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兗州煤業股份有限公司
YANZHOU COAL MINING COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1171)

**ANNOUNCEMENT ON INTERIM RESULTS FOR
THE SIX MONTHS ENDED 30 JUNE 2017**

The board of directors (the “**Board**”) of Yanzhou Coal Mining Company Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2017. The interim results have been reviewed by the audit committee of the Board. This announcement, containing the full text of the 2017 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to the information to accompany the preliminary announcements of interim results. The 2017 interim results of the Company are available at the websites of The Stock Exchange of Hong Kong Limited and the Company at www.hkexnews.hk and www.yanzhoucoal.com.cn, respectively.

As at the date of this announcement, the directors of the Company are Mr. Li Xiyong, Mr. Li Wei, Mr. Wu Xiangqian, Mr. Wu Yuxiang, Mr. Guo Dechun, Mr. Zhao Qingchun and Mr. Guo Jun, and the independent non-executive directors of the Company are Mr. Kong Xiangguo, Mr. Jia Shaohua, Mr. Poon Chiu Kwok and Mr. Qi Anbang.

CHAPTER 1 DEFINITIONS

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

| | |
|--|--|
| “Yanzhou Coal”, or “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 listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively; |
| “Group” | the Company and its subsidiaries; |
| “Yankuang Group” or “Controlling Shareholder” | Yankuang Group Company Limited, a company with limited liability reformed and established in accordance with the laws of the PRC in 1996, being the controlling shareholder of the Company directly and indirectly holding 56.59% of the total share capital of the Company as at the end of this 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, mainly engages in the production operation of 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, mainly engages in the development and operation of coal resources and electricity power generation of the Juye coal field in 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, mainly engages 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, mainly engages in the thermal power generation by gangue and slurry generated from coal exploitation, and heat supply; |
| “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, mainly engages in the development of coal resources and coal chemical projects of the Company in the Inner Mongolia Autonomous Region; |
| “Haosheng Coal” | 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, mainly engages in the production operation of Shilawusu coal field located in Ordos, Inner Mongolia Autonomous Region; |

CHAPTER 1 DEFINITIONS – CONTINUED

| | |
|-----------------------------------|---|
| “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, mainly engages in the design, manufacturing, installation, repairing and maintenance of the Company’s mining equipment, electromechanical equipments and parts, etc.; |
| “Zhongyin Financial Leasing” | Zhongyin Financial Leasing Company Limited, a company with limited liability incorporated under the laws of the PRC in 2014, mainly engages in the financial leasing, leasing, leasing transaction advisory and guarantee, commercial factoring business related to the main business, etc. and a 99.15% directly and indirectly owned subsidiary of the Company; |
| “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, mainly engages in the project investment, enterprise management, investment management, enterprise management consultation, investment consultation, etc.; |
| “Yancoal Australia” | Yancoal Australia Limited, a company with limited liability incorporated under the laws of Australia in 2004 and a 78% owned subsidiary of the Company as at the end of this reporting period. The shares of Yancoal Australia 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 Limited, a limited company incorporated under the laws of Hong Kong in 2011 and a wholly-owned subsidiary of Yancoal International; |
| “Railway Assets” | The railway assets specifically used for transportation of coal for 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 listed 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 listed on the Shanghai Stock Exchange; |
| “ADSs” | American depositary shares, each representing ownership of 10 H Shares; |
| “PRC” | The People’s Republic of China; |
| “CASs” or “ASBEs” | Accounting Standard for Business Enterprises and the relevant explanations issued by the Ministry of Finance of PRC; |

CHAPTER 1 DEFINITIONS – CONTINUED

| | |
|----------------------------|--|
| “IFRS” | International Financial Reporting Standards issued by the International Accounting Standard Board; |
| “CSRC” | China Securities Regulatory Commission; |
| “Hong Kong” | Hong Kong Special Administrative Region; |
| “Hong Kong Listing Rules” | 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; |
| “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; |
| “Supervisory Committee” | the supervisory committee of the Company; |
| “RMB” | Renminbi, the lawful currency of the PRC, unless otherwise specified; |
| “AUD” | Australian dollars, the lawful currency of Australia; |
| “USD” | the United States dollars, the lawful currency of the United States; and |
| “HKD” | Hong Kong dollars, the lawful currency of Hong Kong. |

