 | 26,464,012 |
| Australia | 3,342,198 | 1,612,076 |
| Others | 8,329,126 | 5,196,344 |
| Total | 52,672,105 | 33,272,432 |

The geographical information of non-current assets (note) are as follows:

| | Non-current assets At 31 December | |
|---------------------------------|--------------------------------------|-------------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| The PRC (place of domicile) | 69,099,148 | 63,649,438 |
| Australia | 42,871,343 | 24,836,906 |
| Canada | 1,854,036 | 1,790,997 |
| Total non-current assets | 113,824,527 | 90,277,341 |

Note: Non-current assets excluded investments in securities, held-to-maturity investments, long-term receivables, royalty receivable, deposits made on investments and deferred tax assets.

For the year ended 31 December 2017, the revenue from external customers of mining segment amounting to RMB48,471,820,000 (2016: RMB29,295,367,000) included sales to the Group's largest customer located in the PRC of approximately RMB4,653,555,000 (2016: RMB8,313,701,000). As at 31 December 2016 and 2017, there was no accounts receivable from this customer.

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7. NET SALES OF COAL

| | Year ended 31 December | |
|----------------------------------|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Coal sold in the PRC, gross | 34,953,725 | 23,325,842 |
| Less: Transportation costs | (528,886) | (367,644) |
| Coal sold in the PRC, net | 34,424,839 | 22,958,198 |
| Coal sold outside the PRC, gross | 13,518,095 | 5,969,525 |
| Less: Transportation costs | (1,901,238) | (1,442,448) |
| Coal sold outside the PRC, net | 11,616,857 | 4,527,077 |
| Net sales of coal | 46,041,696 | 27,485,275 |

Net sales of coal represent the invoiced value of coal sold and are net of returns, discounts and transportation costs if the invoiced value includes transportation costs to the customers.

8. COST OF SALES AND SERVICES PROVIDED

Cost of sales and services provided included:

| | Year ended 31 December | |
|-------------------------------|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Wages and employee benefits | 4,262,843 | 4,348,432 |
| Depreciation | 1,927,789 | 1,546,382 |
| Amortisation of mining rights | 1,066,965 | 707,018 |

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses included:

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Wages and employee benefits | 2,542,652 | 2,042,025 |
| Release of prepaid lease payment | 27,675 | 27,847 |
| Amortisation of intangible assets | 27,001 | 20,073 |
| Depreciation | 476,570 | 368,379 |
| Impairment loss on accounts and other receivables | 728,510 | 1,109,053 |
| Impairment loss on goodwill | - | 668,210 |
| Impairment loss on inventories | 2,777 | 9,394 |
| Impairment loss on intangible assets | 1,491,986 | - |
| Loss on disposal of property, plant and equipment | 28,415 | 153,321 |
| Exchange loss, net | 971,565 | 341,883 |
| Loss on change in fair value of royalty receivable | - | 30,872 |

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10. OTHER INCOME AND GAINS

| | Year ended 31 December | |
|--|------------------------|------------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Dividend income | 77,108 | 58,477 |
| Gain on sales of auxiliary materials | 1,133,791 | 884,728 |
| Interest income | 763,848 | 743,362 |
| Gain on change in fair value of royalty receivable | 38,326 | – |
| Gain on change in fair value of derivative financial instruments | 21,888 | – |
| Gain on bargain purchase (note 48) | 896,933 | – |
| Gain on disposals of property, plant and equipment | 4,747 | 10,881 |
| Gain on disposal of investments in securities | 41,370 | – |
| Government grants | 354,418 | 652,077 |
| Reversal of impairment loss on intangible assets | 505,430 | – |
| Reversal of impairment loss on inventories | – | 17,360 |
| Service income | – | 106,541 |
| Others | 184,028 | 349,445 |
| | 4,021,887 | 2,822,871 |

Note a: The above dividend income is from listed investments.

Note b: Government grants mainly represented subsidies provided to the Group to finance its operations and there were no unfulfilled conditions.

11. FINANCE COSTS

| | Year ended 31 December | |
|---|------------------------|------------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Interest expenses on: | | |
| – Bank and other borrowings | 3,332,990 | 2,689,271 |
| – Bills receivable discounted without recourse | 1,036 | 6,164 |
| – Others | 173,326 | 101,819 |
| | 3,507,352 | 2,797,254 |
| Less: interest expenses capitalised into construction in progress | (251,948) | (296,238) |
| | 3,255,404 | 2,501,016 |

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12. INCOME TAX EXPENSES

| | Year ended 31 December | |
|--------------------------|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Income taxes: | | |
| Current taxes | 2,974,693 | 1,746,861 |
| Deferred taxes (note 42) | (260,039) | (929,953) |
| | 2,714,654 | 816,908 |

Except for certain subsidiaries in the PRC that are entitled to a preferential tax rate of 15%, the Company and its subsidiaries in the PRC are subject to the standard income tax rate of 25% on its taxable income (2016: 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Standard income tax rate in the PRC | 25% | 25% |
| Standard income tax rate applied to profit before income taxes | 2,819,560 | 673,778 |
| Reconciling items: | | |
| Tax effect of expenses not deductible for tax purpose | 135,885 | 309,256 |
| Deemed interest income from subsidiaries subject to tax | 77,512 | 105,827 |
| Utilisation of unrecognised tax losses in prior years | (195,855) | (43,902) |
| Effect of tax rate differences in other taxation jurisdictions | (10,453) | (168,738) |
| Tax effect of share of profits less losses of associates and joint ventures | (222,018) | (174,500) |
| Tax effect of tax losses not recognised | 222,230 | - |
| Others | (112,216) | 115,187 |
| Income taxes | 2,724,852 | 816,908 |
| Effective income tax rate | 24.07% | 30.31% |

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13. PROFIT BEFORE TAX

| | Year ended 31 December | |
|--|------------------------|------------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Profit before tax has been arrived at after charging: | | |
| Amortisation of intangible assets | 1,093,966 | 727,091 |
| Depreciation of property, plant and equipment | | |
| – Under finance leases | 147,247 | 496,013 |
| – Self-owned | 3,411,205 | 2,943,981 |
| Total depreciation and amortisation | 4,652,418 | 4,167,085 |
| Release of prepaid lease payments | 27,675 | 27,847 |
| Auditors' remuneration | 12,497 | 18,500 |
| Staff costs, including directors', chief executive director's, supervisors' and management team's emoluments | 6,592,399 | 6,640,412 |
| Retirement benefit scheme contributions (included in staff costs above) | 1,203,662 | 1,358,777 |
| Cost of inventories recognised as expenses | 15,678,797 | 9,584,070 |
| Research and development costs | 83,122 | 77,574 |
| Operating lease charges in respect of leased premises | 94,123 | 103,333 |

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14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

Directors', chief executive director's, supervisors' and management team's emoluments

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | For the year ended 31 December 2017 | | | Total RMB'000 |
|--|-------------------------------------|---|--|------------------|
| | Fees RMB'000 | Salaries, allowance and other benefits in kind RMB'000 | Retirement benefit scheme contributions RMB'000 | |
| Independent non-executive directors | | | | |
| Wang Xiaojun ⁵ | 65 | - | - | 65 |
| Wang Lijie ⁴ | 32 | - | - | 32 |
| Jia Shaohua ⁶ | 119 | - | - | 119 |
| Qi Anbang | 130 | - | - | 130 |
| Kong Xiangguo ¹ | 98 | - | - | 98 |
| Cai Chang ³ | 11 | - | - | 11 |
| Poon Chiu Kwok ² | 65 | - | - | 65 |
| | 520 | - | - | 520 |
| Executive directors | | | | |
| Wu Yuxiang | - | - | - | - |
| Wu Xiangqian | - | 619 | 107 | 726 |
| Guo Jun | - | 575 | 100 | 675 |
| Li Wei | - | - | - | - |
| Zhao Qingchun | - | 608 | 107 | 715 |
| Guo Dechun | - | 629 | 110 | 739 |
| | - | 2,431 | 424 | 2,855 |
| Chief executive director | | | | |
| Li Xiyong* | - | - | - | - |

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14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

Directors', chief executive director's, supervisors' and management team's emoluments (Continued)

For the year ended 31 December 2017

| | Fees RMB'000 | Salaries, allowance and other benefits in kind RMB'000 | Retirement benefit scheme contributions RMB'000 | Total RMB'000 |
|-------------------------------|-----------------|---|--|------------------|
| Supervisors | | | | |
| Zhang Shengdong* ⁵ | - | - | - | - |
| Zhang Ning ² | - | - | - | - |
| Zhou Hong ² | - | - | - | - |
| Gu Shisheng* ² | - | - | - | - |
| Zhen Ailan* | - | - | - | - |
| Chen Zhongyi ⁸ | - | 197 | 34 | 231 |
| Tang Daqing ⁷ | - | 620 | 108 | 728 |
| Jiang Qingquan | - | 585 | 103 | 688 |
| Meng Qinjian | - | - | - | - |
| Xue Zhongyong* ⁵ | - | - | - | - |
| | - | 1,402 | 245 | 1,647 |
| Other management team | | | | |
| Wang Fuqi | - | 606 | 106 | 712 |
| Zhao Honggang | - | 607 | 106 | 713 |
| Jin Qingbin | - | 519 | 90 | 609 |
| Liu Jian | - | 609 | 107 | 716 |
| An ManLin ⁵ | - | 95 | 15 | 110 |
| He Jing ² | - | 609 | 107 | 716 |
| | - | 3,045 | 531 | 3,576 |
| Total | 520 | 6,878 | 1,200 | 8,598 |

The executive directors', chief executive director's and other management team's emoluments show above were for their services to the management of the affairs of the Company and the Group.

The independent non-executive directors' and the supervisors' emoluments show above were for their services as directors/supervisors of the Company.

* Emoluments paid to these directors, the chief executive director, supervisors and management team were borne by the Parent Company and there is no reasonable basis of allocating their emoluments to the Group.

¹ Appointed on 10 March 2017

² Appointed on 29 June 2017

³ Appointed on 27 November 2017

⁴ Resigned on 10 March 2017

⁵ Resigned on 29 June 2017

⁶ Resigned on 27 November 2017

⁷ Appointed on 23 November 2017

⁸ Resigned on 23 November 2017

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14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

Directors', chief executive director's, supervisors' and management team's emoluments (Continued)

For the year ended 31 December 2016

| | Fees RMB'000 | Salaries, allowance and other benefits in kind RMB'000 | Retirement benefit scheme contributions RMB'000 | Total RMB'000 |
|--|-----------------|---|--|------------------|
| Independent non-executive directors | | | | |
| Wang Xiaojun | 130 | - | - | 130 |
| Xue Youzhi ⁴ | 54 | - | - | 54 |
| Wang Lijie | 130 | - | - | 130 |
| Jia Shaohua | 130 | - | - | 130 |
| Qi Anbang ³ | 76 | - | - | 76 |
| | 520 | - | - | 520 |
| Executive directors | | | | |
| Wu Yuxiang | - | 265 | 48 | 313 |
| Zhang Baocai ² | - | 1,683 | 21 | 1,704 |
| Yin Mingde ² | - | 337 | 61 | 398 |
| Wu Xiangqian | - | 474 | 82 | 556 |
| Jiang Qingquan ⁶ | - | 173 | 30 | 203 |
| Guo Jun ³ | - | 243 | 42 | 285 |
| Li Wei ^{*3} | - | - | - | - |
| Zhao Qingchun ⁷ | - | 122 | 20 | 142 |
| Guo Dechun ³ | - | 549 | 96 | 645 |
| | - | 3,846 | 400 | 4,246 |
| Chief executive director | | | | |
| Li Xiyong [*] | - | - | - | - |

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14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

Directors', chief executive director's, supervisors' and management team's emoluments (Continued)

For the year ended 31 December 2016

| | Fees RMB'000 | Salaries, allowance and other benefits in kind RMB'000 | Retirement benefit scheme contributions RMB'000 | Total RMB'000 |
|------------------------------|-----------------|---|--|------------------|
| Supervisors | | | | |
| Zhang Shengdong* | - | - | - | - |
| Gu Shisheng* | - | - | - | - |
| Zhen Ailan* | - | - | - | - |
| Chen Zhongyi | - | 296 | 50 | 346 |
| Jiang Qingquan ⁶ | - | 238 | 41 | 279 |
| Guo Jun ⁵ | - | 176 | 31 | 207 |
| Zhao Qingchun ⁵ | - | 88 | 15 | 103 |
| Meng Qinjian* ² | - | - | - | - |
| Xue Zhongyong* ² | - | - | - | - |
| | - | 798 | 137 | 935 |
| Other management team | | | | |
| Liu Chun | - | 443 | 77 | 520 |
| Shi Chengzhong | - | 444 | 77 | 521 |
| Wang Fuqi | - | 319 | 55 | 374 |
| Ding Guangmu | - | 431 | 75 | 506 |
| Zhao Honggang | - | 416 | 72 | 488 |
| Jin Qingbin | - | 248 | 42 | 290 |
| Liu Jian ⁸ | - | 2 | - | 2 |
| An ManLin ⁸ | - | 2 | - | 2 |
| | - | 2,305 | 398 | 2,703 |
| Total | 520 | 6,949 | 935 | 8,404 |

The executive directors', chief executive director's and other management team's emoluments show above were for their services to the management of the affairs of the Company and the Group.

The independent non-executive directors' and the supervisors' emoluments show above were for their services as directors/supervisors of the Company.

* Emoluments paid to these directors, the chief executive director, supervisors and management team were borne by the Parent company and there is no reasonable basis of allocating their emoluments to the Group.

¹ Appointed on 6 January 2016.

² Resigned on 29 March 2016

³ Appointed on 3 June 2016.

⁴ Resigned on 3 June 2016.

⁵ Re-designated from supervisor to executive director on 3 June 2016.

⁶ Re-designated from executive director to supervisor on 3 June 2016.

⁷ Re-designated from other management to executive director on 3 June 2016.

⁸ Appointed on 30 December 2016.

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14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

Employees' emoluments

The five highest paid individuals in the Group included nil (2016: one) director for the year ended 31 December 2017. The emoluments of the five highest paid individuals were stated as follows:

| | Year ended 31 December | |
|--|------------------------|---------|
| | 2017 | 2016 |
| | RMB'000 | RMB'000 |
| Salaries, allowance and other benefits in kind | 13,412 | 11,068 |
| Retirement benefit scheme contributions | 622 | 269 |
| Discretionary bonuses | 11,765 | 10,567 |
| | 25,799 | 21,904 |

Their emoluments were within the following bands:

| | Year ended 31 December | |
|--------------------------------|------------------------|------|
| | 2017 | 2016 |
| HKD1,000,001 to HKD1,500,000 | - | 2 |
| HKD1,500,001 to HKD2,000,000 | 1 | - |
| HKD3,000,001 to HKD3,500,000 | - | 1 |
| HKD3,500,001 to HKD4,000,000 | 2 | - |
| HKD4,000,001 to HKD4,500,000 | - | 1 |
| HKD6,000,001 to HKD6,500,000 | 1 | - |
| HKD14,500,001 to HKD15,000,000 | - | 1 |
| HKD16,000,001 to HKD16,500,000 | 1 | - |
| | 5 | 5 |

None of the directors, chief executive director, supervisors, management team and the five highest paid individuals waived any emoluments in the year ended 31 December 2017 and 2016. No emoluments were paid by the Group to any of the directors, chief executive director, supervisors, management team or five highest paid individuals as an inducement to joining the Group or as compensation for loss of office.

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15. DIVIDEND RECOGNISED AS DISTRIBUTION DURING THE YEAR

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| 2016 final dividend, RMB0.12 per share (2016: 2015 final dividend, RMB0.010 per share) | 589,442 | 49,324 |

In the annual general meeting held on 3 June 2016, a final dividend of RMB0.010 per share in respect of the year ended 31 December 2015 was approved by the shareholders and paid to the shareholders of the Company.

In the annual general meeting held on 29 June 2017, a final dividend of RMB0.12 per share in respect of the year ended 31 December 2016 was approved by the shareholders and paid to the shareholders of the Company.

The board of directors proposes to declare a final dividend of approximately RMB2,357,768,000 calculated based on a total number of 4,912,016,000 shares issued at RMB1 each, at RMB4.80 per each 10 shares, in respect of the year ended 31 December 2017. The declaration and payment of the final dividend needs to be approved by the shareholders of the Company by way of an ordinary resolution in accordance with the requirements of the Company's Articles of Association. A shareholders' general meeting will be held for the purpose of considering and, if thought fit, approving this ordinary resolution.

16. EARNINGS PER SHARE AND PER ADS

The calculation of the earnings per share attributable to the equity holders of the Company for the years ended 31 December 2017 and 2016 is based on the profit attributable to the equity holders of the Company for the year of RMB7,362,675,000 and RMB1,649,391,000 and on the weighted average 4,912,016,000 shares and 4,912,016,000 shares in issue during 2017 and 2016 (excluding the ordinary shares repurchased in 2015 and cancelled in 2016) respectively.

The earnings per ADS have been calculated based on the profit for the relevant periods and on one ADS, being equivalent to 10 H shares.

Diluted earnings per share for the year ended 31 December 2017 approximates the basic earnings per share as the conversion of outstanding subordinated capital notes during the year does not have material impact on the profit attributable to the equity holders of the Company.

Diluted earnings per share for the years ended 31 December 2016 equal to the basic earnings per share as there was no dilutive effect of subordinated capital notes.

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17. BANK BALANCES AND CASH/TERM DEPOSITS AND RESTRICTED CASH

Bank balances carry interest at market rates which ranged from 0.30% to 2.10% (2016: from 0.30% to 2.10%) per annum.

At the reporting date, the restricted cash represents the bank acceptance bill deposits paid for safety work as required by the State Administrative of work safety which carry interest at market rates of 0.30% to 0.42% (2016: 0.30% to 0.42%) per annum deposits placed as guarantee for the future payment of land subsidence as required by the Australian government, which carry interest at average rate of 1.19% (2016: 1.19%) per annum and deposit placed with The People's Bank of China which carry interest at 0.72% (2016: nil) per annum.

Pledged term deposits were pledged to certain banks as security for loans and banking facilities granted to the Group, which carry fixed interest rate ranging from 0.55% to 2.9% (2016: 1.10% to 2.75%) per annum.

18. BILLS AND ACCOUNTS RECEIVABLES

| | At 31 December | |
|---|----------------|-----------|
| | 2017 | 2016 |
| | RMB'000 | RMB'000 |
| Accounts receivable | 4,117,707 | 3,001,670 |
| Less: Impairment loss | (272,569) | (151,812) |
| | 3,845,138 | 2,849,858 |
| Bills receivable | 9,146,320 | 6,886,001 |
| Total bills and accounts receivables, net | 12,991,458 | 9,735,859 |

Bills receivable represents unconditional orders in writing issued by or negotiated from customers of the Group for completed sale orders which entitle the Group to collect a sum of money from banks or other parties. The bills are non-interest bearing and have a maturity of six months.

According to the credit rating of different customers, the Group generally allows a range of credit periods to its trade customers not exceeding 180 days.

The following is an aged analysis of bills and accounts receivables, net of provision for impairment, based on the invoice dates at the reporting dates:

| | At 31 December | |
|--------------|----------------|-----------|
| | 2017 | 2016 |
| | RMB'000 | RMB'000 |
| 0-90 days | 7,979,670 | 6,900,175 |
| 91-180 days | 1,122,141 | 546,045 |
| 181-365 days | 3,366,423 | 1,612,648 |
| Over 1 year | 523,224 | 676,991 |
| | 12,991,458 | 9,735,859 |

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year.

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18. BILLS AND ACCOUNTS RECEIVABLES (Continued)

The ageing analysis of the Group's bills and accounts receivables, that were past due but not yet impaired as at 31 December 2017 and 2016, based on due date is as follows:

| | At 31 December | |
|--------------|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| 1-90 days | 165,718 | 132,029 |
| 91-180 days | 72,216 | 61,613 |
| 181-365 days | 61,308 | 52,689 |
| Over 1 year | 688,835 | 525,078 |
| | 988,077 | 771,409 |

The Group does not hold any collateral over these balances. The management closely monitors the credit quality of accounts receivable and consider the balance that are neither past due nor impaired are of good credit quality.

The Group has provided fully for all receivables over 3 years because historical experience is such that receivables that are past due beyond 3 years are generally not recoverable. For receivable aged over 4 years and considered irrecoverable by the management will be written off.