CHAPTER 2 GROUP PROFILE AND MAJOR FINANCIAL INDICATORS

I. GENERAL INFORMATION OF THE GROUP

| | |
|--|-------------------------------------|
| 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 the Hong Kong Stock Exchange: | Zhao Qingchun, Jin Qingbin |

II. CONTACT DETAILS

| | Secretary to the Board/Company Secretary | Security Affairs Representative |
|-----------------|--|--|
| Name: | Jin Qingbin | Pan Shutian |
| Address: | Office of the Secretary to the Board, 298 Fushan South Road, Zoucheng City, Shandong Province, PRC | Office of the Secretary to the Board, 298 Fushan South Road, Zoucheng City, Shandong Province, PRC |
| Tel: | (86 537) 538 2319 | (86 537) 538 5343 |
| Fax: | (86 537) 538 3311 | (86 537) 538 3311 |
| E-mail Address: | yzc@yanzhoucoal.com.cn | 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 |

IV. INFORMATION DISCLOSURE AND DESIGNATED LOCATION

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

CHAPTER 2 GROUP PROFILE AND MAJOR FINANCIAL INDICATORS – CONTINUED

V. CORPORATE STOCKS

| Class of shares | Place of Listing | Stock Abbreviation | Stock Code |
|-----------------|------------------------------|--------------------|------------|
| A Shares | The Shanghai Stock Exchange | Yanzhou Mei Ye | 600188 |
| H Shares | The Hong Kong Stock Exchange | — | 01171 |

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 North Avenue, Dongcheng District, Beijing, PRC |
| Certified Public Accountants (International) | Name: | SHINEWING (HK) CPA Limited |
| | Office Address: | 43rd Floor Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong |

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS (PREPARED IN ACCORDANCE WITH THE IFRS)

(I) Operating Results

| | For the six months ended 30 June | | | |
|---|----------------------------------|----------------------------------|--|---|
| | 2017 (RMB'000) (unaudited) | 2016 (RMB'000) (unaudited) | Changes as compared with the corresponding period of the previous year (%) | For the year ended 31 December 2016 (RMB'000) (audited) |
| Sales income | 22,922,493 | 12,580,714 | 82.20 | 33,272,432 |
| Gross profit | 8,091,352 | 2,931,886 | 175.98 | 9,463,988 |
| Finance costs | (1,322,943) | (1,132,759) | 16.79 | (2,501,016) |
| Income before income tax | 5,049,698 | 429,217 | 1,076.49 | 2,695,112 |
| Net income attributable to equity holders of the Company for the reporting period | 3,451,199 | 375,236 | 819.74 | 1,649,391 |
| Earnings per share | RMB0.70 | RMB0.08 | 775.00 | RMB0.34 |

CHAPTER 2 GROUP PROFILE AND MAJOR FINANCIAL INDICATORS – CONTINUED

II. ASSETS AND LIABILITIES

| | 30 June | | 31 December |
|--|--------------------|-------------|-------------|
| | 2017 | 2016 | 2016 |
| | (RMB'000) | (RMB'000) | (RMB'000) |
| | (unaudited) | (unaudited) | (audited) |
| Current assets | 50,162,404 | 36,997,485 | 41,511,411 |
| Current liabilities | 54,289,440 | 45,446,876 | 51,383,848 |
| Total assets | 159,805,040 | 142,396,311 | 147,455,472 |
| Equity attributable to equity holders of the Company | 42,180,663 | 36,300,071 | 37,138,676 |
| Net assets value per share | RMB8.59 | RMB7.39 | RMB7.56 |
| Return on net assets (%) | 8.18 | 1.03 | 4.44 |

III. SUMMARY STATEMENT OF CASH FLOWS

| | For the six months ended 30 June | | | |
|--|----------------------------------|-------------|--|-------------------------------------|
| | 2017 | 2016 | Changes as compared with the corresponding period of the previous year | For the year ended 31 December 2016 |
| | (RMB'000) | (RMB'000) | (%) | (RMB'000) |
| | (unaudited) | (unaudited) | | (audited) |
| Net cash flow from operating activities | 2,650,151 | (77,417) | – | 11,220,674 |
| Net (decrease)/increase in cash and cash equivalents | 48,386 | (5,280,273) | – | (3,695,940) |
| Net cash flow per share from operating activities | RMB0.54 | RMB(0.02) | – | RMB2.28 |

Note: The Company consolidated the financial statements of Yancoal Blue Sky Clean Energy Company Limited, Yancoal Mining Engineering Company Limited and Wuxi Dingye Energy Company Limited ("Wuxi Dingye") of this reporting period.