An analysis of the impairment loss on bills and accounts receivable for 2017 and 2016 are as follows:

| | At 31 December | |
|------------------------|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Balance at 1 January | 151,812 | 59,914 |
| Provided for the year | 120,757 | 91,898 |
| Balance at 31 December | 272,569 | 151,812 |

Included in the impairment loss on bills and accounts receivables is a balance of RMB272,569,000 (2016: RMB151,812,000) for individually impaired trade receivables, which are mainly due from corporate customers in the PRC and considered irrecoverable by the management after consideration on the credit quality of those individual customers, the ongoing relationship with the Group and the aging of these receivables. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the amounts.

Included in bills receivables and accounts receivables as at 31 December 2017 is a balance of RMB1,476,828,000 (2016: nil) and RMB350,215,000 (2016: nil) that have been pledged to secure borrowings and banking facilities granted to the Group.

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19. ROYALTY RECEIVABLE

| | At 31 December | |
|-----------------------|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| As at 1 January | 997,761 | 968,527 |
| Cash received | (139,358) | (99,870) |
| Unwinding discount | 105,453 | 101,819 |
| Exchange re-alignment | 14,264 | 58,157 |
| Change in fair value | 38,326 | (30,872) |
| As at 31 December | 1,016,446 | 997,761 |
| Presented as: | | |
| Current portion | 124,450 | 156,461 |
| Non-current portion | 891,996 | 841,300 |
| | 1,016,446 | 997,761 |

A right to receive a royalty of 4% of Free on Board trimmed sales from Middlemount Coal Pty Ltd (“Middlemount”) mine operated by Middlemount Joint Venture was acquired as part of the acquisition of Gloucester Coal Limited (“Gloucester”). This financial asset has been determined to have a finite life being the life of the Middlemount mine and is measured at fair value basis.

The royalty receivable is measured based on management expectations of the future cash flows at each reporting date with the re-measurement recorded in profit or loss. The amount expected to be received in the next 12 month is disclosed as current receivable and the discounted expected future cash flow beyond 12 months is disclosed as a non-current receivable. Change in fair value is included in other income and gains (2016: selling, general and administrative expenses).

20. INVENTORIES

| | At 31 December | |
|---|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Work in progress | 342,618 | 131,147 |
| Finished goods | 182,543 | 131,710 |
| | 525,161 | 262,857 |
| Methanol | 86,171 | 63,619 |
| Auxiliary material, spare parts and small tools | 735,496 | 527,742 |
| Coal products | 1,324,776 | 665,910 |
| Iron ore | 360,165 | 567,242 |
| Others | 47,480 | 74,777 |
| | 3,079,249 | 2,162,147 |

As at 31 December 2017, inventories of RMB170,000,000 (2016: nil) have been pledged to secured borrowings of the Group.

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20. INVENTORIES (Continued)

During the year ended 31 December 2016, there was a significant increase in the net realisable value of raw materials due to market price increase in coal. As a result a reversal of write-down of raw materials of RMB17,360,000 (2017: nil) had been recognised and included in other income and gains in that year.

21. PREPAYMENTS AND OTHER RECEIVABLES

| | At 31 December | |
|---|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Advance to suppliers | 4,293,661 | 3,943,418 |
| Less: Impairment loss on advance to suppliers (note(i)) | (1,365,448) | (1,046,678) |
| | 2,928,213 | 2,896,740 |
| Prepaid relocation costs of inhabitants | 2,706,538 | 2,005,751 |
| Other taxes | 628,179 | 634,947 |
| Dividend receivable | 51,316 | 5,000 |
| Loan receivables (note(ii)) | 4,982,251 | - |
| Interest receivable | 100,966 | - |
| Others | 3,343,070 | 1,770,703 |
| Less: Impairment loss on other receivables | (288,983) | - |
| | 14,451,550 | 7,313,141 |

An analysis of the impairment loss on advance to suppliers and other receivables for 2017 and 2016 are as follows:

| | At 31 December | |
|------------------------|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Balance at 1 January | 1,046,678 | 29,523 |
| Provided for the year | 607,753 | 1,017,155 |
| Balance at 31 December | 1,654,431 | 1,046,678 |

- (i) Included in the above balance as at 31 December 2017 is individually impaired advances of RMB1,365,448,000 (2016: RMB1,046,678,000).

The Group has provided fully for all advances over 3 years because historical experience is such that advances that are past due beyond 3 years are generally not recoverable. Advances will be written off, if aged over 4 years and considered irrecoverable by the management after considering the credit quality of the individual party and the nature of the amount overdue. During the year ended 31 December 2017, there was no written off against prepayments and other receivables (2016: Nil).

- (ii) The loans receivables carried interest ranging from 3.48% to 4.35% per annum and are repayable within 12 months from the end of the reporting period.

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22. PREPAID LEASE PAYMENTS

| | At 31 December | |
|---------------------|------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Current portion | 27,675 | 29,056 |
| Non-current portion | 1,246,106 | 872,202 |
| | 1,273,781 | 901,258 |

The amounts represent prepaid lease payments for land use rights which are situated in the PRC and have a term of 45 to 50 years from the date of grant of land use rights certificates.

23. INTANGIBLE ASSETS

| | Mining reserves RMB'000 | Mining resources (exploration and evaluation assets) RMB'000 | Potash mineral exploration permit RMB'000 | Technology RMB'000 | Water licenses RMB'000 | Others RMB'000 | Total RMB'000 |
|--|-------------------------------|--|---|-----------------------|------------------------------|-------------------|------------------|
| COST | | | | | | | |
| At 1 January 2016 | 32,575,803 | 3,883,018 | 1,184,711 | 231,102 | 124,564 | 112,625 | 38,111,823 |
| Exchange re-alignment | 765,095 | 272,565 | 108,591 | 7,203 | - | 7,326 | 1,160,780 |
| Additions | 107,913 | - | - | 9,463 | 121,132 | 3,417 | 241,925 |
| Transfer from construction in progress | 7,874,463 | - | - | - | - | - | 7,874,463 |
| At 31 December 2016 and 1 January 2017 | 41,323,274 | 4,155,583 | 1,293,302 | 247,768 | 245,696 | 123,368 | 47,388,991 |
| Exchange re-alignment | 56,523 | 23,327 | 8,090 | 1,928 | - | 2,142 | 92,010 |
| Additions | 253,731 | - | - | - | - | 2,019 | 255,750 |
| Transfer from construction in progress | 279,693 | - | - | - | - | - | 279,693 |
| Acquisition of subsidiaries | 12,597,949 | - | - | - | 86,348 | 1,868 | 12,686,165 |
| Transfer to assets classified as held for sale | (1,582,723) | - | - | - | (21,713) | (177) | (1,604,613) |
| At 31 December 2017 | 52,928,447 | 4,178,910 | 1,301,392 | 249,696 | 310,331 | 129,220 | 59,097,996 |
| AMORTISATION AND IMPAIRMENT | | | | | | | |
| At 1 January 2016 | 5,689,600 | 118,191 | - | 5,545 | 4,641 | 50,536 | 5,868,513 |
| Exchange re-alignment | 178,556 | 7,203 | - | - | - | 835 | 186,594 |
| Provided for the year | 707,018 | - | - | 7,203 | - | 12,870 | 727,091 |
| At 31 December 2016 and 1 January 2017 | 6,575,174 | 125,394 | - | 12,748 | 4,641 | 64,241 | 6,782,198 |
| Exchange re-alignment | 13,407 | 4,022 | - | 32 | - | 234 | 17,695 |
| Provided for the year | 1,066,965 | - | - | 5,597 | 4,983 | 16,421 | 1,093,966 |
| Reversal of impairment loss | (505,430) | - | - | - | - | - | (505,430) |
| Impairment loss | 1,491,986 | - | - | - | - | - | 1,491,986 |
| At 31 December 2017 | 8,642,102 | 129,416 | - | 18,377 | 9,624 | 80,896 | 8,880,415 |
| CARRYING VALUES | | | | | | | |
| At 31 December 2017 | 44,286,345 | 4,049,494 | 1,301,392 | 231,319 | 300,707 | 48,324 | 50,217,581 |
| At 31 December 2016 | 34,748,100 | 4,030,189 | 1,293,302 | 235,020 | 241,055 | 59,127 | 40,606,793 |

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23. INTANGIBLE ASSETS (Continued)

The mining rights (mining reserves) are amortised based on unit of production method.

The potash mineral exploration permit is reclassified to mining resources or mining reserves according to its progress of exploration. Technology has not yet reached the stage of commercial application and therefore is not amortised. Patent also included in technology and it is amortised on a straight line basis of 10 years over the useful life.

Water licenses are amortised over the life of mine. If the mining activities of the relevant locations have not yet been started and the connections to water sources have not been completed, no amortisation will be provided.

Other intangible assets mainly represent computer software which is amortised on a straight line basis of 2.5 to 5 years over the useful life.

Amortisation expense of the mining rights for the year of RMB1,066,965,000 (2016: RMB707,018,000) has been included in cost of sales and services provided. Amortisation expense of other intangible assets for the year of RMB27,001,000 (2016: RMB20,073,000) has been included in selling, general and administrative expenses.

During the year ended 31 December 2017 and 2016, each cash generating unit's recoverable amount has been determined using the value in use method.

Value in use has been determined using a discounted cash flow model. The key assumptions to which the model is most sensitive include:

- Coal prices
- Foreign exchange rates
- Production and capital costs
- Discount rate
- Coal reserves and resources

In determining the value assigned to each key assumption, management has used external sources of information and utilised the expertise of external consultants and experts within the Group to validate entity specific assumptions such as coal reserves and resources.

Production and capital costs are based on the Group's estimate of forecasted geological conditions, stage of existing plant and equipment and future production levels. The information is obtained from internally maintained budgets, the five year business plan, life of mine models, life of mine plans and project evaluations performed by the Group in its ordinary course of business.

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23. INTANGIBLE ASSETS (Continued)

The Group has applied a post-tax discount rate of 8% to 10.5% (2016: 8% to 10.5%) to discount the forecast future attributable post-tax cash flows. The post-tax discount rate applied to the future cash flow forecasts represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. This rate is also consistent with the Group's five year business plan, life of mine models and project evaluations performed in ordinary course of business.

Based on the above assumptions at 31 December 2017, the recoverable amounts of Moolarben Mine and Wenyu Mine in the coal mining segment are determined to be above and below the respective carrying values and a reversal of impairment loss of RMB505,430,000 (2016: nil) and an impairment loss of RMB1,491,986,000 (2016: nil) are recognised respectively.

During the year ended 31 December 2017, there has been an improvement in current and life of mine operating costs and an increase in the JORC reserves at the Moolarben mine. These factors have been considered a trigger for a reversal of impairment made in previous years. An impairment reversal of RMB505,430,000 has been recognised through the profit or loss. The recoverable amount for Moolarben Mine was determined to be approximately RMB8.0 billion.

In relation to Wenyu Mine, due to the underperformance of the cash generating unit, an impairment loss of RMB1,491,986,000 was recognised. The recoverable amount for the Wenyu Mine as at 31 December 2017 was determined to be RMB0.3 billion.

24. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land in Australia RMB'000 | Buildings RMB'000 | Railway structures RMB'000 | Mining structures RMB'000 | Plant, machinery and equipment RMB'000 | Transportation equipment RMB'000 | Total RMB'000 |
|---|--|----------------------|----------------------------------|---------------------------------|--|--|------------------|
| COST | | | | | | | |
| At 1 January 2016 | 727,640 | 4,096,743 | 4,906,388 | 10,293,959 | 25,282,051 | 2,198,708 | 47,505,489 |
| Exchange re-alignment | 44,359 | 26,799 | - | 166,989 | 395,040 | 18 | 633,205 |
| Additions | - | 54,671 | 4,511 | 38,219 | 1,878,184 | 3,442 | 1,979,027 |
| Transfer from construction in progress | 594 | 23,275 | 621,914 | 2,155,420 | 1,630,193 | 86,493 | 4,517,889 |
| Reclassification | - | 576,923 | (614,147) | - | 31,259 | 5,965 | - |
| Disposals | - | (13,463) | (9,431) | (147,107) | (1,280,083) | (19,191) | (1,469,275) |
| At 31 December 2016 and 1 January 2017 | 772,593 | 4,764,948 | 4,909,235 | 12,507,480 | 27,936,644 | 2,275,435 | 53,166,335 |
| Exchange re-alignment | 14,812 | 11,514 | - | 82,286 | 200,117 | 3 | 308,732 |
| Additions | - | 93,486 | 116,839 | 298,664 | 2,352,050 | 93,856 | 2,954,895 |
| Acquisition of subsidiaries | 244,855 | 235,604 | - | 1,783,200 | 4,489,394 | 2,534 | 6,755,587 |
| Transfer to assets classified as held for sales | - | (76,392) | - | (259,732) | (606,057) | - | (942,181) |
| Transfer from construction in progress | - | 1,788,072 | 9,096 | 4,656,846 | 4,181,210 | 176,974 | 10,812,198 |
| Reclassification | - | (379) | - | - | 33,847 | (33,468) | - |
| Disposals | (26,182) | (86,541) | (4,417) | (489,270) | (435,823) | (7,502) | (1,049,735) |
| At 31 December 2017 | 1,006,078 | 6,730,312 | 5,030,753 | 18,579,474 | 38,151,382 | 2,507,832 | 72,005,831 |

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24. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Freehold land in Australia RMB'000 | Buildings RMB'000 | Railway structures RMB'000 | Mining structures RMB'000 | Plant, machinery and equipment RMB'000 | Transportation equipment RMB'000 | Total RMB'000 |
|--|--|----------------------|----------------------------------|---------------------------------|--|--|------------------|
| ACCUMULATED DEPRECIATION AND IMPAIRMENT | | | | | | | |
| At 1 January 2016 | - | 1,383,613 | 2,486,809 | 3,412,107 | 9,948,453 | 1,615,129 | 18,846,111 |
| Exchange re-alignment | - | 7,165 | - | 40,732 | 143,000 | 4 | 190,901 |
| Reclassification | - | (1,196) | (2,924) | - | (7,691) | 11,811 | - |
| Provided for the year | - | 214,271 | 232,972 | 736,519 | 2,168,343 | 87,889 | 3,439,994 |
| Eliminated on disposals | - | (9,473) | (6,321) | (99,159) | (203,110) | (15,630) | (333,693) |
| At 31 December 2016 and 1 January 2017 | - | 1,594,380 | 2,710,536 | 4,090,199 | 12,048,995 | 1,699,203 | 22,143,313 |
| Exchange re-alignment | - | 3,624 | - | 18,637 | 75,810 | - | 98,071 |
| Provided for the year | - | 254,416 | 177,752 | 769,472 | 2,272,536 | 84,276 | 3,558,452 |
| Reclassification | - | 10 | - | - | (18,159) | 18,149 | - |
| Eliminated on disposals | - | (1,654) | (1,824) | (16,873) | (36,542) | (4,841) | (61,734) |
| At 31 December 2017 | - | 1,850,776 | 2,886,464 | 4,861,435 | 14,342,640 | 1,796,787 | 25,738,102 |
| CARRYING VALUE | | | | | | | |
| At 31 December 2017 | 1,006,078 | 4,879,536 | 2,144,289 | 13,718,039 | 23,808,742 | 711,045 | 46,267,729 |
| At 31 December 2016 | 772,593 | 3,170,568 | 2,198,699 | 8,417,281 | 15,887,649 | 576,232 | 31,023,022 |

The following estimated useful lives are used for the depreciation of property, plant and equipment, other than freehold land:

| | |
|--------------------------------|-----------------|
| Buildings | 8 to 35 years |
| Railway structures | 15 to 25 years |
| Plant, machinery and equipment | 2.5 to 25 years |
| Transportation equipment | 6 to 40 years |

Transportation equipment includes vessels, harbor works and crafts which are depreciated over the estimated useful lives of 18 and 40 years respectively.

The mining structures include the main and auxiliary mine shafts and underground tunnels. Depreciation is provided to write off the cost of the mining structures using the units of production method based on the estimated production volume for which the structure was designed and the contractual period of the relevant mining rights.

At 31 December 2017, property, plant and equipment with carrying amount of approximately RMB2,974,089,000 (2016: RMB3,370,437,000) have been pledged to secure bank borrowings of the Group.

At 31 December 2017, the carrying amount of property, plant and equipment held under finance leases was RMB388,867,000 (2016: RMB410,269,000).

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25. GOODWILL

| | 2017 RMB'000 | 2016 RMB'000 |
|-----------------------------|-----------------|-----------------|
| NET CARRYING VALUE | | |
| At 1 January | 1,646,717 | 2,296,083 |
| Acquisition of a subsidiary | 16,966 | – |
| Exchange re-alignment | 5,044 | 18,844 |
| Impairment loss | – | (668,210) |
| At 31 December | 1,668,727 | 1,646,717 |

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

| | At 31 December | |
|-------------------------------------|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Mining | | |
| – Jining II | 10,106 | 10,106 |
| – Shandong Yanmei Shipping Co., Ltd | 10,046 | 10,046 |
| – Heze | 35,645 | 35,645 |
| – Shanxi Group | 145,613 | 145,613 |
| – Yancoal Resources | 312,426 | 307,382 |
| – Syntech | 20,679 | 20,679 |
| – Premier Coal and Wesfarmers Char | 12,860 | 12,860 |
| – Xintai | 653,837 | 653,837 |
| – Beisu and Yangcun | 712,214 | 712,214 |
| Coal Railway Transportation | | |
| – Railway Assets | 97,240 | 97,240 |
| Electricity and heat supply | | |
| – Hua Ju Energy | 239,879 | 239,879 |
| Machinery manufacturing | | |
| – Donghua | 409,204 | 409,204 |
| Corporate | | |
| – Yankuang Finance | 16,966 | – |
| Impairment loss | (1,007,988) | (1,007,988) |
| | 1,668,727 | 1,646,717 |

Business performance is reviewed by management on a mine basis and each mine is considered to be a separate cash generating unit.

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25. GOODWILL (Continued)

The recoverable amounts of goodwill from each of the above cash generating units have been determined on the basis of value in use calculations. Value in use has been determined using a discounted cash flow model. The recoverable amounts are based on certain key assumptions on discount rates, growth rates, selling prices, foreign currency exchange rates, mining reserves and mining resources and direct cost.

In determining the value assigned to each key assumption, management has used external sources of information and utilised the expertise of external consultants and experts within the Group to validate entity specific assumptions such as mining reserves and mining resources. Furthermore, in estimating future coal prices, the Group receives long term forecast coal price data from multiple externally verifiable sources when determining its coal price forecasts, making adjustments for specific coal quality factors. The long term forecast exchange rate is based on externally verifiable sources. Production and capital costs are based on the Group's estimate of forecasted geological conditions, stage of existing plant and equipment and future production levels. This information is obtained from internally maintained budgets, the five year business plan, life of mine models and project evaluations performed by the Group in its ordinary course of business.

The cash flow model was based on financial budgets approved by management covering a 5-year period with an assumption of post-tax discount rate of ranged from 8.19% to 13.12% (2016: 8.03% to 12.77%). It represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset. Externally verifiable data received by the Group validates this assumption. The recoverable amount is also dependent on the life of mines 4 to 38 years (2017: 5 to 39 years). This is calculated based on the Group's annual coal production forecast for each mine and mining reserves and mining resources. The cash flows beyond the 5-year period are extrapolated using a zero percent growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of each of the above units to exceed the recoverable amount of each of the above units.

For the impairment testing of goodwill, cash flow projections during the budget period are based on the budgeted revenue and expected gross margins during the budget period and the raw materials price inflation during the budget period. Expected cash inflows/outflows have been determined based on past performance and management's expectations for the market development. Under the discounted future cash flows that are dependent on the following unobservable inputs: forecast sales volumes and coal prices. The forecast sales volumes are based on the internally maintained budgets, five year business plan and life of mine models. The forecast coal prices are based on external data consistent with the data used for impairment assessments. The risk-adjusted post-tax discount rate used to determine the future cash flows is 8.19%.

As at 31 December 2016, the carrying amount on goodwill of Xintai was fully impaired and the recoverable amount of the relevant cash generating unit was RMB286,678,000. As at 31 December 2016, the carrying amount on goodwill of Beisu and Yangcun is RMB370,923,000 since the cash generating unit of Beisu and Yangcun had been reduced to its recoverable amount of RMB626,884,000. No further impairment of goodwill is required to be recognised for the year ended 31 December 2017.

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26. CONSTRUCTION IN PROGRESS

| | RMB'000 |
|--|-------------------|
| COST | |
| At 1 January 2016 | 16,956,592 |
| Exchange re-alignment | 264,069 |
| Additions | 6,101,635 |
| Transfer to property, plant and equipment | (4,517,889) |
| Transfer to intangible assets | (7,874,463) |
| At 31 December 2016 and 1 January 2017 | 10,929,944 |
| Exchange re-alignment | 21,251 |
| Additions | 3,690,388 |
| Acquisition of subsidiaries | 1,058,100 |
| Transfer to property, plant and equipment | (10,812,198) |
| Transfer to assets classified as held for sale | (91,504) |
| Transfer to intangible assets | (279,693) |
| At 31 December 2017 | 4,516,288 |

For the year ended 31 December 2017, the capitalised interest expense amounted to RMB251,948,000 (2016: RMB296,238,000). The annual interest rates used to determine the capitalised amount in 2017 are 4.35% to 6.40% (2016: 4.35% to 4.75%).

27. INTERESTS IN ASSOCIATES

| | At 31 December | |
|---|------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Cost of investments in associates | 7,229,719 | 4,110,434 |
| Share of post-acquisition profit and other comprehensive income, net of dividends | 1,424,486 | 1,022,839 |
| Carrying amount | 8,654,205 | 5,133,273 |

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27. INTERESTS IN ASSOCIATES (Continued)

Information of major associates is as follows:

| Name of associate | Place of establishment and operation | Class of shares held | Principal activity | Interest held at 31 December | |
|--|--------------------------------------|----------------------|--|------------------------------|--------|
| | | | | 2017 | 2016 |
| Huadian Zouxian Power Generation Company Limited ("Huadian Zouxian") | PRC | Registered capital | Electricity generation business (i) | 30% | 30% |
| Yankuang Group Finance Company Limited ("Yankuang Finance") (note(viii)) | PRC | Registered capital | Financial services | N/A | 25% |
| Shaanxi Future Energy Chemical Corp. Ltd ("Shaanxi Chemical") | PRC | Registered capital | Production and sales of chemical products, oil and coal (ii) | 25% | 25% |
| Shandong Shengyang Wood Co., Ltd | PRC | Registered capital | Artificial board, CCF processing | 39.77% | 39.77% |
| Jiemei Wall Materials Co., Limited | PRC | Registered capital | Coal refuse baked brick | 20% | 20% |
| Newcastle Coal Infrastructure Group Pty Ltd | Australia | Registered capital | Coal terminal | 27% | 27% |
| Shanghai CIFCO Futures Co., Limited | PRC | Registered capital | Trading and consultation futures | 33% | 33% |
| Watagan Mining Company Pty Limited ("Watagan") (note (vii)) | Australia | Ordinary shares | Coal Mining and sales | 100% | 100% |
| Qilu Bank Co., Ltd. ("Qilu Bank") (note (iii)) | PRC | Registered capital | Financial services | 8.67% | 8.67% |
| Shandong Zoucheng Jianxin Rural Bank Co., Ltd. ("Zoucheng") | PRC | Registered capital | Financial services | 9% | 9% |
| 內蒙古伊泰准東鐵路有限責任公司 (「伊泰」) (note (iv)) | PRC | Registered capital | Railway construction and transportation | 25% | - |
| 兗州售電有限公司 (note (v)) | PRC | Registered capital | Sales of electricity | 25% | N/A |
| Haichang Industry Co., Ltd. of Dongguan City | PRC | Registered capital | Port service | 20.89% | 20.89% |
| Port Waratah Coal Services Ltd ("PWCS") (note(vi)) | Australia | Ordinary shares | Provision of coal receivable, blending, stockpiling and ship loading service | 36.5% | - |

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27. INTERESTS IN ASSOCIATES (Continued)

All of the above associates have been accounted for using equity method in the consolidated financial statements. Except for 伊泰, 兖礦售電有限公司, New Castle Coal Infrastructure Group Pty Ltd, Watagan and PWCS which are indirectly held by the Company, all associates are held by the Company directly. The interests held disclosed above for New Castle Coal Infrastructure Group Pty Ltd, Watagan and PWCS represented the equity interests controlled by the Group through Yancoal Australia.

- (i) Huadian Zouxian is an important strategic partner of the Group.
- (ii) Shaanxi Chemical is an important strategic partner to develop future energy business of the Group.
- (iii) During the year ended 31 December 2017, the Group subscribed for 111,110,000 shares of Qilu Bank at a cash consideration of RMB433,329,000. The Group's equity interest in Qilu Bank remains unchanged after such subscription.
- (iv) The Group acquired 25% equity interest in 伊泰 for a cash consideration of RMB1,942,500,000 during the year ended 31 December 2017.
- (v) The associate was established by the Group and the Parent Company during the current year and the Group made capital contribution of RMB30,000,000.
- (vi) The Group's through the acquisition of Coal & Allied Industries Limited (C&A) during the current year acquired 36.5% equity interest in PWCS of which 6.5% is classified as held for sale as at 31 December 2017 (note 33(i)).
- (vii) On 18 February 2016, the Group executed a bond subscription agreement, together with other agreements (the "Watagan Agreements") that, on completion, will transfer the Group's interest in three of its 100% owned coal mining operations in Australia, being the Austar, Ashton and Donaldson coal mines (the "Three Mines"), to Watagan. On completion, under the terms of the Watagan Agreements, upon issuance of the bonds, the Group will lose control of Watagan. These powers will be transferred to the Bondholders under the terms of the Watagan Agreements as the bond holders will be given control of Watagan's board of directors via appointment of the majority of directors. Given the Group maintains one seat on the board of directors of Watagan and has ongoing involvement under the terms of the Watagan Agreements, the Group can exercise significant influence over Watagan.
- (viii) On 31 October 2017, the Group acquired additional 65% equity interest in Yankuang Finance from the Parent Company. Prior to the acquisition of the 65% equity interest, the Group had 25% equity interest in Yankuang Finance. Following such acquisition, Yankuang Finance becomes a non-wholly owned subsidiary of the Group. Further details of the acquisition are set out in note 49.

On 31 December 2016, the Group appointed a director to Qilu Bank and commenced to have significant influence over the management, including participation in the financial and operating policy decisions in Qilu.

Except for Qilu Bank Co., Ltd., all of the associates are private companies whose quoted market price is not available. The fair value of Qilu Bank's shares at 31 December 2017 was RMB1,482,878,000 (2016: RMB659,843,000).

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27. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information in respect of the Group's material associates is set out below:

| | Huadian Zouxian | | Shaanxi Chemical | | Qilu Bank | |
|--|-----------------|-----------------|------------------|-----------------|---------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 | 2017 RMB'000 | 2016 RMB'000 | 2017 RMB'000 | 2016 RMB'000 |
| Current assets | 476,441 | 470,035 | 3,666,822 | 1,618,980 | Note ⁽ⁱ⁾ | 119,331,621 |
| Non-current assets | 4,805,394 | 5,054,981 | 17,980,578 | 18,507,367 | Note ⁽ⁱ⁾ | 87,836,250 |
| Current liabilities | (1,791,489) | (1,641,967) | (5,269,037) | (6,968,817) | Note ⁽ⁱ⁾ | (175,635,965) |
| Non-current liabilities | - | (400,144) | (7,199,045) | (5,648,631) | Note ⁽ⁱ⁾ | (20,750,179) |
| Revenue | 3,497,850 | 3,540,219 | 6,520,130 | 3,731,541 | Note ⁽ⁱ⁾ | 5,142,813 |
| Expenses | (3,294,468) | (2,861,596) | (4,701,555) | (2,545,767) | Note ⁽ⁱ⁾ | (3,166,997) |
| Income tax expenses | (58,220) | (170,044) | (395,350) | (202,730) | Note ⁽ⁱ⁾ | (322,020) |
| Profit for the year | 145,162 | 508,579 | 1,423,225 | 983,044 | Note ⁽ⁱ⁾ | 1,653,796 |
| Other comprehensive income for the year | - | - | 247,191 | - | Note ⁽ⁱ⁾ | - |
| Total comprehensive income for the year | 145,162 | 508,579 | 1,670,416 | 983,044 | Note ⁽ⁱ⁾ | 1,653,796 |
| Dividend shared by the Group and received from the associate during the year | 41,317 | 137,801 | - | - | Note ⁽ⁱ⁾ | 29,545 |

| | 伊泰 | | PWCS | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 | 2017 RMB'000 | 2016 RMB'000 |
| Current assets | 746,372 | N/A | 360,962 | N/A |
| Non-current assets | 5,687,071 | N/A | 7,297,446 | N/A |
| Current liabilities | (381,061) | N/A | (1,787,777) | N/A |
| Non-current liabilities | (1,012,000) | N/A | (3,372,223) | N/A |
| Revenue | N/A | N/A | 138,616 | N/A |
| Expenses | N/A | N/A | (132,606) | N/A |
| Income tax expenses | N/A | N/A | (1,500) | N/A |
| Profit for the year | N/A | N/A | 4,510 | N/A |
| Other comprehensive income (expense) for the year | N/A | N/A | 24,857 | N/A |
| Total comprehensive income for the year | N/A | N/A | 29,367 | N/A |
| Dividend shared by the Group and received from the associate during the year | N/A | N/A | 32,394 | N/A |

Note (i): Qilu Bank, a public company traded on the National SME Equity Transfer System, is a material associate of the Group. Since the audited results of Qilu Bank for the year ended 31 December 2017 were not yet available as at the date of these consolidated financial statements, the financial information of Qilu Bank was not presented in accordance with the relevant rules and regulations in the PRC.

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27. INTERESTS IN ASSOCIATES (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates in respect of material associates recognised in the consolidated financial statements:

| | Huadian Zouxian | | Shaanxi Chemical | | Qilu Bank | |
|--|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 | 2017 RMB'000 | 2016 RMB'000 | 2017 RMB'000 | 2016 RMB'000 |
| Net assets of the associate's attributable to owners | 3,490,346 | 3,482,905 | 9,179,318 | 7,508,899 | 18,435,421 | 10,781,727 |
| Proportion of the Group's ownership interest | 30% | 30% | 25% | 25% | 8.67% | 8.67% |
| Carrying amount of the Group's interest in the associate | 1,047,104 | 1,044,871 | 2,294,830 | 1,877,225 | 1,598,351 | 934,776 |

| | 伊泰 | | PWCS | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 | 2017 RMB'000 | 2016 RMB'000 |
| Net assets of the associate's attributable to owners | 5,040,382 | N/A | 2,498,408 | N/A |
| Proportion of the Group's ownership interest | 25% | N/A | 30% | N/A |
| Carrying amount of the Group's interest in the associate | 1,260,096 | N/A | 749,522 | N/A |

Aggregate information of Qilu Bank and associates that are not individually material:

| | At 31 December | |
|--|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| The Group's share of profit and total comprehensive income | 195,801 | 126,065 |
| Aggregate carrying amount of the Group's interests in these associates | 2,397,506 | 1,276,401 |

28. LONG TERM RECEIVABLES

| | At 31 December | |
|-------------------------------|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Current asset | | |
| - Loan to a joint venture (i) | 1,689,210 | 1,944,050 |
| - Others (ii) | 1,101,882 | - |
| | 2,791,092 | 1,944,050 |
| Non-current assets | | |
| - Loan to an associate (iii) | 3,626,895 | 3,887,168 |
| - Others (iv) | 3,124,167 | 780,669 |
| | 6,751,062 | 4,667,837 |
| | 9,542,154 | 6,611,887 |

- (i) Loan to a joint venture represented an unsecured interest-free loan to Middlemount Joint Venture of AUD331,686,000 (2016: AUD346,846,000). From 1 July 2015, the shareholders of Middlemount agreed to make the loan interest-free for 18 months and further extended for another 18 months from 1 July 2017.

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28. LONG TERM RECEIVABLES

- (ii) Balance mainly represented loan receivables carrying interest at 5.22% to 7.5% and are secured by the pledge of machinery of the borrowers.
- (iii) Loan to an associate represented an unsecured loan to Watagan of AUD712,161,000 (2016: AUD775,000,000). The loan bearing interest of Bank Bill Swap Bid Rate (“BBSY”) plus 7.06% per annum with a maturity date of 1 April 2025.
- (iv) Other long term receivables mainly represented investment in preference shares of a company for AUD28,554,000 (2016: AUD28,358,000) with cumulative dividends, investment in the long term bonds of a company for AUD31,500,000 (2016: AUD31,500,000) with floating interest rate and loan receivables amounted to RMB2,367,823,000 (2016: RMB480,440,000) carrying interest at 5.22% to 7.5% and are secured by the pledge of machinery of the borrowers.

29. DEPOSITS MADE ON INVESTMENTS

| | At 31 December | |
|--|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Shaanxi Coal Mine Operating Company (i) | 117,926 | 117,926 |
| Ordos Naryn River Mining Developing Co., Ltd. (ii) | | 1,000 |
| | 117,926 | 118,926 |

- (i) During 2006, the Group entered into a co-operative agreement with two independent third parties to establish a company for acquiring a coal mine in Shaanxi province for operations. The Group will have to invest approximately RMB196,800,000 in order to obtain 41% equity interest. As at 31 December 2017, the Group made a deposit of RMB117,626,000 (2016: RMB117,626,000) in relation to this acquisition. As at 31 December 2017, the relevant registration procedures to establish the new company are still in progress, and the establishment has not yet been completed.
- (ii) During 2013, the Group entered into a cooperation agreement with five independent third parties to set up a company, Ordos Naryn River Mining Development Co., Ltd. The Company agreed to contribute RMB5,000,000, representing 10% of its equity interest. At 31 December 2016, the Group had contributed RMB1,000,000. During the year ended 31 December, the capital contributed was returned to the Group.

30. INTERESTS IN JOINT VENTURES

| | At 31 December | |
|---------------------|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Share of net assets | 348,243 | 65,390 |

| Name of joint venture | Place of establishment and operation | Class of shares held | Principal activity | At 31 December | | | |
|---|--------------------------------------|----------------------|---|----------------|---------------|--------------|---------------|
| | | | | 2017 | | 2016 | |
| | | | | Voting power | Interest held | Voting power | Interest Held |
| Australian Coal Processing Holdings Pty Ltd (i) | Australia | Ordinary shares | Investment Holding | 50% | 90% | 50% | 90% |
| Middlemount Joint Venture (i) | Australia | Ordinary shares | Coal mining and sales | 50% | 50% | 50% | 50% |
| Sheng Di Finlay Coal Processing Technology (Tianjin) Co., Ltd | PRC | Ordinary shares | Consultancy services for deep preprocess technology | 50% | 50% | 50% | 50% |

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30. INTERESTS IN JOINT VENTURES (Continued)

The joint ventures are accounted for using equity method in the consolidated financial statements. All of the joint ventures are private companies whose quoted market price is not available.

Note (i): The interests held disclosed above represented the interests controlled by the Group through Yancoal Australia.

Aggregate information of joint ventures that are not individually material:

| | For the year ended 31 December | |
|--|-----------------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| The Group's share of profit and total comprehensive income for the year | 175,791 | (10,366) |
| Aggregate carrying amount of the Group's interests in these joint ventures | 348,243 | 65,390 |

As at 31 December 2017, the Group did not have any share of contingent liabilities or commitment of the joint ventures (2016: Nil).

31. INTERESTS IN JOINT OPERATIONS

Information on major joint operations is as follows:

| Name of joint operation | Place of establishment and operation | Principal activity | At 31 December | |
|--|---|--|-----------------------|-----------------------|
| | | | 2017 Interest held | 2016 Interest held |
| Boonal joint operation | Australia | Provision of a coal haul road and train load out facilities | 50% | 50% |
| Athena joint operation | Australia | Coal exploration | 51% | 51% |
| Moolarben joint operation | Australia | Development and operation of open-cut and underground coal mines | 81% | 81% |
| Hunter Valley Australia Operation ("HVO") (note (i)) | Australia | Underground coal mines | 67.6% | - |

The above joint operations are established and operated as unincorporated businesses and are held indirectly by the Company. The interest held disclosed above represented the interest controlled by the Group through Yancoal Australia.

Note (i): Yancoal Australia, through the acquisition of C&A during the current year, acquired 67.6% interest in HVO of which 16.6% was classified as held for sale as at 31 December 2017.

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32. INVESTMENTS IN SECURITIES

The investments in securities represent available-for-sale equity investments:

| | At 31 December | |
|---|------------------|------------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Equity securities listed on the SSE, at fair value | 424 | 495 |
| Investment in equity securities listed on the HKEX, at fair value | 1,877,228 | 1,806,566 |
| Unlisted equity securities, net of impairment | 186,803 | 137,090 |
| Unlisted investment portfolio, net of impairment | 213,841 | 679,852 |
| | 2,278,296 | 2,624,003 |

The investment in equity securities listed on the SSE included Jiangsu Lianyungang Port Corporation Limited which is stated at the fair value as at 31 December 2017 of RMB424,000 (2016: RMB495,000).

The investment in equity securities listed on the HKEX, at fair value included China Zheshang Bank which is stated at the fair value as of 31 December 2017 of RMB1,877,228,000 (2016: RMB1,806,566,000). As at 31 December 2017, such investment (2016: nil) has been pledged to secure against the bank borrowings of the Group.

The investments in equity securities listed on the SSE, and HKEX are carried at fair value determined according to the quoted market prices in active market.

The unlisted securities and unlisted investment portfolio are stated at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

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33. ASSETS CLASSIFIED AS HELD FOR SALE

As at 31 December 2017, the Group had net assets classified as held for sale for which the relevant sales are expected to be completed in 2018 as follows:

| | RMB'000 |
|--|-----------|
| Interest in an associate (note (i)) | 128,963 |
| Land held for sale (note (ii)) | 288,050 |
| Interest in a joint operation (note (iii)) | 2,365,209 |
| | 2,782,222 |

(i) Interest in an associate

On 31 August 2017, prior to the acquisition by the Group, C&A entered into a sale and purchase agreement with an independent third party for the disposal of 6.5% equity interest in PWCS for a cash consideration of US\$20 million.

(ii) Land held for sale

The balance represented a freehold non-mining land that is held for future sale. In 2017, prior to the acquisition by the Group, C&A entered into a sale and purchase agreement with an independent third party for the disposal of the land for a cash consideration of RMB288,050,000.

(iii) Interest in a joint operation

On 27 July 2017, the Group entered into an agreement with an independent third party for the disposal of 16.6% interest in HVO for a cash consideration of US\$409 million, subject to certain adjustments on completion. The assets and liabilities disclosed below, refers to the share of assets and liabilities associated with the 16.6% interest in HVO.

| | RMB'000 |
|--|-----------|
| Assets | |
| Bank balances and cash | 1,249 |
| Inventories | 59,165 |
| Accounts receivable | 6,736 |
| Other receivables | 1,053 |
| Property, plant and equipment | 942,181 |
| Intangible assets | 1,604,613 |
| Construction in progress | 91,504 |
| Total assets classified as held for sale | 2,706,501 |
| Liabilities | |
| Provision for land subsidence, restoration, rehabilitation and environmental costs | 145,338 |
| Other payables | 24,501 |
| Accounts payable | 171,453 |
| Total liabilities associated with assets classified as held for sale | 341,292 |
| Net assets classified as held for sale | 2,365,209 |

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34. HELD-TO-MATURITY INVESTMENT

| | At 31 December | |
|------------------------------------|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Debt security | 69,427 | 200,000 |
| Analysed for reporting purpose as: | | |
| Current asset | 69,427 | 130,573 |
| Non-current asset | - | 69,427 |
| | 69,427 | 200,000 |

As at 31 December 2017, the Group's held-to-maturity investment represents designated deposits and carries interest at 8.40% (2016: 8.40%) per annum. The current portion will mature in January 2018 (2016: July 2017). The non-current portion as at 31 December 2016 will mature in January 2018.

35. BILLS AND ACCOUNTS PAYABLES

| | At 31 December | |
|------------------|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Accounts payable | 6,437,858 | 4,363,905 |
| Bills payable | 2,535,580 | 1,485,114 |
| | 8,973,438 | 5,849,019 |

The following is an aged analysis of bills and accounts payable based on the invoice dates at the reporting date:

| | At 31 December | |
|----------------|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| 0 – 90 days | 6,522,555 | 4,883,651 |
| 91 – 180 days | 1,017,014 | 467,604 |
| 181 – 365 days | 779,190 | 244,263 |
| Over 1 year | 654,679 | 253,501 |
| | 8,973,438 | 5,849,019 |

The average credit period for accounts payable and bills payable is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

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36. OTHER PAYABLES AND ACCRUED EXPENSES

| | At 31 December | |
|--|-------------------|-------------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Receipts in advance | 2,569,384 | 2,685,783 |
| Accrued staff costs | 1,330,758 | 1,538,809 |
| Other taxes payable | 661,177 | 848,337 |
| Payables in respect of purchases of property, plant and equipment and construction materials | 1,182,309 | 1,615,715 |
| Accrued freight charges | 118,105 | 7,741 |
| Security deposits received | 461,446 | 223,744 |
| Deposits received from customers in relation to financing business | 9,457,594 | – |
| Accrued land subsidence, restoration, rehabilitation and environmental costs | – | 9,299 |
| Interest payable | 728,558 | 569,808 |
| Dividends payable | 41,706 | 2,781 |
| Payable for acquisition of subsidiaries/associates | 2,860,563 | 1,905,667 |
| Others | 2,204,807 | 1,160,211 |
| | 21,616,407 | 10,567,895 |

37. PROVISION FOR LAND SUBSIDENCE, RESTORATION, REHABILITATION AND ENVIRONMENTAL COSTS

| | 2017 RMB'000 | 2016 RMB'000 |
|--|------------------|------------------|
| Balance at 1 January | 3,306,880 | 3,199,739 |
| Exchange re-alignment | 11,575 | 42,580 |
| Acquisition of subsidiaries | 713,319 | – |
| Transfer to liabilities associated with assets held-for-sale | (145,338) | – |
| Additional provision in the year | 1,825,361 | 1,095,637 |
| Utilisation of provision | (1,736,185) | (1,031,076) |
| Balance at 31 December | 3,975,612 | 3,306,880 |
| Presented as: | | |
| Current portion | 2,679,015 | 2,689,433 |
| Non-current portion | 1,296,597 | 617,447 |
| | 3,975,612 | 3,306,880 |

Provision for land subsidence, restoration, rehabilitation and environmental costs has been determined by the directors of the Company based on their best estimates. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the near term.

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38. PROVISION

| | At 31 December | |
|---|------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Current provision | | |
| – Provision of marketing service fee | 6,642 | 6,420 |
| – Take or pay provision (note (i)) | 82,444 | 38,562 |
| – Onerous contract provision (note (ii)) | 174,572 | – |
| – Other | 26,088 | – |
| | 289,746 | 44,982 |
| Non-current provision | | |
| – Provision of marketing service fee | 3,550 | 10,038 |
| – Onerous contract provision (note (ii)) | 443,811 | – |
| – Forecasted excessive supply for port and rail contracts | 235,547 | 154,645 |
| – Employee benefits (note (iii)) | 521,873 | – |
| – Others | 224,336 | 32,735 |
| | 1,429,117 | 197,418 |
| | 1,718,863 | 242,400 |

- (i) Take or pay provision, which arose from business combination in prior years, is the assessment of forecast excess capacity for port and rail contracts. A provision was recognised for the discounted estimated excess capacity. The provision has a finite life and will be released to profit or loss over the period in which excess capacity is realised.
- (ii) The onerous contract provision, which arose from the acquisition of C&A, is the assessment of a coal supply and transportation agreement to supply coa at below market prices. A provision was recognised for the discounted estimated variance between contract and market prices. The provision has a finite life and will be released to profit or loss over the contract term.
- (iii) The balance mainly included provision for long-term employee entitlements and other employee incentives, which arose mainly from the acquisition of C&A.

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39. BORROWINGS

| | At 31 December | |
|------------------------------------|-------------------|-------------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Current liabilities | | |
| Bank borrowings | | |
| – Unsecured borrowings (i) | 7,023,710 | 7,620,029 |
| – Secured borrowings (ii) | 7,560,588 | 5,849,658 |
| Loans pledged by machineries (iii) | 1,000,000 | 200,000 |
| Finance lease liabilities (iv) | 176,316 | 101,453 |
| Guaranteed notes (v) | 11,990,684 | 16,970,841 |
| | 27,751,298 | 30,741,981 |
| Non-current liabilities | | |
| Bank borrowings | | |
| – Unsecured borrowings (i) | 8,574,000 | 2,397,847 |
| – Secured borrowings (ii) | 22,968,621 | 20,055,625 |
| Loans pledged by machineries (iii) | 600,000 | 1,600,000 |
| Finance lease liabilities (iv) | 20,813 | 255,567 |
| Guaranteed notes (v) | 10,445,962 | 10,526,771 |
| | 42,609,396 | 34,835,810 |
| Total borrowings | 70,360,694 | 65,577,791 |

(i) Unsecured borrowings are repayable as follows:

| | At 31 December | |
|---|-------------------|-------------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Within one year | 7,023,710 | 7,620,029 |
| More than one year, but not exceeding two years | 1,802,000 | 661,000 |
| More than two years, but not more than five years | 772,000 | 1,736,847 |
| More than five years | 6,000,000 | – |
| | 15,597,710 | 10,017,876 |

At 31 December 2017, short-term borrowings of the Group amounting to RMB6,350,710,000 (2016: RMB5,264,900,000) carrying interest at 2.90% to 4.35% per annum (2016: 4.35% to 6.00% per annum), including foreign currency borrowing of RMB94,072,000 (2016: nil) carrying interest at six-months LIBOR plus a margin of 1.35% per annum, approximately 2.95% per annum (2016: nil).

Long-term borrowings of the Group amounting to RMB9,247,000,000 (2016: RMB4,752,976,000 carrying interest at a range of 4.51% to 5.9% per annum (2016: 4.75% to 4.80% per annum)).

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39. BORROWINGS (Continued)

(ii) Secured borrowings are repayable as follows:

| | At 31 December | |
|---|-------------------|-------------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Within one year | 7,560,588 | 5,849,658 |
| More than one year, but not exceeding two years | 919,599 | 1,687,400 |
| More than two years, but not more than five years | 20,019,005 | 12,356,190 |
| More than five years | 2,030,017 | 6,012,035 |
| Total | 30,529,209 | 25,905,283 |

At 31 December 2017, secured borrowings of Yancoal Australia amounting to RMB15,996,615,000 (USD2,450,000,000) and (2016: RMB18,022,139,000). Such borrowings carried interest at three-month LIBOR plus a margin of 2.8% to 3.1% (2016: three-month LIBOR plus a margin of 2.8%) per annum, approximately 4.4% to 4.7% (2016: 3.54%) per annum.

At 31 December 2017, secured borrowings of Yancoal International amounting to RMB5,031,353,000 (USD770,000) (2016: RMB2,774,858,000 (USD400,000,000)). These secured borrowings carried interest at three-month LIBOR plus a margin of 1.10% to 3.9% (2016: three-month LIBOR plus a margin of 1.10%), approximately 2.40% to 3.61% (2016: 1.84%) per annum or fixed rate of 3.9% (2016: nil) per annum.

At 31 December 2017, secured borrowings of Premier Coal Limited and Premier Holdings Pty., Ltd., amounted to RMB69,757,000 (AUD13,697,000) (2016: RMB46,086,000 (AUD9,188,000)) which carried interest at 8.7% per annum.

Other than the above, at 31 December 2017, secured borrowings of the Group amounting to RMB9,431,494,000 (2016: RMB5,062,200,000) of which RMB5,575,868,000 (USD1,149,768,000) (2016: RMB4,162,200,000 (USD600,000,000)) were denominated in foreign currency. Such borrowings carried interest at three-month LIBOR plus a margin of 0.6% to 3.0% (2016: six month LIBOR per annum plus a margin of 2.1% to 3.2%), approximately 4.69%(2016: 2.87 to 3.97%) per annum.

As at 31 December 2017 and 2016, certain of the borrowings of the Group were secured by the pledge of the Group's interests in certain subsidiaries and joint operations in overseas.

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39. BORROWINGS (Continued)

(iii) Loans pledged by machineries are repayable as follows:

| | At 31 December | |
|---|------------------|------------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Present value of minimum payments | | |
| Within one year | 1,000,000 | 200,000 |
| More than one year, but not exceeding two years | 600,000 | 1,000,000 |
| More than two years, but not more than five years | - | 600,000 |
| | 1,600,000 | 1,800,000 |
| Less: Amounts due within one year and included in current liabilities | (1,000,000) | (200,000) |
| Amounts due after one year and included in non-current liabilities | 600,000 | 1,600,000 |

At 31 December 2017, a loan of RMB1,600,000,000 (2016: RMB1,800,000,000) carried interest at lending rate of 3-5 years loan published by the PBOC plus a margin of 4% (2016: 4%) per annum, approximately 8.75% (2016: 8.75%) per annum.

(iv) Finance lease liabilities are repayable as follows:

| | At 31 December | |
|---|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Minimum lease payments | | |
| Within one year | 185,088 | 118,231 |
| More than one year, but not exceeding two years | 7,015 | 193,800 |
| More than two years, but not more than five years | 16,711 | 71,587 |
| | 208,814 | 383,618 |
| Less: Future finance charges | (11,685) | (26,598) |
| Present value of lease payments | 197,129 | 357,020 |

| | At 31 December | |
|---|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Present value of minimum lease payments | | |
| Within one year | 176,316 | 101,453 |
| More than one year, but not exceeding two years | 6,366 | 158,589 |
| More than two years, but not more than five years | 14,447 | 96,978 |
| | 197,129 | 357,020 |
| Less: Amounts due within one year and included in current liabilities | (176,316) | (101,453) |
| Amounts due after one year and included in non-current liabilities | 20,813 | 255,567 |

Finance lease liabilities of RMB197,129,000 (AUD38,702,000) (2016: RMB357,020,000 (AUD71,181,000)) carried interest at 5.52% (2016: 5.52%) per annum.

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39. BORROWINGS (Continued)

(v) Guaranteed notes are detailed as follows:

| | At 31 December | |
|--|-------------------|-------------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Guaranteed notes denominated in RMB repayable within one year | 11,990,684 | 14,495,741 |
| Guaranteed notes denominated in USD repayable within one year | - | 2,475,100 |
| Guaranteed notes denominated in USD repayable within two to five years | 1,487,320 | - |
| Guaranteed notes denominated in RMB repayable within two to five years | 5,927,450 | 1,941,225 |
| Guaranteed notes denominated in USD repayable after five years | - | 1,579,113 |
| Guaranteed notes denominated in RMB repayable after five years | 3,031,192 | 7,006,433 |
| | 22,436,646 | 27,497,612 |

The above USD guaranteed notes were issued by a subsidiary of the Company on 16 May 2012 with per value of USD1,000,000,000 in aggregate. As at 31 December 2017, guaranteed notes with par value of USD227,620,000 (2016: USD227,620,000) will mature in 2022 with interest rate of 5.730% per annum. In addition, As at 31 December 2016, guaranteed notes with a par value of USD357,797,000 will mature in 2017 with interest rate of 4.461%. The notes are unconditionally secured by the Company and the respective security is non-cancellable.

In 2012, with the approval from China Securities Regulatory Commission, the Company had issued RMB notes with aggregate par value of RMB5,000,000,000 to the public and institutional investors. An unconditional and irrevocable corporate guarantee was provided by the Parent Company on the RMB notes. At 31 December 2017, RMB notes of RMB3,982,000,000 (2016: RMB3,977,436,000) will mature in 2022 with interest rate of 4.95% per annum. In addition, as at 31 December 2016, RMB notes of RMB999,064,000 will mature in 2017 with interest rate of 4.20% per annum.

In 2014, with the approval from China Securities Regulatory Commission, the Company was allowed to issue 5-year RMB notes at RMB1,950,000,000 with interest rate of 5.20% per annum and 10-year RMB notes at RMB3,050,000,000 with interest rate of 6.15% per annum. At 31 December 2017, the 5-year RMB notes and 10-year notes amounted to RMB1,945,540,000 (2016: RMB1,941,255,000) and RMB3,031,192,000 (2016: RMB3,028,997,000) respectively.

In 2016, the Company issued 2016 nine tranches short-term notes at par value of RMB25,500,000,000 with 3 months to 9 months maturity at an average interest rate of 3.77% per annum. In 2016, such short-term notes with par value of RMB12,000,000,000 were redeemed by the Company. At 31 December 2016, the remaining amount of short-term notes was RMB13,500,000,000 which were fully redeemed by the Company in 2017.

In 2017, the Company issued 2017 eight tranches short-term notes at par value of RMB16,500,000,000 with 3 months to 9 months maturity at an average interest rate ranging from 3.50% to 5.38% per annum. In 2017, such short-term notes with par value of RMB4,500,000,000 were redeemed by the Company. As at 31 December 2017, the remaining amount of short-term notes is RMB12,000,000,000.

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40. DERIVATIVE FINANCIAL INSTRUMENTS

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Current asset | | |
| Derivatives not for hedge | | |
| – Forward foreign exchange contracts | 21,888 | – |
| Current liability | | |
| Derivatives used for cash flow hedging | | |
| – Forward foreign exchange contracts | – | (3,246) |

41. LONG-TERM PAYABLE

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Mining right compensation fee payable | – | 396,285 |
| Non-contingent royalty payable | 816,514 | – |
| Total | 816,514 | 396,285 |
| Analysed for financial reporting purpose: | | |
| Current Portion | 605,522 | 396,285 |
| Non-current portion | 210,992 | – |
| Total | 816,514 | 396,285 |

Mining right compensation fee payable is provided in accordance with the PRC government legislation on mining right compensation fee. The amount is payable by the Group by installments from 2015 to 2017 and is fully settled in 2017.

Non-contingent royalty payable represented part of the consideration for the acquisition of C&A. The amount is payable by the Group by instalments from 2017 to 2021.

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42. DEFERRED TAXATION

Deferred tax assets (liabilities) of the Group and the movements thereon for both reporting periods are:

| | Available- for-sale investment RMB'000 | Mining rights (mining reserves) RMB'000 | Temporary differences on income and expenses RMB'000 | Tax losses RMB'000 | Cash flow hedge reserve RMB'000 | Total RMB'000 |
|--|---|--|--|-----------------------|---------------------------------------|------------------|
| Balance at 1 January 2016 | (3,824) | (7,163,425) | 1,597,140 | 4,315,590 | 530,097 | (724,422) |
| Exchange re-alignment | - | (186,819) | 201,290 | 287,530 | 108,624 | 410,625 |
| Credit (charge) to other comprehensive income | 2,651 | - | - | - | (290,976) | (288,325) |
| Credit (charge) to the consolidated income statement | - | 1,109,179 | (1,009,412) | 830,186 | - | 929,953 |
| Balance at 31 December 2016 and 1 January 2017 | (1,173) | (6,241,065) | 789,018 | 5,433,306 | 347,745 | 327,831 |
| Credit (charge) to the consolidated income statement | - | 256,635 | 736,816 | (733,412) | - | 260,039 |
| (Charge) credit to other comprehensive income | (31,996) | - | - | - | 182,344 | 150,348 |
| Exchange re-alignment | - | (72,641) | (299) | 29,212 | (20,134) | (63,862) |
| Acquisition of subsidiaries (note 48) | - | (1,531,178) | 703,595 | 7,885 | - | (819,698) |
| Balance at 31 December 2017 | (33,169) | (7,588,249) | 2,229,130 | 4,736,991 | 509,955 | (145,342) |

The temporary differences on income and expenses recognised mainly arose from unpaid provision of salaries and wages, provisions of compensation fees for mining rights and land subsidence, restoration, rehabilitation and environmental costs and also included payments on certain expenses such as exploration costs and certain income in Australia.

The following is the analysis of the deferred tax balances for financial reporting purposes:

| | At 31 December | |
|--------------------------|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Deferred tax assets | 8,200,262 | 7,345,227 |
| Deferred tax liabilities | (8,345,604) | (7,017,396) |
| | (145,342) | 327,831 |

At the reporting date, the Group has unused tax losses of RMB25,879 million (2016: RMB28,120 million) available for offset against future profits. RMB4,737 million deferred tax asset has been recognised (2016: RMB5,433 million) for such tax losses. No deferred tax asset has been recognised in respect of tax losses of RMB9,460 million (2016: RMB9,818 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB7,407 million RMB1,001 million RMB78 million RMB86 million and RMB888 million that will be expiring in 2018, 2019, 2020, 2021 and 2022 (2016: 2017, 2018, 2019, 2020 and 2021), respectively (2016: RMB295 million, RMB7,769 million, RMB1,394 million RMB274 million and RMB 86 million).

By reference to financial budgets, management believes that there will be sufficient future profits for the realisation of deferred tax assets which have been recognised in respect of tax losses.

43. SHAREHOLDERS' EQUITY

Share capital

The Company's share capital structure at the reporting date is as follows:

| | Domestic invested shares A shares | Foreign invested shares H shares (including H shares represented by ADS) | Total |
|--|---|--|---------------|
| Number of shares | | | |
| At 1 January 2017 and 31 December 2017 | 2,960,000,000 | 1,952,016,000 | 4,912,016,000 |

Share capital

| | Domestic invested shares A shares RMB'000 | Foreign invested shares H shares (including H shares represented by ADS) RMB'000 | Total RMB'000 |
|--|--|---|------------------|
| Registered, issued and fully paid | | | |
| At 1 January 2017 and 31 December 2017 | 2,960,000 | 1,952,016 | 4,912,016 |

Each share has a par value of RMB1.

Capital reserve

During the year ended 31 December 2015, the Company repurchased 6,384,000 of its own ordinary shares at an aggregate cash consideration of RMB19,439,000. The change of business registration in the PRC for cancellation of the repurchased H shares was completed on 30 September 2016. As at 31 December 2017, the Company's total registered capital was RMB4,912,016,000 (2016: RMB4,912,016,000).

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43. SHAREHOLDERS' EQUITY (Continued)

Reserves

Future Development Fund

Pursuant to regulation in the PRC, the Company, Shanxi Tianchi and Heze are required to transfer an annual amount to a future development fund at RMB6 per tonne of raw coal mined (Xintai and Ordos: RMB6.5 per tonne of raw coal mined). The fund can only be used for the future development of the coal mining business and is not available for distribution to shareholders.

From 2008 onwards, Shanxi Tianchi is required to transfer an additional amount at RMB5 per tonne of raw coal mined as coal mine transformation fund. Pursuant to the Shanxi Provincial Government's decision, coal mine transformation fund was suspended since 1 August 2013.

Pursuant to the regulations of the Shandong Province Finance Bureau, State-owned Assets Supervision and Administration Commission of Shandong Province and the Shandong Province Coal Mining Industrial Bureau, the Company is required to transfer an additional amount at RMB5 per tonne of raw coal mined from 1 July 2004 to the reform specific development fund for the future improvement of the mining facilities and is not distributable to shareholders. No further transfer to the reform specific development fund is required from 1 January 2008.

In accordance with the regulations of the State Administration of Work Safety, the Company has a commitment to incur RMB15 from 1 February 2012 onwards (Shanxi Tianchi RMB30 from 1 October 2013 onwards, Xintai and Ordos RMB15 from 1 February 2012 onwards) for each tonne of raw coal mined which will be used for enhancement of safety production environment and improvement of facilities ("Work Safety Cost"). In prior years, the work safety expenditures are recognised only when acquiring the assets or incurring other work safety expenditures. The Company, Heze, Shanxi Tianchi, Xintai and Ordos make appropriation to the future development fund in respect of unutilised Work Safety Cost from 2008 onwards.

In accordance with the regulations of the State Administration of Work Safety, the Company's subsidiaries, Hua Ju Energy, Shanxi Tianhao and Yulin, have a commitment to incur Work Safety Cost at the rate of: 4% of the actual sales income for the year below RMB10 million; 2% of the actual sales income for the year between RMB10 million and RMB100 million (included); 0.5% of the actual sales income for the year between RMB100 million and RMB1 billion (included); 0.2% of the actual sales income for the year above RMB1 billion.

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43. SHAREHOLDERS' EQUITY (Continued)

Reserves (Continued)

Statutory Common Reserve Fund

The Company and its subsidiaries in the PRC have to set aside 10% of its profit for the statutory common reserve fund (except where the fund has reached 50% of its registered capital). The statutory common reserve fund can be used for the following purposes:

- to make good losses of the previous years; or
- to convert into capital, provided such conversion is approved by a resolution at a shareholders' general meeting and the balance of the statutory common reserve fund does not fall below 25% of the registered capital.

Retained earnings

In accordance with the Company's Articles of Association, the profit for the purpose of appropriation will be deemed to be the lesser of the amounts determined in accordance with (i) PRC accounting standards and regulations and (ii) IFRS or the accounting standards of the places in which its shares are listed.

The Company can also create a discretionary reserve in accordance with its Articles of Association or pursuant to resolutions which may be adopted at a meeting of shareholders.

The Company's distributable reserve as at 31 December 2017 is the retained earnings computed under IFRS which amounted to approximately RMB37,896,674,000 (2016: RMB33,857,242,000).

44. PERPETUAL CAPITAL SECURITIES

| | Perpetual capital securities issued by the Company RMB'000 (notes (i) to (iii)) | Perpetual capital securities issued by a subsidiary RMB'000 (notes (iv) & (v)) | Total RMB'000 |
|--|---|--|-------------------|
| At 1 January 2016 | 6,661,683 | 1,854,837 | 8,516,520 |
| Redemption of perpetual capital securities | – | (1,854,837) | (1,854,837) |
| Dividend to holders of perpetual capital security | 424,307 | 67,353 | 491,660 |
| Distribution paid to holders of perpetual capital security | (423,799) | (67,353) | (491,152) |
| At 31 December 2016 and 1 January 2017 | 6,662,191 | – | 6,662,191 |
| Issuance of perpetual capital securities | 5,000,000 | 3,417,351 | 8,417,351 |
| Redemption of perpetual capital securities | (2,485,000) | – | (2,485,000) |
| Dividend to holders of perpetual capital security | 496,258 | 131,612 | 627,870 |
| Distribution paid to holders of perpetual capital security | (423,800) | (131,612) | (555,412) |
| At 31 December 2017 | 9,249,649 | 3,417,351 | 12,667,000 |

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44. PERPETUAL CAPITAL SECURITIES (Continued)

Notes:

- (i) The Company issued 6.8% perpetual capital securities with par value of RMB1,500,000,000 and RMB1,000,000,000 on 19 September 2014 and 17 November 2014 respectively. Coupon payments of 6.8% per annum on the perpetual capital securities are paid in arrears twice in a year and can be deferred at the discretion of the Group. The perpetual capital securities have no fixed maturity and are redeemable at the discretion of the Group at their principal amounts together with any accrued, unpaid or deferred coupon interest payments. In addition, while any coupon payments are unpaid or deferred, the Company undertakes not to declare, pay any dividends nor to make any distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank. Since the perpetual capital security does not include any payment of cash or other contractual obligation of financial instrument, it is categorised as equity under IFRS. In 2017, the Company redeemed all the perpetual capital securities.
- (ii) The Company issued 6.50% and 6.19% perpetual capital securities with par value of RMB2,000,000,000 and RMB2,000,000,000 on 10 April, 2015 and 30 April, 2015 respectively. Coupon payments of 6.50% and 6.19% per annum, which will be reset every 3 years, on the perpetual capital securities are paid in arrears and can be deferred at the discretion of the Group. These perpetual capital securities have no fixed maturity and are redeemable at the discretion of the Group at their principal amounts together with any accrued, unpaid or deferred coupon interest payments. In addition, while any coupon payments are unpaid or deferred, the Company undertakes not to declare, pay any dividends nor to make any distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank. Since the perpetual capital security does not include any payment of cash or other contractual obligation of financial instrument. It is categorised as equity under IFRS.
- (iii) The Company issued 5.7% perpetual capital securities with par value RMB5,000,000,000, on 18 August 2017. Coupon payments of 5.7% per annum, which will be reset every 3 years, on the perpetual capital securities are paid in arrears and can be deferred at the discretion of the Group. These perpetual capital securities have no fixed maturity and are redeemable at the discretion of the Group at their principal amounts together with any accrued, unpaid or deferred coupon interest payments. In addition, while any coupon payments are unpaid or deferred, the Company undertakes not to declare, pay any dividends nor to make any distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank. Since the perpetual capital security does not include any payment of cash or other contractual obligation of financial instrument, it is categorised as equity under IFRS.
- (iv) On 22 May 2014, Yancoal International Trading Co., Limited issued 7.2% Perpetual Capital Securities with par value of USD300,000,000 which is guaranteed by the Company. Coupon payments of 7.2% per annum on the perpetual capital securities are paid semi-annually in arrears and can be deferred at the discretion of the Group. The perpetual capital securities have no fixed maturity and are redeemable at the discretion of the Group on or after 22 May 2016 at their principal amounts together with any accrued, unpaid or deferred coupon interest payments. In addition, while any coupon payments are unpaid or deferred, the Group undertakes not to declare, pay any dividends nor to make any distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank. The securities were listed and traded on the HKEX and sold to professional investors only on 23 May 2014. Since the perpetual capital security does not include any payment of cash or other contractual obligation of financial instrument, it is categorised as equity under IFRS.

On 23 May 2016, Yancoal International Trading Co., Limited redeemed all outstanding Perpetual Capital Securities. After redemption of Perpetual Capital Securities, there were no further outstanding Perpetual Capital Securities in issue. Accordingly, the securities were delisted from the HKEX.

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44. PERPETUAL CAPITAL SECURITIES (Continued)

Notes: (Continued)

- (v) On 13 April 2017, Yancoal International Resources Development Co., Limited issued 5.75% perpetual capital securities with par value of USD500,000,000, which is guaranteed by the Company. Coupon payments of 5.75% per annum on the perpetual capital securities are paid semi-annually in arrears and can be deferred at the discretion of the Group. These perpetual capital securities have no fixed maturity and are redeemable at the discretion of the Group at their principal amounts together with any accrued, unpaid or deferred coupon interest payments. In addition, while any coupon payments are unpaid or deferred, the Company undertakes not to declare, pay any dividends nor to make any distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank. Since the perpetual capital security does not include any payment of cash or other contractual obligation of financial instrument, it is categorised as equity under IFRS.

45. SUBORDINATED CAPITAL NOTES

On 31 December 2014, Yancoal SCN Limited, a wholly owned subsidiary of Yancoal Australia issued 18,005,102 Subordinated Capital Notes (“SCN”) at USD100 each. Each SCN is convertible into 1,000 Yancoal Australia ordinary shares and is traded on ASX. The distribution rate is set at 7% per annum, with interest will be paid half a year at Yancoal Australia’s discretion and the rate is resettable to the 5 year USD mid-swap plus the initial margin per annum every 5 years.

SCN do not have any fixed maturity date and do not have to be redeemed except in a winding up of the Issuer or Yancoal Australia. Conversion occurs at a fixed price so the value of the Yancoal Australia ordinary shares issued on conversion may be more or less than the face value of the SCN converted. Note holders will be permitted to convert the SCN into Yancoal Australia ordinary shares after 40 days until the 30 year conversion period ends. The SCN will be initially convertible into Yancoal Australia ordinary shares at a conversion price of USD0.10 per share. Almost all the notes were purchased by the Company and only RMB3,102,000 of the note is issued to other third parties. The SCN do not contain any contractual obligation to pay cash or other financial assets in accordance with IFRS, they are classified as equity.

In accordance with the Terms of Issue of the Subordinated Capital Notes issued by Yancoal SCN Limited in December 2014, a distribution at a rate of 7% per annum or totalling USD34,000 was made in January 2017 to the third party holders of SCN.

The subordinated capital notes are perpetual, subordinated, convertible, unsecured capital notes of face value US 100 per note. The subordinated capital notes entitle holders to receive fixed rate distribution payments, payable semi-annually in arrear unless deferred. The distribution rate is set at 7% per annum, the rate is resettable to the 5 year USD mid-swap plus the initial margin per annum every 5 years. The SCN Notes are convertible at the option of the holders to Yancoal Australia Ltd ordinary shares within 30 years.

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46. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings, perpetual capital securities and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company assess the annual budget prepared by the accounting and treasury department and consider and evaluate the cost of capital and the risks associated with each class of capital. The Group will balance its capital structure through the payment of dividends, issue of new shares and new debts or the repayment of existing debts.

47. FINANCIAL INSTRUMENTS

47a. Categories of financial instruments

| | At 31 December | |
|---|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Financial assets | | |
| Loans and receivables (including cash and cash equivalents) | 59,918,663 | 38,770,965 |
| Available-for-sale financial assets (investment securities) | 2,278,296 | 2,624,003 |
| Held-to-maturity investments | 69,427 | 200,000 |
| Financial assets at fair value through profit or loss | 1,038,334 | 997,761 |
| Financial liabilities | | |
| Amortised cost | 99,890,683 | 80,021,163 |
| Derivative financial instruments | – | 3,246 |

47b. Financial risk management objectives and policies

The Group's major financial instruments include investment securities, held-to-maturity investments, bills and accounts receivable, royalty receivables, other receivables, bank balances and cash, term deposits, restricted cash, long term receivables, derivative financial instruments, bills and accounts payables, other payables, long-term payables, borrowings, amounts due to Parent Company and its subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no significant change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial risk management objectives and policies (Continued)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2017 and 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 57.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The Group maintains its cash and cash equivalents with reputable banks. Therefore, the directors consider that the credit risk for such is minimal.

The Group generally grants the customers with long-relationship credit terms not exceeding 180 days, depending on the situations of the individual customers. For small to medium sized new customers, the Group generally requires them to pay for the products before delivery.

Most of the Group's domestic sales are sales to electric power plants, metallurgical companies, construction material producers and railway companies. The Group generally has established long-term and stable relationships with these companies. The Group also sells its coal to provincial and city fuel trading companies.

As the Group's PRC operation does not currently have direct export rights, all of its export sales must be made through National Coal Corporation, Shanxi Coal Corporation or Minmetals Trading. The qualities, prices and final customer destinations of the Group's export sales are determined by the Group, National Coal Corporation, Shanxi Coal Corporation or Minmetals Trading.

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47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Details of the accounts receivable from the five customers with the largest gross receivable balances at 31 December 2017 and 2016 are as follows:

| | Percentage of accounts receivable At 31 December | |
|----------------------------------|---|--------|
| | 2017 | 2016 |
| Five largest receivable balances | 22.23% | 23.71% |

The management considers the strong financial background and good creditability of these customers, and there is no significant uncovered credit risk.

The table below shows the credit limit and balance of 5 major counterparties at the reporting date:

| Counterparty | Location | 31 December 2017 | | 31 December 2016 | |
|--------------|----------|-------------------------|----------------------------|-------------------------|----------------------------|
| | | Credit limit RMB'000 | Carrying amount RMB'000 | Credit limit RMB'000 | Carrying amount RMB'000 |
| Company A | PRC | Not applicable | 264,537 | Not applicable | 420,453 |
| Company B | PRC | Not applicable | 184,149 | Not applicable | - |
| Company C | PRC | Not applicable | 162,294 | Not applicable | - |
| Company D | PRC | Not applicable | 153,356 | Not applicable | - |
| Company E | PRC | Not applicable | 151,008 | Not applicable | - |
| Company F | PRC | Not applicable | - | Not applicable | 136,893 |
| Company G | PRC | Not applicable | - | Not applicable | 57,618 |
| Company H | PRC | Not applicable | - | Not applicable | 48,873 |
| Company I | PRC | Not applicable | - | Not applicable | 47,858 |
| | | | 915,344 | | 711,695 |

The Group's geographical concentration of credit risk is mainly in East Asia (excluding the PRC) and Australia. As at 31 December 2017 over 42% (2016: 31%) of the Group's total trade receivables were from customers, located in Australia and East Asia (excluding the PRC).

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47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

The Group's sales are denominated mainly in the functional currency of the relevant group entity making the sale, whilst costs are mainly denominated in the group entity's functional currency. Accordingly, there is no significant exposure to transactional foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities in currencies other than the functional currencies of the relevant group entities at the reporting date are as follows:

| | Liabilities | | Assets | |
|------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 | 2017 RMB'000 | 2016 RMB'000 |
| United States Dollar ("USD") | 27,934,265 | 31,488,047 | 7,375,890 | 4,201,453 |
| EUR ("EUR") | - | - | 128,352 | 14,481 |
| Australian Dollar ("AUD") | 459,362 | - | 1,179,811 | - |
| Hong Kong Dollar ("HKD") | - | - | 323,187 | 84,829 |

The sales of the Group's subsidiaries in Australia are mainly export sales and some of their fixed assets are imported from overseas. Their foreign exchange exposures are hedged by foreign currency denominated borrowings. The Group's operations in the PRC do not adopt any foreign exchange hedging policy.

Sensitivity analysis

The Group is mainly exposed to the fluctuation against the currency of United States Dollar.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against relevant foreign currencies. 5% represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates and also assumes all other risk variables remained constant. The sensitivity analysis includes loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower.

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47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

| | USD Impact (note (i)) | |
|--|-----------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| (Decrease) increase in other comprehensive income | | |
| – if RMB weakens against respective foreign currency | (141,028) | (150,459) |
| – if RMB strengthens against respective foreign currency | 141,028 | 150,459 |

| | USD Impact (note ii) | |
|--|----------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| (Decrease) Increase in profit | | |
| – if AUD weakens against respective foreign currency | 28,275 | 52,548 |
| – if AUD strengthens against respective foreign currency | (28,275) | (52,548) |
| (Decrease) Increase in shareholders' equity | | |
| – if AUD weakens against respective foreign currency | 588,408 | 514,803 |
| – if AUD strengthens against respective foreign currency | (588,408) | (514,803) |

Notes:

- (i) This is mainly attributable to the exposure of the Group's outstanding bank deposit and loans denominated in USD.
- (ii) This is mainly attributable to the exposure of the Group's outstanding bank borrowings in foreign currency and derivative financial instruments denominated in a currency other than the functional currency of the borrower.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, term deposits, restricted cash (note 17) and variable rate borrowings (note 39).

The Group's exposures to interest rate risk on financial assets and financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the PBOC arising from the Group's RMB borrowings and the LIBOR arising from the Group's USD borrowings.

Sensitivity Analysis

The following table details the Group's sensitivity to a change of 100 basis points in the interest rate, assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all the variables were held constant. It includes the interest rate fluctuation of the abovementioned PBOC rate and LIBOR.

| | 2017 RMB'000 | 2016 RMB'000 |
|---|-----------------|-----------------|
| (Decrease) Increase in profit or loss | | |
| – if increases by 100 basis points | (311,615) | (43,644) |
| – if decreases by 100 basis points | 311,615 | 43,644 |
| Increase (Decrease) in shareholders' equity | | |
| – if increases by 100 basis points | (311,510) | (43,644) |
| – if decreases by 100 basis points | 311,510 | 43,644 |

(iii) Other price risk

In addition to the above risks relating to financial instruments, the Group is exposed to equity price risk through investment in listed equity securities and also to price risk in non financial instruments such as steel and metals (the Group's major raw materials). The Group currently does not have any arrangement to hedge the price risk exposure of its investment in equity securities and its purchase of raw materials. The Group's exposure to equity price risk through investment in listed equity securities and also the result of the sensitivity analysis is not significant.

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47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

| | Weighted average effective interest rate % | Within 1 years or on demand RMB'000 | 1-5 years RMB'000 | 5+ years RMB'000 | Total undiscounted cash flow RMB'000 | Carrying amount at 31 December RMB'000 |
|---|--|---|----------------------|---------------------|--|--|
| 2017 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Bills and accounts payable | N/A | 8,973,438 | - | - | 8,973,438 | 8,973,438 |
| Other payables | N/A | 19,047,023 | - | - | 19,047,023 | 19,047,023 |
| Amounts due to Parent Company and its subsidiary companies | N/A | 693,014 | - | - | 693,014 | 693,014 |
| USD Guaranteed note | 5.70% | 84,778 | 1,773,240 | - | 1,858,018 | 1,487,320 |
| RMB Guaranteed note | 3.5%-6.3% | 12,689,156 | 7,430,106 | 3,293,751 | 23,413,013 | 20,949,326 |
| Finance lease liabilities | 5.43%-5.60% | 185,088 | 7,015 | 16,711 | 208,814 | 197,129 |
| Bank borrowings | 2.404%-8.7% | 16,457,420 | 27,825,110 | 9,071,119 | 53,353,649 | 46,126,919 |
| Loan pledged by machineries | 8.75% | 1,077,579 | 610,206 | - | 1,687,785 | 1,600,000 |
| Long term payable | 6.15%-6.50% | 642,762 | 237,742 | - | 880,504 | 816,514 |
| | | 59,850,258 | 37,883,419 | 12,381,581 | 110,115,258 | 99,890,683 |
| Financial guarantees issued | | | | | | |
| Maximum amount guaranteed (note) | N/A | - | - | 5,301,560 | 5,301,560 | - |

Note: the amount presented is the maximum contractual presented under guarantees issued.

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47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

| | Weighted average effective interest rate % | Within one year or on demand RMB'000 | 1-5 years RMB'000 | 5+ years RMB'000 | Total undiscounted cash flow RMB'000 | Carrying amount at 31 December RMB'000 |
|--|--|--|----------------------|---------------------|--|--|
| 2016 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Bills and accounts payable | N/A | 5,849,019 | - | - | 5,849,019 | 5,849,019 |
| Other payables | N/A | 7,882,112 | - | - | 7,882,112 | 7,882,112 |
| Amounts due to Parent Company and its subsidiaries | N/A | 315,956 | - | - | 315,956 | 315,956 |
| USD Guaranteed note | 4.46%-5.73% | 2,606,724 | 361,933 | 1,613,075 | 4,581,732 | 4,054,213 |
| RMB Guaranteed note | 3.50%-6.15% | 15,322,873 | 3,632,668 | 7,607,991 | 26,563,532 | 23,443,399 |
| Finance lease liabilities | 5.43%-5.60% | 118,231 | 265,387 | - | 383,618 | 357,020 |
| Bank borrowings | 0.662%-5.400% | 16,286,289 | 17,052,573 | 6,035,659 | 39,374,521 | 35,923,159 |
| Loan pledged by machineries | 8.75% | 318,070 | 1,687,785 | - | 2,005,855 | 1,800,000 |
| Long-term payable | 6.15% | 438,902 | - | - | 438,902 | 396,285 |
| | | 49,138,176 | 23,000,346 | 15,256,725 | 87,395,247 | 80,021,163 |
| Financial guarantees issued | | | | | | |
| Maximum amount guaranteed (note) | N/A | - | - | 2,213,288 | 2,213,288 | - |
| Derivative financial instruments | | | | | | |
| Gross settlement | | | | | | |
| Forward foreign exchange contracts | | | | | | |
| - Outflow | NA | 465,656 | - | - | 465,656 | 3,246 |

Note: the amount presented is the maximum contractual presented under guarantees issued.

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47. FINANCIAL INSTRUMENTS (Continued)

47c. Fair values

The fair value of available-for-sales investment is determined with reference to quoted market price. The fair values of the forward foreign exchange contracts are estimated based on the discounted cash flows between the contract forward rate and spot forward rate. The fair values of interest rate swap contracts are estimated based on the discounted cash flows between the contract floating rate and contract fixed rate. The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair values of financial assets and financial liabilities are determined as follows:

The following table presents the carrying value of financial instruments measured at fair value across the three levels of the fair value hierarchy. The levels of fair value are defined as follows:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | At 31 December Total RMB'000 |
|---|--------------------|--------------------|--------------------|------------------------------------|
| 2017 | | | | |
| Assets | | | | |
| Available-for-sale investments | | | | |
| – Investments in securities listed on the SSE | 424 | – | – | 424 |
| – Investments in securities listed on the HKEX | 1,877,228 | – | – | 1,877,228 |
| Financial assets at fair value through profit or loss | | | | |
| – Derivative financial instruments: | | | | |
| Forward foreign exchange contracts | – | 21,888 | – | 21,888 |
| – Royalty receivable | – | – | 1,016,446 | 1,016,446 |
| | 1,877,652 | 21,888 | 1,016,446 | 2,915,986 |

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47. FINANCIAL INSTRUMENTS (Continued)

47c. Fair values (Continued)

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | At 31 December Total RMB'000 |
|--|--------------------|--------------------|--------------------|------------------------------------|
| 2016 | | | | |
| Assets | | | | |
| Available-for-sale investments | | | | |
| – Investments in securities listed on the SSE | 495 | – | – | 495 |
| – Investments in securities listed on the HKEX | 1,806,566 | – | – | 1,806,566 |
| Derivative financial instruments | | | | |
| – Royalty receivable | – | – | 997,761 | 997,761 |
| | 1,807,061 | – | 997,761 | 2,804,822 |
| Liabilities | | | | |
| Derivative financial instruments | | | | |
| – Forward foreign exchange contracts | – | 3,246 | – | 3,246 |

During the years ended 31 December 2017 and 2016, there are no change in categories between level 1 and level 2 and no movement from or into level 3. For more information about royalty receivable, please refer to note 19.

The fair value of the royalty receivable is determined using the discounted future cash flows that are dependent on the following unobservable inputs: forecast sales volumes, coal prices and fluctuations in foreign exchange rates. The forecast sales volumes are based on the internally maintained budgets, five year business plan and life of mine models. The forecast coal prices and long term exchange rates are based on external data consistent with the data used for impairment assessments. The risk-adjusted post-tax discount rate used to determine the future cash flows is 10.5%. The estimated fair value would increase if the sales volumes and coal prices were higher and if the Australian dollar weakens against the US dollar. The estimated fair value would also increase if the risk adjusted discount rate was lower.

48. ACQUISITION OF SUBSIDIARIES NOT UNDER COMMON CONTROL

(A) Acquisition of C&A

On 24 January 2017 and as subsequently amended on 26 June 2017, Yancoal Australia entered into binding agreements with an independent third party, Rio Tinto Limited, to acquire the entire equity interests in C&A for a cash consideration of USD2.69 billion (equivalent to approximately RMB16,622,899,000), including an adjustment for net debt and working capital, and US\$240 million (equivalent to approximately RMB1,441,262,000) in non-contingent royalty payments (deferred consideration) over five years from completion. The acquisition was completed on 1 September 2017. Further details of the acquisition are set out in the Company's circulars dated 2 June 2017 and 30 June 2017.

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48. ACQUISITION OF SUBSIDIARIES NOT UNDER COMMON CONTROL (Continued)

(A) Acquisition of C&A (Continued)

| | RMB'000 |
|----------------------------------|------------|
| Consideration transferred | |
| Cash consideration | 16,622,899 |
| Non-contingent royalty | 1,441,262 |
| | 18,064,161 |

Acquisition-related costs amounting to approximately RMB84,045,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2017, within selling, general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The net assets acquired at the acquisition date are as follows:

| | RMB'000 |
|---|-------------|
| Bank balances and cash | 774,106 |
| Bills and accounts receivables | 687,528 |
| Prepayments and other receivables | 305,568 |
| Inventories | 402,331 |
| Assets classified as held for sale (note) | 417,013 |
| Interests in associates | 995,850 |
| Property, plant and equipment | 6,753,053 |
| Construction in progress | 550,022 |
| Intangible assets | 12,686,165 |
| Deferred tax assets | 534,744 |
| Bills and accounts payable | (1,535,686) |
| Other payables and accrued expenses | (340,023) |
| Provision for land, subsidence, restoration, rehabilitation and environmental cost | (713,319) |
| Provision | (1,181,202) |
| Deferred tax liabilities | (1,375,056) |
| Net asset acquired | 18,961,094 |
| Gain on bargain purchase | (896,933) |
| | 18,064,161 |
| Net cash outflow arising on acquisition: | |
| Cash paid on acquisition | 16,622,899 |
| Non-contingent royalty paid | 723,178 |
| Less: Bank balances and cash acquired | (774,106) |
| | 16,571,971 |

Note: Included interest in associate of RMB128,963,000 and a free hold non-mining land of RMB288,050,000.

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48. ACQUISITION OF SUBSIDIARIES NOT UNDER COMMON CONTROL (Continued)

(A) Acquisition of C&A (Continued)

The Group recognised a gain on a bargain purchase of approximately RMB896,933 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. In the opinion of the directors of the Company, the bargain purchase is mainly attributable to the improved industry performance on completion date compared to the date the acquisition price was fixed.

The fair value and the gross amount of bills and accounts receivables, prepayments and other receivables at the date of acquisition amounted to approximately RMB993,096,000. No estimated uncollectible contractual cash flows were expected at the acquisition date.

During the period from the acquisition date to 31 December 2017, C&A has contributed a total revenue of RMB3,785,671,000 and net profit of RMB1,086,675,000.

If the acquisition had occurred on 1 January 2017, the consolidated revenue and net profit of the Group for the year ended 31 December 2017 would have been increased by RMB10,982,994,000 and RMB4,134,417,000 respectively.

The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition has been completed on 1 January 2017 and could not serve as a basis for the forecast of future operation result.

(B) Acquisition of 無錫鼎業能源有限公司

On 30 June 2017, the Company acquired the entire equity interest in 無錫鼎業能源有限公司 (“無錫鼎業”) from an independent third party as a settlement of other receivable of RMB131,933,000 due by that third party.

| | |
|------------------------|---------|
| Non-cash consideration | RMB'000 |
| Other receivable | 131,933 |

Acquisition-related costs were insignificant and have been excluded from the consideration transferred and have been recognised as an expense for the year ended 31 December 2017, within selling, general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

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48. ACQUISITION OF SUBSIDIARIES NOT UNDER COMMON CONTROL (Continued)

(B) Acquisition of 無錫鼎業能源有限公司 (Continued)

The net assets acquired at the acquisition date are as follows:

| | RMB'000 |
|--|-----------|
| Bank balances and cash | 100 |
| Prepayments and other receivables | 31 |
| Construction in progress | 508,078 |
| Other payables | (376,276) |
| Net asset acquired | 131,933 |
| Consideration transferred | (131,933) |
| | - |
| Net cash inflow arising on acquisition: | |
| Bank balances and cash acquired | 100 |

During the period from date of acquisition to 31 December 2017, 無錫鼎業 made immaterial contribution to the Group's revenue and profit for the year.

49. ACQUISITION OF YANKUANG FINANCE

On 31 October 2017, the Group acquired additional 65% equity interest in Yankuang Finance a financial institution registered in PRC, from the Parent Company for a cash consideration of RMB1,124,228,000 to expand into the financial services business. Prior to the acquisition of the 65% equity interest, the Group had 25% equity interest in Yankuang Finance. Following such acquisition, Yankuang Finance becomes a non-wholly owned subsidiary of the Group.

| | RMB'000 |
|---|-----------|
| Considerations: | |
| Fair value of previously held equity interest | 425,870 |
| Cash consideration paid | 1,124,228 |
| | 1,550,098 |

Acquisition-related costs were insignificant and have been excluded from the consideration transferred and have been recognised as an expense for the year ended 31 December 2017, within selling, general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

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49. ACQUISITION OF YANKUANG FINANCE (Continued)

| | RMB'000 |
|--|-------------|
| Bank balances and cash | 3,531,385 |
| Prepayments and other receivables | 4,923,834 |
| Long term receivables-due within one year | 185,250 |
| Property, plant and equipment | 2,534 |
| Deferred tax assets | 20,614 |
| Other payables and accrued expenses | (6,955,292) |
| Tax payable | (4,846) |
| Net asset acquired | 1,703,479 |
| Non-controlling interest, at proportionate share | (170,347) |
| Goodwill | 16,966 |
| Consideration transferred | 1,550,098 |
| Net cash inflow arising on acquisition: | |
| Cash paid on acquisition | (1,124,228) |
| Bank balances and cash acquired | 3,531,385 |
| | 2,407,157 |

The fair value and the gross amounts of prepayments and other receivables and long term receivables at the date of acquisition amounted to approximately RMB5,109,084,000. No estimated uncollectible contractual cash flows were expected at the acquisition date.

The goodwill arising from the acquisition is attributable to develop of more diversified operating activity and the profitability of the business, and operational synergies and strategic benefits expected to arise subsequent to the acquisition. Such goodwill is not deductible for tax purposes.

During the period from the acquisition date to 31 December 2017, Yankuang Finance has contributed a total other income of RMB58,832,000 and net profit of RMB24,719,000.

If the acquisition had occurred on 1 January 2017, the consolidated other income and net profit of the Group for the year ended 31 December 2017 would have been increased by RMB247,658,000 and RMB124,059,000 respectively.

The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's other income and operating results if the acquisition has been completed on 1 January 2017 and could not serve as a basis for the forecast of future operation result.

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50. NON-CONTROLLING INTEREST

Summarised financial information of material non-controlling interests of subsidiaries is set out below. For the details of transactions with non-controlling interests, please refer to note 51.

| | Yancoal Australia At 31 December | | Hao Sheng At 31 December | |
|--|-------------------------------------|-----------------|-----------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 | 2017 RMB'000 | 2016 RMB'000 |
| Non-controlling interests percentage | 34.54%/22% | 22% | 22.25% | 22.25% |
| Summarised financial information | | | | |
| Current assets | 10,307,241 | 3,492,751 | 430,424 | 366,638 |
| Non-current assets | 52,391,903 | 32,719,720 | 4,187,077 | 3,239,762 |
| Current liabilities | (5,203,090) | (2,354,345) | (2,904,126) | (2,525,318) |
| Non-current liabilities | (31,943,054) | (27,467,829) | (143,585) | (41,522) |
| Net assets | 25,553,000 | 6,390,297 | 1,569,790 | 1,039,560 |
| Carrying amounts of non-controlling interests | (951,777) | (1,405,865) | (2,354,726) | (231,302) |
| Revenue | 12,228,644 | 6,033,617 | 1,813,647 | - |
| Profit/(loss) for the year | 1,171,912 | (1,106,545) | 505,689 | (15,704) |
| Other comprehensive profit/(loss) | 2,042 | (798,116) | - | - |
| Total comprehensive profit/(loss) | 1,173,954 | (1,904,661) | 505,689 | (15,704) |
| Profit/(loss) allocated to non-controlling interests | 454,088 | (419,025) | 112,515 | (3,494) |
| Cash flows (used in) generated from operating activities | 2,062,154 | (81,371) | 335,531 | 98,744 |
| Cash flows used in investing activities | (17,432,280) | (2,305,667) | (371,744) | (546,122) |
| Cash flows from financing activities | 15,476,267 | 2,559,037 | 102,062 | 379,524 |
| Net increase (decrease) in cash and cash equivalents | 106,141 | 171,999 | 65,849 | (67,854) |
| Dividends paid to non-controlling interests | - | - | - | - |

The amount of above financial information is before elimination of intra-group transactions.

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50. NON-CONTROLLING INTEREST (Continued)

| | Jinan DuanxinMingren At December | | Jinan DuanxinMingli At December | |
|--|-------------------------------------|------------------|------------------------------------|------------------|
| | 2017 RMB'000 | 2016 RMB'000 | 2017 RMB'000 | 2016 RMB'000 |
| Non-controlling interests percentage | 80% | 80% | 80% | 80% |
| Summarised financial information | | | | |
| Current assets | 14,293 | 13,695 | 4,592 | 10,986 |
| Non-current assets | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Current liabilities | (13,654) | (9,601) | | (2) |
| Non-current liabilities | - | - | - | - |
| Net assets | 5,000,639 | 5,004,094 | 5,004,592 | 5,010,984 |
| Carrying amounts of non-controlling interests | 4,000,511 | 4,003,275 | 4,003,674 | 4,008,787 |
| Revenue | - | - | - | - |
| Profit for the year | 256,045 | 127,294 | 266,997 | 114,006 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | 256,045 | 127,294 | 266,997 | 114,006 |
| Income allocated to non-controlling interests | 204,836 | 101,835 | 213,598 | 91,205 |
| Cash flows generated from operating activities | 598 | 135,895 | (6,801) | 114,006 |
| Cash flows used in investing activities | - | (5,000,000) | - | (5,000,000) |
| Cash flows from financing activities | - | 4,876,800 | - | 4,896,978 |
| Net increase in cash and cash equivalents | 598 | 12,695 | (6,801) | 10,984 |
| Dividends paid to non-controlling interests | 207,600 | 123,200 | 218,711 | 103,022 |

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50. NON-CONTROLLING INTEREST (Continued)

| | Jinang DuanxinMingzhi At December | |
|--|--------------------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Non-controlling interests percentage | 80% | 80% |
| Summarised financial information | | |
| Current assets | 6,819 | 194 |
| Non-current assets | 1,250,000 | 1,250,000 |
| Current liabilities | - | - |
| Non-current liabilities | - | - |
| Net assets | 1,256,819 | 1,250,194 |
| Carrying amounts of non-controlling interests | 1,005,455 | 1,000,155 |
| Revenue | - | - |
| Profit for the year | 68,472 | 1,719 |
| Other comprehensive income | - | - |
| Total comprehensive income | 68,472 | 1,719 |
| Income allocated to non-controlling interests | 54,778 | 1,375 |
| Cash flows generated from operating activities | (6,550) | 1,719 |
| Cash flows used in investing activities | - | (1,250,000) |
| Cash flows from financing activities | - | 1,248,475 |
| Net increase in cash and cash equivalents | (6,550) | 194 |
| Dividends paid to non-controlling interests | 49,478 | 1,525 |

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51. RELATED PARTY BALANCES AND TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed. In accordance with Main Board Listing Rules Chapter 14A, continuing connected transactions are disclosed below:

Balances and transactions with related parties

| | At 31 December | |
|---|-----------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Nature of balances (other than those already disclosed) | | |
| Bills and accounts receivable | | |
| – Parent Company and its subsidiaries | 804,258 | 773,333 |
| – Joint ventures | 56,892 | 573,260 |
| Prepayments and other receivables | | |
| – Parent Company and its subsidiaries | 267,730 | 707,108 |
| – Joint ventures | – | – |
| – Associates | 93,762 | 93,401 |
| Long-term receivables | | |
| – Parent Company and its subsidiaries | 13,599 | 21,649 |
| Bills and accounts payable | | |
| – Joint ventures | – | 3,001 |
| – Associates | 1,287 | 2 |
| – Parent Company and its subsidiaries | 693,014 | 315,956 |
| Other payables and accrued expenses | | |
| – Parent Company and its subsidiaries | 9,681,685 | 1,201,935 |
| – Joint ventures | – | 15,265 |
| – Associates | – | 686 |

The amounts due from/to the Parent Company, joint ventures and its subsidiary companies are non-interest bearing, unsecured and repayable on demand.

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51. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Balances and transactions with related parties (Continued)

During the years, the Group had the following significant transactions with the Parent Company and/or its subsidiary companies:

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Income | | |
| Sales of coal | 1,090,239 | 1,103,442 |
| Sales of auxiliary materials | 394,548 | 457,955 |
| Sales of heat and electricity | 82,288 | 98,935 |
| Sales of methanol | 4,033 | 48,353 |
| Provision of mines operating services | – | – |
| Equipment leasing | 2,815 | 391 |
| Support services | 3,906 | 2,558 |
| Expenditure | | |
| Utilities and facilities | 41,671 | 11,507 |
| Purchases of supply materials and equipment | 1,280,646 | 699,066 |
| Repair and maintenance services | 32,968 | 69,305 |
| Social welfare and support services | 1,840,384 | 2,033,254 |
| Road transportation services | – | – |
| Construction services | 931,284 | 291,465 |
| Coal train convoy services | 25,184 | 26,669 |

Expenditures for social welfare and support services (excluding medical and child care expenses) are RMB187,041,000 and RMB178,493,000 for the years ended 31 December 2017 and 2016. These expenses will be negotiated with and paid by the Parent Company each year.

As at 31 December 2016, the Group has deposited RMB798,615,000 to the Company's then associate, Yankuang Finance. During the period from 1 January 2017 to the date Yankuang Finance became a subsidiary of the Group, the interest income received from Yankuang Finance amounted to RMB7,918,000 (2016: RMB9,630,000) and there was no finance cost paid to Yankuang Finance (2016: nil).

As at 31 December 2017, the Parent Company and its subsidiaries had deposited RMB8,171,447,000 (2016: nil) to Yankuang Finance. During the period from the date Yankuang Finance became a subsidiary of the Group, interest income and interest expense to the Parent Company and its subsidiaries amounted to RMB332,860,000 (2016: nil) and RMB10,802,000 (2016: nil), respectively.

In addition to the above, the Company participates in a retirement benefit scheme of the Parent Company in respect of retirement benefits (note 53).

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51. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Balances and transactions with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government (“state-controlled entities”). In addition, the Group itself is part of a large group of companies under the Parent Company which is controlled by the PRC government. Apart from the transactions with the Parent Company and its subsidiaries disclosed above, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group’s business transactions with them are concerned.

Material transactions with other state-controlled entities are as follows:

| | Year ended 31 December | |
|-----------------|------------------------|-----------------|
| | 2017 RMB’000 | 2016 RMB’000 |
| Trade sales | 1,571,108 | 988,781 |
| Trade purchases | 1,280,646 | 315,582 |

Material transactions with other state-controlled entities are as follows:

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2017 RMB’000 | 2016 RMB’000 |
| Amounts due to other state-controlled entities | 334,708 | 132,703 |
| Amounts due from other state-controlled entities | 158,013 | 56,379 |

Amounts due to and from state-controlled entities are trade nature of which terms are not different from other customers.

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors of the Company are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group’s operations and no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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51. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Balances and transactions with joint ventures/associates

| | At 31 December | |
|---|----------------|-----------|
| | 2017 | 2016 |
| | RMB'000 | RMB'000 |
| Due from a joint venture and an associate (note 28) | 5,316,105 | 5,831,218 |

Interest received by the Group in the current year amounting to RMB337,676,000 (2016: RMB454,671,000).

Compensation of key management personnel

The remuneration of directors and other members of key management were as follows:

| | Year ended 31 December | |
|--|------------------------|---------|
| | 2017 | 2016 |
| | RMB'000 | RMB'000 |
| Directors fee | 520 | 520 |
| Salaries, allowance and other benefits in kind | 6,878 | 6,949 |
| Retirement benefit scheme contributions | 1,200 | 935 |
| | 8,598 | 8,404 |

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

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52. COMMITMENTS

Save as disclosed elsewhere in the consolidated financial statements the Group had the following capital commitments.

| | At 31 December | |
|--|-------------------|------------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Capital expenditure contracted for but not provided in the consolidated financial statements | | |
| Acquisition of property, plant and equipment | | |
| – the Group | 12,935,792 | 4,166,882 |
| – share of joint operations | 122,405 | 693,477 |
| – others | 10,822 | 24,934 |
| Intangible assets | | |
| – the Group | | |
| – share of joint operations | 46,497 | 6 |
| Exploration and evaluation | | |
| – share of joint operations | 241 | 25 |
| – others | – | – |
| | 13,115,757 | 4,885,324 |

During 2017, Yancoal Australia exercised its option to purchase 28.9% equity interest in Warkworth Joint Venture for a cash consideration of USD230 million (RMB1,437,524,000). The acquisition was completed in 2018.

53. RETIREMENT BENEFITS

Qualifying employees of the Company are entitled to pension, medical and other welfare benefits. The Company participates in a scheme of the Parent Company and pays a monthly contribution to the Parent Company in respect of retirement benefits at an agreed contribution rate based on the monthly basic salaries and wages of the qualified employees. The Parent Company is responsible for the payment of all retirement benefits to the retired employees of the Company.

Pursuant to the Provision of Insurance Fund Administrative Services Agreement entered into by the Company and the Parent Company on 21 March 2014, the monthly contribution rate is at 20% (2016: 20%) of the total monthly basic salaries and wages of the Company's employees for the period from 1 January 2015 to 31 December 2017. Other welfare benefits will be provided by the Parent Company, which will be reimbursed by the Company.

The amount of contributions paid to the Parent Company were RMB405,687,000 and RMB520,270,000 for the years ended 31 December 2017 and 2016 respectively.

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53. RETIREMENT BENEFITS (Continued)

The Company's subsidiaries are participants in a state-managed retirement scheme pursuant to which the subsidiaries pay a fixed percentage of its qualifying staff's wages as a contribution to the scheme. The subsidiaries' financial obligations under this scheme are limited to the payment of the employer's contribution. During the year, contributions paid and payable by the subsidiaries pursuant to this arrangement were insignificant to the Group. The Group's overseas subsidiaries pay fixed contribution as pensions under the laws and regulations of the relevant countries.

During the year and at the balance sheet date, there were no forfeited contributions which arose upon employees leaving the above schemes available to reduce the contributions payable in future years.

54. HOUSING SCHEME

The Parent Company is responsible for providing accommodation to its employees and the domestic employees of the Company. The Company and the Parent Company share the incidental expenses relating to the accommodation at a negotiated amount for each of the two years ended 31 December 2017 and 2016. Such expenses, amounting to RMB137,200,000 and RMB137,200,000 for each of the years ended 31 December 2017 and 2016 respectively, have been included as part of the social welfare and support services expenses summarised in note 51.

The Company currently makes a fixed monthly contribution for each of its qualifying employees to a housing fund which is equally matched by a contribution from the employees. The contributions are paid to the Parent Company which utilises the funds, along with the proceeds from the sales of accommodation and, if the need arises, from loans arranged by the Parent Company, to construct new accommodation.

55. POST BALANCE SHEET EVENTS

(1) Subordinated Capital Notes

In accordance with the terms of the Subordinated Capital Notes issued by Yancoal SCN Limited in December 2014, the next distribution payment date for the SCNs occurred on 31 January 2018. The distribution was paid at a rate of 7% per annum or USD3.50 per SCN. The total amount distributed was USD17,150. All the outstanding subordinated capital notes at 31 December 2017 were fully redeemed by the Group at par in January 2018.

(2) Acquisition of Warkworth Joint Venture

The acquisition of the 28.9% interest in Warkworth Joint Venture was completed in March 2018. Following the acquisition, Warkworth Joint Venture will be accounted for as a joint operation of the Group.

(3) Subscription of shares in China Zheshang Bank

On 23 March 2018, the Group entered into a placing agreement to subscribe for 420 million shares in China Zheshang Bank for a cash consideration of HK\$2.02 billion. Following the completion of the subscription, the Group's interest in China Zheshang Bank will be increased to 20.51%. Further details were set out in the Company's announcement date 23 March 2018.

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56. OPERATING LEASE COMMITMENTS

| | At 31 December | |
|--|------------------|-----------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| Within one year | 261,814 | 188,711 |
| More than one year, but not more than five years | 769,294 | 368,407 |
| | 1,031,108 | 557,118 |

Operating leases have average remaining lease terms of 1 to 5 years. Items that are subject to operating leases include mining equipment, office space and small items of office equipment.

57. CONTINGENT LIABILITIES

(i) Guarantees

| | At 31 December | |
|--|------------------|------------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| (a) The Group | | |
| Guarantees secured over deposits | – | – |
| Performance guarantees provided to daily operations | 1,792,067 | 416,974 |
| Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute | 405,331 | 364,971 |
| Guarantees provided in respect of land acquisition | 255 | 94,552 |
| (b) Joint operations | | |
| Guarantees secured over deposits | – | – |
| Performance guarantees provided to external parties | 993,247 | 304,930 |
| Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute | 1,265,436 | – |
| (c) Related parties | | |
| Guarantees secured over deposits | – | – |
| Performance guarantees provided to external parties | 557,606 | 528,546 |
| Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute | 287,618 | 246,781 |
| | 5,301,560 | 1,956,754 |

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57. CONTINGENT LIABILITIES (Continued)

- (ii) The Australian Taxation Office (“ATO”) commenced an audit of Yancoal Australia during the 2013 financial year in respect of deductions claimed in Gloucester Group’s 31 December 2012 return for up front for exploration costs.

On 13 January 2017, the ATO verbally advised YAL the audit for the year 31 December 2012 has been completed. And YAL has agreed to reverse tax deductions totalling AUD26.5m (AUD8 million tax effected at 30%) and depreciate this cost over the relevant life of mine (LOM) from 31 December 2012.

- (iii) Yancoal Australia has issued a letter of support dated 27 February 2015 to Middlemount, a joint venture confirming:
- It will not demand the repayment of any loan due from Middlemount, except to the extent that Middlemount agrees otherwise or as otherwise provided in the loan agreement; and
 - It will provide financial support to Middlemount to enable it to meet its debts as and when they become due and payable, by way of new shareholder loans in proportion to its share of the net assets of Middlemount.

This letter of support will remain in force whilst the Yancoal Australia is a shareholder of Middlemount or until notice of not less than 12 months is provided or such shorter period as agreed by Middlemount.

58. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Certain of the consideration for the additional investment in an associate during 2017 amounted to RMB971,250,000 was not yet settled as at 31 December 2017 and was included in payables for acquisition of subsidiaries/associates at 31 December 2017 under other payables and accrued expenses.

59. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

| | Dividends payable (Note 36) RMB’000 | Customers’ deposits in relation to financial services (Note 36) RMB’000 | Borrowings (Note 39) RMB’000 | Total RMB’000 |
|-----------------------------|---|---|------------------------------------|------------------|
| At 1 January 2017 | 2,781 | – | 65,577,791 | 65,580,572 |
| Acquisition of subsidiaries | – | 6,955,292 | – | 6,955,292 |
| Dividends declaration | 1,097,101 | – | – | 1,097,101 |
| Cash flows | (1,058,176) | 2,502,302 | 6,860,747 | 8,304,873 |
| Exchange adjustment | – | – | (2,077,844) | (2,077,844) |
| At 31 December 2017 | 41,706 | 9,457,594 | 70,360,694 | 79,859,994 |

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60. INFORMATION OF THE COMPANY

The Company's statement of financial position is disclosed as follows:

| | At 31 December | |
|--------------------------------------|--------------------|--------------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Bank balances and cash | 9,822,236 | 10,860,018 |
| Pledged term deposits | 3,184,908 | 2,445,000 |
| Restricted cash | 1,959,938 | 937,932 |
| Bills and accounts receivable | 9,870,713 | 7,150,790 |
| Inventories | 529,071 | 423,870 |
| Loans to subsidiaries | 890,000 | 3,782,000 |
| Prepayments and other receivables | 32,461,504 | 26,805,340 |
| Prepaid lease payments | 13,388 | 13,389 |
| TOTAL CURRENT ASSETS | 58,731,758 | 52,418,339 |
| NON-CURRENT ASSETS | | |
| Mining reserves | 1,157,946 | 1,468,192 |
| Prepaid lease payments | 414,412 | 427,799 |
| Property, plant and equipment | 7,143,152 | 6,506,301 |
| Goodwill | - | 463,453 |
| Investments in subsidiaries (note a) | 61,141,742 | 42,333,020 |
| Investments in securities | 424 | 11,014,714 |
| Investments in associates | 7,285,597 | 4,216,168 |
| Investment in joint venture | 24,538 | 10,000 |
| Loan to subsidiaries | - | 3,740,000 |
| Deposit made on investments | 117,926 | 117,926 |
| Deferred tax assets | 1,434,564 | 1,395,541 |
| TOTAL NON-CURRENT ASSETS | 78,720,301 | 71,693,114 |
| TOTAL ASSETS | 137,465,448 | 124,111,453 |

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60. INFORMATION OF THE COMPANY (Continued)

| | At 31 December | |
|---|--------------------|--------------------|
| | 2017 RMB'000 | 2016 RMB'000 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Bills and accounts payable | 2,285,836 | 811,904 |
| Other payables and accrued expenses | 14,326,378 | 12,046,165 |
| Provision for land subsidence, restoration, rehabilitation and environmental costs | 2,342,564 | 2,358,428 |
| Borrowings – due within one year | 16,340,572 | 26,016,886 |
| Long term payable – due within one year | 3,216,682 | 1,395,485 |
| Taxes payable | 598,691 | 467,001 |
| TOTAL CURRENT LIABILITIES | 39,110,723 | 43,095,869 |
| NON-CURRENT LIABILITIES | | |
| Borrowings – due after one year | 34,551,593 | 25,791,342 |
| Long term payable | 2,141,313 | 189,295 |
| TOTAL NON-CURRENT LIABILITIES | 36,692,906 | 25,980,637 |
| TOTAL LIABILITIES | 75,803,629 | 69,076,506 |
| EQUITY (note b) | | |
| PERPETUAL CAPITAL SECURITIES | 9,249,649 | 6,662,191 |
| TOTAL EQUITY | 61,661,819 | 55,034,947 |
| TOTAL LIABILITIES AND EQUITY | 137,465,448 | 124,111,453 |

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60. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2017 and 2016 are as follows:

| Name of subsidiary | Country of incorporation/ registration and operation | Issued and fully paid capital/ registered capital | Proportion of registered capital/issued share capital held by the Company | | | | Proportion of voting controlled | | Principal activities |
|--|--|---|---|------------|----------|------------|---------------------------------|--------|--|
| | | | 2017 | | 2016 | | 2017 | 2016 | |
| | | | Directly | Indirectly | Directly | Indirectly | | | |
| Shanxi Neng Hua (note 1) | PRC | RMB600,000,000 | 100% | - | 100% | - | 100% | 100% | Investment holding |
| Shanxi Tianchi (note 1) | PRC | RMB90,000,000 | - | 81.31% | - | 81.31% | 81.31% | 81.31% | Coal mining business |
| Shanxi Tianhao (note 1) | PRC | RMB150,000,000 | - | 99.89% | - | 99.89% | 99.89% | 99.89% | Methanol and electricity power business |
| Beisheng Industry and Trade (note 1) | PRC | RMB2,404,000 | 100% | - | 100% | - | 100% | 100% | Coal Mining and sales |
| Shandong Yanmei Shipping Co., Ltd. ("Yanmei Shipping") (note 1) | PRC | RMB5,500,000 | 92% | - | 92% | - | 92% | 92% | Transportation via rivers and lakes and the sales of coal and construction materials |
| Inner Mongolia Haosheng Coal Mining Co., Ltd. ("Haosheng") (note 1) | PRC | RMB904,900,000 | 77.74% | - | 77.74% | - | 77.74% | 77.74% | Sales of coal mine machinery equipment and accessories |
| Zhongyan Trade Co., Ltd ("Zhongyan") (note 1) | PRC | RMB500,000,000 | 100% | - | 100% | - | 100% | 100% | Trade and storage in free trade zone |
| Yanzhou Coal Mining Yulin Neng Hua Co., Ltd ("Yulin") (note 1) | PRC | RMB1,400,000,000 | 100% | - | 100% | - | 100% | 100% | Methanol and electricity power business |
| Heze (note 1) | PRC | RMB3,000,000,000 | 98.33% | - | 98.33% | - | 98.33% | 98.33% | Coal mining and sales |
| Ordos (note 1) | PRC | RMB8,100,000,000 | 100% | - | 100% | - | 100% | 100% | Investment holding, coal mining and sales |
| Yize (note 1) | PRC | RMB675,000,000 | - | 100% | - | 100% | 100% | 100% | Development of methanol project |
| Inner Mongolia Rongxin Chemicals Co., Ltd ("Rongxin") (note 1) | PRC | RMB648,360,000 | - | 100% | - | 100% | 100% | 100% | Development of methanol project |
| Inner Mongolia Daxin Industrial Gas Co., Ltd ("Daxin Industrial") (note 1) | PRC | RMB209,992,568 | - | 100% | - | 100% | 100% | 100% | Development of methanol project |
| Xintai (note 1) | PRC | RMB5,000,000 | - | 100% | - | 100% | 100% | 100% | Coal mining and sales |

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60. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2017 and 2016 are as follows:

| Name of subsidiary | Country of incorporation/ registration and operation | Issued and fully paid capital/ registered capital | Proportion of registered capital/issued share capital held by the Company | | | | Proportion of voting controlled | | Principal activities |
|---|--|---|---|------------|----------|------------|---------------------------------|--------|--|
| | | | 2017 | | 2016 | | 2017 | 2016 | |
| | | | Directly | Indirectly | Directly | Indirectly | | | |
| Ordos Zhuanlongwan Coal Mining Company Limited ("Zhuanlongwan") | PRC | RMB5,050,000,000 | - | 100% | - | 100% | 100% | 100% | Coal mining and sales, manufacturing and sales of mining equipment and machinery |
| Ordos Yingpanhao Coal Mining Company Limited ("Yingpanhao") (note 1) | PRC | RMB300,000,000 | - | 100% | - | 100% | 100% | 100% | Coal mining and sales, manufacturing and sales of mining equipment and machinery |
| Hua Ju Energy (note 1) | PRC | RMB288,589,774 | 95.14% | - | 95.14% | - | 95.14% | 95.14% | Electricity and heat supply |
| Rizhao (note 1) | PRC | RMB300,000,000 | 51% | - | 51% | - | 51% | 51% | Coal wholesale management and others |
| Qingdao Yanmei Dongqi Energy Co., Ltd ("Dongqi") (note 1) | PRC | RMB50,000,000 | - | 51% | - | 51% | 100% | 100% | Coal and Related Products Wholesale |
| Trading Centre (note 1) | PRC | RMB100,000,000 | 51% | - | 51% | - | 51% | 51% | Coal Mining and sales |
| Shandong Zhongyin International Trade Co., Ltd. (note 1) | PRC | RMB300,000,000 | 100% | - | 100% | - | 100% | 100% | Coal and non-ferrous metal wholesale |
| Zhongyin Logistics (note 1) | PRC | RMB300,000,000 | - | 100% | - | 100% | 100% | 100% | Trade Broker and Agent |
| Zhongyin Financial (note 1) | PRC | RMB7,060,000,000 | 90% | 9% | 90% | 9% | 99% | 99% | Financial leasing |
| Duanxin (note 1) | PRC | RMB3,310,000,000 | 100% | - | 100% | - | 100% | 100% | Investment and assets management |
| Shandong Duanxin Supply Chain Management Co., Ltd ("Supply Chain") (note 1) | PRC | RMB200,000,000 | 100% | - | 100% | - | 100% | 100% | Logistics storage and leasing |
| Heze Duanxin Supply Chain Management Co., Ltd ("Heze Duanxin") (note 1) | PRC | RMB10,000,000 | - | 100% | - | 100% | 100% | 100% | Logistics storage and leasing |

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60. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2017 and 2016 are as follows:

| Name of subsidiary | Country of incorporation/ registration and operation | Issued and fully paid capital/ registered capital | Proportion of registered capital/issued share capital held by the Company | | | | Proportion of voting controlled | | Principal activities |
|---|--|---|---|------------|----------|------------|---------------------------------|------|--|
| | | | 2017 | | 2016 | | 2017 | 2016 | |
| | | | Directly | Indirectly | Directly | Indirectly | | | |
| Dalateqi Duanxin Supply Chain Management Co., Ltd ("Dalateqi") (note 1) | PRC | RMB5,000,000 | - | 100% | - | 100% | 100% | 100% | Logistics storage and leasing |
| Ejin Horo Qi Duanxin Supply Chain Management Co., Ltd. (note 1) | PRC | RMB10,000,000 | - | 100% | - | 100% | 100% | 100% | Logistics storage and leasing |
| Ruifeng (note 1) | PRC | RMB200,000,000 | 51% | - | 51% | - | 51% | 51% | Trading |
| Yancoal International (Singapore) Pte. Ltd. | Singapore | USD10,000,000 | - | 100% | - | 100% | 100% | 100% | Trading |
| Yancoal Australia (note 2) | Australia | AUD6,216,604,000 (2016: AUD3,105,560,000) | 65.46% | - | 78% | - | 65.46% | 78% | Investment holding |
| Austar Coal Mine Pty, Limited ("Austar") | Australia | AUD64,000,000 | - | 65.46% | - | 78% | 100% | 100% | Coal mining business in Australia |
| Gloucester | Australia | AUD719,720,808 | - | 65.46% | - | 78% | 100% | 100% | Coal resource exploration development |
| Yancoal Australia Sales Pty Ltd | Australia | AUD100 | - | 65.46% | - | 78% | 100% | 100% | Coal sales |
| Yancoal SCN Ltd | Australia | AUD5 | - | 65.46% | - | 78% | 100% | 100% | Issue subordinated capital note |
| Yancoal Mining Services Ltd | Australia | AUD100 | - | 65.46% | - | 78% | 100% | 100% | Provide management services to the underground mines |
| Yancoal Resources Ltd | Australia | AUD446,409,065 | - | 65.46% | - | 78% | 100% | 100% | Coal mining business in Australia |
| Westralian Prospectors NL | Australia | AUD93,001 | - | 65.46% | - | 78% | 100% | 100% | No business in Australia |
| Eucla Mining NL | Australia | AUD2 | - | 65.46% | - | 78% | 100% | 100% | Coal mining |
| CIM Duralie Pty Ltd | Australia | AUD665 | - | 65.46% | - | 78% | 100% | 100% | No business in Australia |
| Duralie Coal Marketing Pty Ltd | Australia | AUD2 | - | 65.46% | - | 78% | 100% | 100% | No business in Australia |
| Duralie Coal Pty Ltd | Australia | AUD2 | - | 65.46% | - | 78% | 100% | 100% | Coal mining |
| Gloucester (SPV) Pty Ltd | Australia | AUD2 | - | 65.46% | - | 78% | 100% | 100% | Holding company |
| Gloucester (Sub Holdings 1) Pty Ltd | Australia | AUD2 | - | 65.46% | - | 78% | 100% | 100% | Holding company |
| Gloucester (Sub Holdings 2) Pty Ltd | Australia | AUD2 | - | 65.46% | - | 78% | 100% | 100% | Holdings company |

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60. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2017 and 2016 are as follows:

| Name of subsidiary | Country of incorporation/ registration and operation | Issued and fully paid capital/ registered capital | Proportion of registered capital/issued share capital held by the Company | | | | Proportion of voting controlled | | Principal activities |
|------------------------------------|--|---|---|------------|----------|------------|---------------------------------|------|---|
| | | | 2017 | | 2016 | | 2017 | 2016 | |
| | | | Directly | Indirectly | Directly | Indirectly | | | |
| SASE Pty Limited | Australia | AUD9,650,564 | - | 58.91% | - | 70.2% | 90% | 90% | No business in Australia, to be liquidated |
| Proserpina Coal Pty Ltd | Australia | AUD1 | - | 65.46% | - | 78% | 100% | 100% | Coal mining and sales |
| Yarrabee Coal Company Pty Ltd | Australia | AUD92,080 | - | 65.46% | - | 78% | 100% | 100% | Coal mining and sales |
| White Mining Limited | Australia | Ordinary shares AUD3,300,000 A Shares AUD200 | - | 65.46% | - | 78% | 100% | 100% | Investment holding and management of operations |
| Moolarben Coal Operations Pty Ltd | Australia | AUD2 | - | 65.46% | - | 78% | 100% | 100% | Management of coal operations |
| Moolarben Coal Mines Pty Limited | Australia | AUD1 | - | 65.46% | - | 78% | 100% | 100% | Coal business development |
| Felix NSW Pty Ltd | Australia | AUD2 | - | 65.46% | - | 78% | 100% | 100% | Investment holding |
| Moolarben Coal Sales Pty Ltd | Australia | AUD2 | - | 65.46% | - | 78% | 100% | 100% | Coal sales |
| CIM Mining Pty Ltd | Australia | AUD30,180,720 | - | 65.46% | - | 78% | 100% | 100% | No business in Australia |
| Donaldson Coal Holdings Limited | Australia | AUD204,945,942 | - | 65.46% | - | 78% | 100% | 100% | Holdings company |
| Monash Coal Holdings Pty Ltd | Australia | AUD100 | - | 65.46% | - | 78% | 100% | 100% | Dormant |
| Athena Coal Operation Pty Ltd | Australia | AUD1 | - | 65.46% | - | 78% | 100% | 100% | Dormant |
| Athena Coal sales Pty Ltd | Australia | AUD1 | - | 65.46% | - | 78% | 100% | 100% | Dormant |
| Paway Limited | British Virgin Islands | AUD1 | - | 65.46% | - | 78% | 100% | 100% | Dormant |
| White Mining Services Pty Limited | Australia | AUD2 | - | 65.46% | - | 78% | 100% | 100% | No business in Australia, to be liquidated |
| Ashton Coal Operations Pty Limited | Australia | AUD5 | - | 65.46% | - | 78% | 100% | 100% | Management of operations |
| Ashton Coal mines Limited | Australia | AUD5 | - | 65.46% | - | 78% | 100% | 100% | Coal sales |
| White Mining (NSW) Pty Limited | Australia | AUD10 | - | 65.46% | - | 78% | 100% | 100% | Coal mining and sales |

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60. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2017 and 2016 are as follows:

| Name of subsidiary | Country of incorporation/ registration and operation | Issued and fully paid capital/ registered capital | Proportion of registered capital/issued share capital held by the Company | | | | Proportion of voting controlled | | Principal activities |
|--|--|---|---|------------|----------|------------|---------------------------------|------|--|
| | | | 2017 | | 2016 | | 2017 | 2016 | |
| | | | Directly | Indirectly | Directly | Indirectly | | | |
| CIM Stratford Pty Ltd | Australia | AUD21,558,606 | - | 65.46% | - | 78% | 100% | 100% | Dormant |
| CIM Services Pty Ltd | Australia | AUD8,400,002 | - | 65.46% | - | 78% | 100% | 100% | Dormant |
| Donaldson Coal Pty Ltd | Australia | AUD6,688,782 | - | 65.46% | - | 78% | 100% | 100% | Coal mining and sales |
| Donaldson Coal Finance Pty Ltd | Australia | AUD10 | - | 65.46% | - | 78% | 100% | 100% | Investment company |
| Monash Coal Pty Ltd | Australia | AUD200 | - | 65.46% | - | 78% | 100% | 100% | Coal mining and sales |
| Stradford Coal Pty Ltd | Australia | AUD10 | - | 65.46% | - | 78% | 100% | 100% | Coal mining |
| Stradford Coal Marketing Pty Ltd | Australia | AUD10 | - | 65.46% | - | 78% | 100% | 100% | Coal sales |
| Abakk Pty Ltd | Australia | AUD6 | - | 65.46% | - | 78% | 100% | 100% | Liquidated |
| Newcastle Coal Company Pty Ltd | Australia | AUD2,300,999 | - | 65.46% | - | 78% | 100% | 100% | Coal mining and sales |
| Primecoal International Pty Ltd | Australia | AUD1 | - | 65.46% | - | 78% | 100% | 100% | No business in Australia, to be liquidated |
| Coal & Allied Industries Limited ("C&A") | Australia | AUD3,724,000,000 | - | 65.46% | N/A | N/A | 100% | N/A | Coal mining business |
| Australian Coal Resources Ltd | Australia | AUD5 | - | 65.46% | N/A | N/A | 100% | N/A | Coal mining, processing and sales |
| Kalamah Pty Ltd | Australia | AUD1 | - | 65.46% | N/A | N/A | 100% | N/A | Investment, holding company |
| Rio Tinto Coal (NSW) Pty Ltd | Australia | AUD1 | - | 65.46% | N/A | N/A | 100% | N/A | Employment, management company |
| Coal & Allied Operations Pty Ltd | Australia | AUD17,147,500 | - | 65.46% | N/A | N/A | 100% | N/A | Coal mining, processing and sales |
| CNA Investments (UK) Pty Ltd | Australia | AUD202,000 | - | 65.46% | N/A | N/A | 100% | N/A | Investment Management |
| CNA Resources Holdings Pty Ltd | Australia | AUD405 | - | 65.46% | N/A | N/A | 100% | N/A | Investment holding |
| HV Operations Pty Ltd | Australia | AUD1 | - | 65.46% | N/A | N/A | 100% | N/A | Management company |

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60. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2017 and 2016 are as follows:

| Name of subsidiary | Country of incorporation/ registration and operation | Issued and fully paid capital/ registered capital | Proportion of registered capital/issued share capital held by the Company | | | | Proportion of voting controlled | | Principal activities |
|---|--|---|---|------------|----------|------------|---------------------------------|------|---|
| | | | 2017 | | 2016 | | 2017 | 2016 | |
| | | | Directly | Indirectly | Directly | Indirectly | | | |
| Lower Hunter Land Holdings Pty Ltd | Australia | AUD6 | - | 65.46% | N/A | N/A | 100% | N/A | Management, holding company |
| Oaklands Coal Pty Ltd | Australia | AUD5,005,000 | - | 65.46% | N/A | N/A | 100% | N/A | Management company |
| Novacoal Australia Pty Ltd | Australia | AUD530,000 | - | 65.46% | N/A | N/A | 100% | N/A | Management company |
| Yancoal International (Holding) Co., Ltd | Hong Kong | USD689,313,091 | 100% | - | 100% | - | 100% | 100% | Investment holding |
| Yancoal International Resources Development Co., Limited | Hong Kong | USD600,000 | - | 100% | - | 100% | 100% | 100% | Coal resource exploration development |
| Yancoal International Technology Development Co., Limited | Hong Kong | USD1,000,000 | - | 100% | - | 100% | 100% | 100% | Coal mining technology Development, transfer and consultation |
| Yancoal International Trading Co., Limited | Hong Kong | USD1,000,000 | - | 100% | - | 100% | 100% | 100% | Entrepot trade |
| Yancoal Luxembourg Resources Holding Co., Ltd | Luxembourg | USD500,000 | - | 100% | - | 100% | 100% | 100% | Investment holding |
| Yancoal Canada Resources Holding Co., Ltd | Canada | USD290,000,000 | - | 100% | - | 100% | 100% | 100% | Potash exploration |
| Athena Holdings P/L | Australia | AUD24,450,405 | - | 100% | - | 100% | 100% | 100% | Holding company |
| Premier Coal Holdings Pty Ltd | Australia | AUD321,613,108 | - | 100% | - | 100% | 100% | 100% | Holding company |
| Tonford Holdings Pty Ltd | Australia | AUD46,407,917 | - | 100% | - | 100% | 100% | 100% | Holding company |
| Wilpeena Holdings Pty Ltd | Australia | AUD3,457,381 | - | 100% | - | 100% | 100% | 100% | Holding company |
| Yancoal Energy Pty Ltd | Australia | AUD202,977,694 | - | 100% | - | 100% | 100% | 100% | Holding company |
| Yancoal International Technology Development Pty Ltd | Australia | AUD75,407,506 | - | 100% | - | 100% | 100% | 100% | Holding company |
| Athena Coal Mine Pty Ltd | Australia | AUD2 | - | 100% | - | 100% | 100% | 100% | Coal exploration |
| Premier Coal Limited | Australia | AUD8,779,250 | - | 100% | - | 100% | 100% | 100% | Coal mining and sales |
| Tonford Pty Ltd | Australia | AUD2 | - | 100% | - | 100% | 100% | 100% | Coal exploration |

Chapter 12 Consolidated Financial Statements

60. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2017 and 2016 are as follows:

| Name of subsidiary | Country of incorporation/ registration and operation | Issued and fully paid capital/ registered capital | Proportion of registered capital/issued share capital held by the Company | | | | Proportion of voting controlled | | Principal activities |
|---|--|---|---|------------|----------|------------|---------------------------------|--------|---|
| | | | 2017 | | 2016 | | 2017 | 2016 | |
| | | | Directly | Indirectly | Directly | Indirectly | | | |
| Syntech Holdings Pty Ltd | Australia | AUD223,470,552 | - | 100% | - | 100% | 100% | 100% | Investment holding and management of coal operation |
| Syntech Holdings II Pty Ltd | Australia | AUD6,318,490 | - | 100% | - | 100% | 100% | 100% | Investment holding |
| UCC Energy Pty Limited | Australia | AUD2 | - | 100% | - | 100% | 100% | 100% | Ultra clean coal technology |
| Premier Char Pty Ltd | Australia | AUD1,000,000 | - | 100% | - | 100% | 100% | 100% | Charcoal Product |
| Yancoal Technology Development Pty Ltd | Australia | AUD2 | - | 100% | - | 100% | 100% | 100% | LTCC technology development and equipment rental |
| AMH (Chinchilla Coal) Pty Ltd | Australia | AUD2 | - | 100% | - | 100% | 100% | 100% | Coal exploration |
| Syntech Resources Pty Ltd | Australia | AUD1,251,431 | - | 100% | - | 100% | 100% | 100% | Coal mining and sales |
| Mountfield Properties Pty Ltd | Australia | AUD100 | - | 100% | - | 100% | 100% | 100% | Investment holding |
| Donghua (note 1) | PRC | RMB1,277,888,000 | 100% | - | 100% | - | 100% | 100% | Manufacturing of coal mining and excavating equipment |
| Yankuang Group Tangcun Industrial Co., Ltd ("Tangcun") (note 1) | PRC | RMB51,000,000 | - | 100% | - | 100% | 100% | 100% | Manufacturing and repair of machinery and cable |
| Shandong Yankuang Group Changlong Cable Manufacturing Co., Ltd ("Changlong") (note 1) | PRC | RMB20,000,000 | - | 95% | - | 95% | 95% | 95% | Manufacturing and sale of cable, rubber products |
| Zhoucheng Chengyan Material Inspection and Testing Co., Ltd ("Chengyan") (note 1) | PRC | RMB300,000 | - | 100% | - | 100% | 100% | 100% | Mining products supporting materials testing |
| Yankuang Group Mainland Machinery Co. Ltd ("Mainland Machinery") (note 1) | PRC | RMB50,000,000 | - | 79.69% | - | 79.69% | 79.69% | 79.69% | Manufacturing of special coal mining equipment |
| Yankuang Group Yanzhou Sanfanggang Structural Engineering ("Sanfanggang") (note 1) | PRC | RMB8,000,000 | - | 62.50% | - | 62.50% | 62.50% | 62.50% | Production and processing of steel engineering components |

Chapter 12 Consolidated Financial Statements

60. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2017 and 2016 are as follows:

| Name of subsidiary | Country of incorporation/ registration and operation | Issued and fully paid capital/ registered capital | Proportion of registered capital/issued share capital held by the Company | | | | Proportion of voting controlled | | Principal activities |
|---|--|---|---|------------|----------|------------|---------------------------------|--------|---|
| | | | 2017 | | 2016 | | 2017 | 2016 | |
| | | | Directly | Indirectly | Directly | Indirectly | | | |
| Yankuang Group Zoucheng Jinming Electrical Company Limited ("Jinming") (note 1) | PRC | RMB50,000,000 | - | 100% | - | 100% | 100% | 100% | Manufacturing, installation and repairment of electrical equipments |
| Yankuang Group Zoucheng Dehailan Rubber Product Co., Ltd ("Dehailan") (note 1) | PRC | RMB860,000 | - | 41.86% | - | 41.86% | 41.86% | 41.86% | Processing and sale of composite pipe and plastic profile products |
| Yanzhou Dongfang Electrical Co., Ltd ("Dongfang") (note 1) | PRC | RMB50,000,000 | - | 94.34% | - | 94.34% | 94.34% | 94.34% | Manufacturing and installation of mining equipments |
| Yankuang Group Jintong Rubber Co., Ltd ("Jintong") (note 1) | PRC | RMB6,600,000 | - | 54.55% | - | 54.55% | 54.55% | 54.55% | Manufacturing and sale of rubber products |
| Jinan DuanxinMingren Financial Consulting Partnership (LP) (note 1 and 4) | PRC | RMB5,000,000,000 | - | 20% | - | 20% | 100% | 100% | Financial advisory; Asset management consultancy service; Business advisory; Business service; Market information consultation and investigation |
| Jinan DuanxinMingli Financial Consulting Partnership (LP) (note 1 and 4) | PRC | RMB5,000,000,000 | 20% | 20% | 20% | 20% | 100% | 100% | Management consulting service, Asset management consultancy service; Business advisory; Business service; Market information consultation and investigation |
| Jining Duanxin Mingzhi Financial Consulting Partnership (LP) (note 1 and 4) | PRC | RMB1,250,000,000 | - | 20% | - | 20% | 100% | 100% | Investment holding |

Chapter 12 Consolidated Financial Statements

60. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2017 and 2016 are as follows:

| Name of subsidiary | Country of incorporation/ registration and operation | Issued and fully paid capital/ registered capital | Proportion of registered capital/issued share capital held by the Company | | | | Proportion of voting controlled | | Principal activities |
|--|--|---|---|------------|----------|------------|---------------------------------|------|--|
| | | | 2017 | | 2016 | | 2017 | 2016 | |
| | | | Directly | Indirectly | Directly | Indirectly | | | |
| Qingdao Duanxin Asset Management Company Limited | PRC | RMB500,000,000 | 100% | - | 100% | - | 100% | 100% | Equity investment fund management, Management of corporate asset, Foreign investment funds, Import and export service, International Trading, Export |
| Shandong Yancoal Property Service Company Limited (note 1) | PRC | RMB12,000,000 | - | 100% | - | 100% | 100% | 100% | Property management, Garden greening engineering, Sewage treatment and rental housing agency service |
| Duanxin Investment Holding (Shenzhen) Company Limited (note 1) | PRC | RMB1,100,000,000 | - | 100% | - | 100% | 100% | 100% | Equity investment, the entrusted assets and investment management and investment advisory |
| Zhongyin Finance Lease Company Limited (note 1) | PRC | RMB5,790,800,000 | - | 100% | - | 100% | 100% | 100% | Investment Holding |
| Yankuang Group Finance Co., Ltd (note 1 and 3) | PRC | RMB1,703,000 | 90% | N/A | N/A | N/A | 90% | N/A | Financial service |

Chapter 12 Consolidated Financial Statements

60. INFORMATION OF THE COMPANY (Continued)

- (a) Details of the Company's major subsidiaries at 31 December 2017 and 2016 are as follows: (Continued)

Unless otherwise specified, the capital of the above subsidiaries are registered capital (those established in the PRC) or ordinary shares (those established in other countries).

Note 1: The companies are established in the PRC as limited liability companies.

Note 2: The investment cost of RMB21,425,119,000 (2016: RMB3,781,606,000) in respect of investment in Yancoal Australia, a subsidiary listed on the Australia Stock Exchange, was included in investment in subsidiaries. As at 31 December 2017, the market value of these shares was approximately RMB21,982,195,000 (AUD4,316,328,000) (2016: RMB2,443,627,000 (AUD487,196,000)).

During the year ended 31 December 2017, Yancoal Australia had undergone a series of fund raising activities including the issuance of ordinary shares and raised equity funds amounted to approximately RMB9,621,437,000 in aggregate from shareholders other than the Group. In addition, the Group had converted part of the subordinated capital notes of Yancoal Australia into ordinary shares of Yancoal Australia. Following such transactions, the Group's equity interests in Yancoal Australia was diluted to 65.46% without any change to the Group's control over Yancoal Australia. A gain arising from such dilution of interests of approximately RMB509,651,000 was credited to other capital reserve.

Note 3: Yankuang Fiance was an associate of the Group at 31 December 2016 (note 27).

Note 4: Pursuant to the respective partnership agreements, the Group is able to control 100% of the voting power of these partnerships in relation to the respective relevant activities. Thus, these partnerships are accounted for as subsidiaries of the Group.

Chapter 12 Consolidated Financial Statements

60. INFORMATION OF THE COMPANY (Continued)

(b) The Company's equity is as follows:

| | Share capital RMB'000 | Capital Reserve RMB'000 | Share premium RMB'000 | Future development fund reserve RMB'000 | Statutory common fund RMB'000 | Investment revaluation reserve RMB'000 | Retained earnings RMB'000 | Perpetual capital securities (note 44) RMB'000 | Total RMB'000 |
|--|-----------------------------|-------------------------------|-----------------------------|---|--|---|---------------------------------|--|------------------|
| Balance at 1 January 2016 | 4,918,400 | (19,439) | 2,981,002 | 780,222 | 5,855,024 | 11,471 | 31,884,892 | 6,661,683 | 53,073,255 |
| Profit for the year | - | - | - | - | - | - | 2,021,674 | 424,307 | 2,445,981 |
| Other comprehensive income | | | | | | | | | |
| -Fair value changes of available-for-sale investment | - | - | - | - | - | (11,166) | - | - | (11,166) |
| Total comprehensive income for the year | - | - | - | - | - | (11,166) | 2,021,674 | 424,307 | 2,434,815 |
| Transactions with owners: | - | | | | | | | | |
| -Distribution paid to holders of perpetual capital securities | - | - | - | - | - | - | - | (423,799) | (423,799) |
| -Share repurchased and cancelled (Note 43) | (6,384) | 19,439 | (13,055) | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | (49,324) | - | (49,324) |
| Total transactions with owners | (6,384) | 19,439 | (13,055) | - | - | - | (49,324) | (423,799) | (473,123) |
| Balance at 31 December 2016 | 4,912,016 | - | 2,967,947 | 780,222 | 5,855,024 | 305 | 33,857,242 | 6,662,191 | 55,034,947 |
| Balance at 1 January 2017 | 4,912,016 | - | 2,967,947 | 780,222 | 5,855,024 | 305 | 33,857,242 | 6,662,191 | 55,034,947 |
| Profit for the year | - | - | - | - | - | - | 4,628,874 | 496,258 | 5,125,132 |
| Other comprehensive income | | | | | | | | | |
| -Fair value changes of available-for-sale investment | - | - | - | - | - | (18) | - | - | (18) |
| Total comprehensive income for the year | - | - | - | - | - | (18) | 4,628,874 | 496,258 | 5,125,114 |
| Transactions with owners: | | | | | | | | | |
| -Distribution paid to holders of perpetual capital securities | - | - | - | - | - | - | - | (423,800) | (423,800) |
| -Share repurchased and cancelled (Note 43) | - | - | - | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | (589,442) | - | (589,442) |
| Redemption of perpetual capital securities | - | - | - | - | - | - | - | (2,485,000) | (2,485,000) |
| Issuance of perpetual capital securities | - | - | - | - | - | - | - | 5,000,000 | 5,000,000 |
| Total transactions with owners | - | - | - | - | - | - | (589,442) | 2,091,200 | 1,501,758 |
| Balance at 31 December 2017 | 4,912,016 | - | 2,967,947 | 780,222 | 5,855,024 | 287 | 37,896,674 | 9,249,649 | 61,661,819 |

Chapter 12 Consolidated Financial Statements

SUPPLEMENTAL INFORMATION

I. SUMMARY OF DIFFERENCES BETWEEN CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) AND THOSE UNDER THE PRC ACCOUNTING RULES AND REGULATIONS (“PRC GAAP”)

The Group has also prepared a set of consolidated financial statements in accordance with relevant accounting principles and regulations applicable to PRC enterprises.

The consolidated financial statements prepared under IFRS and those prepared under PRC GAAP have the following major differences:

(1) Future development fund and work safety cost

- (1a) Appropriation of future development fund is charged to profit before income taxes under PRC GAAP. Depreciation is not provided for plant and equipment acquired by utilising the future development fund under PRC GAAP but charged to expenses when acquired.
- (1b) Appropriation of the work safety cost is charged to profit before taxes under PRC GAAP. Depreciation is not provided for plant and equipment acquired by utilising the provision of work safety cost under PRC GAAP but charged to expenses when acquired.

(2) Consolidation using acquisition method under IFRS and using common control method under PRC GAAP

- (2a) Under IFRS, the acquisitions of Jining II, Railway Assets, Heze, Shanxi Group, Hua Ju Energy, Beisu and Yangcun, Donghua and Yankuang Finance have been accounted for using the acquisition method which accounts for their assets and liabilities at their fair value at the date of acquisition. Any excess of the purchase consideration over the fair value of the net assets acquired is capitalised as goodwill.

Under PRC GAAP, as the entities above are under the common control of the Parent Company, their assets and liabilities of are required to be included in the consolidated balance sheet of the Group at historical cost. The difference between the historical cost of their assets and liabilities acquired and the purchase price paid is recorded as an adjustment to shareholders' equity.

(3) Deferred taxation due to differences between the financial statements prepared under IFRS and PRC GAAP

(4) Reversal of impairment loss on intangible assets in Yancoal Australia

- (4a) Under IFRS, the reversal of impairment loss on mining reserves was classified as other income in income statement.

Under PRC GAAP, no reversal of impairment loss on mining reserves was recognised.

Chapter 12 Consolidated Financial Statements

SUPPLEMENTAL INFORMATION (continued)

I. SUMMARY OF DIFFERENCES BETWEEN CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) AND THOSE UNDER THE PRC ACCOUNTING RULES AND REGULATIONS (“PRC GAAP”) (continued)

(5) *Classification of perpetual capital security due to differences between the financial statements prepared under IFRS and PRC GAAP.*

(5a) Under IFRS, the perpetual capital security issued by the company was classified as equity instrument and separated from net assets attributable to equity holders of the Company.

Under PRC GAAP, the perpetual capital security issued by the Company was classified as owners’ equity.

The following tables summarises the differences between consolidated financial statements prepared under IFRS and those under PRC GAAP:

| | Net income attributable to the equity holders of the Company for the year ended 31 December | | Net assets attributable to the equity holders of the Company as at 31 December | |
|--|---|-----------------|--|-----------------|
| | 2017 RMB’000 | 2016 RMB’000 | 2017 RMB’000 | 2016 RMB’000 |
| As per consolidated financial statements prepared under IFRS | 7,362,675 | 1,649,391 | 47,410,866 | 37,138,676 |
| <i>Impact of IFRS adjustments in respect of:</i> | | | | |
| – Future development fund charged to income before income taxes | (744,852) | (82,041) | – | – |
| – Reversal of provision of work safety cost | 134,674 | 156,610 | (133,583) | (268,257) |
| – Fair value adjustment and amortisation | 10,000 | 10,000 | (250,052) | (260,052) |
| – Goodwill arising from acquisition of Railway Assets, Heze, Shanxi Group, Jining II, Hua Ju Energy, Beisu and Yangcun | – | 341,292 | (899,403) | (899,403) |
| – Acquisition of Donghua | 2,042 | 2,042 | (424,759) | (426,801) |
| – Pre-acquisition results of Yankuang Finance | 80,638 | 97,229 | – | 1,037,301 |
| – Goodwill arising from acquisition of Yankuang Finance | – | – | (16,966) | – |
| – Deferred tax | 245,572 | (25,486) | 126,433 | (119,139) |
| – Perpetual capital security | – | – | 9,249,649 | 6,662,191 |
| – Reversal of impairment loss on intangible assets in Yancoal Australia | (320,131) | 12,777 | (770,658) | (450,527) |
| – Others | – | – | 647,648 | 646,370 |
| As per consolidated financial statements prepared under PRC GAAP | 6,770,618 | 2,161,814* | 54,939,175 | 43,060,359* |

* The amount had been restated to reflect the adoption of merger accounting in relation to the acquisition of Yankuang Finance during the year ended 31 December 2017.

Chapter 13

Documents Available for Inspection

| | |
|------------------------------------|--|
| Documents available for inspection | The financial statements sealed and signed by the persons in charge of the Company, the accounting work and the accounting department, respectively. |
| Documents available for inspection | The original copy of the auditor's report sealed by the accounting firm, and sealed and signed by the certified public accountants. |
| Documents available for inspection | The original copies of all documents and announcements published during the reporting period in websites designated by the CSRC. |
| Documents available for inspection | The annual report released in other securities markets. |

Li Xiyong
Chairman

Approved by the Board for the submission on 23 March 2018



兖州煤业股份有限公司
Yanzhou Coal Mining Company Limited

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code : 1171

For further details
about information disclosure,
please visit the website of
Yanzhou Coal Mining Company Limited at