I. THE COMPANY'S MAIN BUSINESS, OPERATION MODEL AND INDUSTRIES DURING THE REPORTING PERIOD

(I) Principal Business and Operation Model

1. *Coal business*

As one of the main coal producers and coal traders in the PRC and Australia, the products of the Company mainly include thermal coal and PCI coal, which are used in electric power, metallurgy and chemical industry, etc. The Company's products are mainly sold to Eastern China, Northern China, Southern China, and other countries such as Japan, Korea, Australia.

2. *Coal chemical business*

The Company's coal chemical industries are mainly distributed in Shaanxi Province and Inner Mongolia Autonomous Region. The main product of methanol is mainly sold to Northern China and Eastern China.

3. *Mechanical and electrical equipment manufacturing business*

The Company's equipment manufacturing business is mainly engaged in manufacturing, sales, leasing and maintenance of mechanical and electrical equipments including hydraulic supports, road headers, shearers and others. The products are mainly sold to Eastern 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 portion of electricity and heat generated for internal use, the rest electricity and heat were sold externally.

(II) Situation of Industry

For the first half of 2017, the coal price has been fluctuated in high position, which was attributed to the supply-side structure reform and production cap policies adopted by Chinese government, as well as the general balance of global coal supply and demand.

CHAPTER 3 BUSINESS HIGHLIGHTS

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

There were no significant changes of major assets of the Company during the reporting period.

Including: Overseas assets of RMB56,751.4 million, representing 35.5% of total assets, with no significant changes as compared to the corresponding period of the previous year. Since 2004, the Company set up related overseas investment management platforms with priorities of Yancoal Australia and Yancoal International through various ways such as overseas assets or equity acquisitions, company establishments, split off merger, etc. Please see the details of production and operation of Yancoal Australia and Yancoal International in “Chapter 4 Board of Directors’ Report” in this report.

III CORE COMPETITIVENESS ANALYSIS DURING THE REPORTING PERIOD

For the first half of 2017, the Group seized the opportunities brought by government policies, such as supply-side structure reform and production capacity swap policy, optimized coal production organization of headquarter area, released advanced capacity of coal mines in Inner Mongolia and Australia, and significantly increased the raw coal productivity and output. In addition, the proposed acquisition of 100% equity interest of Coal & Allied Industries Limited (“C&A”) was progressed steadily, which has laid a solid foundation for optimizing the Group’s asset structure, increasing production scale and profitability and achieving a bigger share of the market.

CHAPTER 4 BOARD OF DIRECTORS' REPORT

I. BOARD OF DIRECTORS' MANAGEMENT DISCUSSION AND ANALYSIS OF THIS REPORTING PERIOD

BUSINESS REVIEW

| | | For the six months ended Unit 30 June 2017 | For the six months ended 30 June 2016 | Increase/ Decrease | Increase/ Decrease (%) |
|---|-----------|--|---|-----------------------|---------------------------|
| 1. Coal Business | | | | | |
| Raw coal production | kilotonne | 36,403 | 31,590 | 4,813 | 15.24 |
| Salable coal production | kilotonne | 34,719 | 29,249 | 5,470 | 18.70 |
| Salable coal sales volume | kilotonne | 41,697 | 32,557 | 9,140 | 28.07 |
| 2. Railway Transportation Business | | | | | |
| Transportation volume | kilotonne | 6,641 | 4,867 | 1,774 | 36.45 |
| 3. Coal Chemicals Business | | | | | |
| Methanol production | kilotonne | 734 | 801 | -67 | -8.36 |
| Methanol sales volume | kilotonne | 717 | 800 | -83 | -10.38 |
| 4. Power Generation Business | | | | | |
| Power generation | 10,000kWh | 121,316 | 135,118 | -13,802 | -10.21 |
| Electricity sales volume | 10,000kWh | 72,279 | 86,941 | -14,662 | -16.86 |

Notes: There were significant differences between production volumes and sales volumes of related products of power business as shown in the above table. It was mainly due to the fact that related products of the Group were sold externally after satisfying its internal operation demand.

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD

(I) THE OPERATION OF BUSINESS SEGMENTS

1. Coal Business

(1) Coal Production

For the first half of 2017, the raw coal production of the Group was 36.4 million tonnes, representing an increase of 4.81 million tonnes or 15.2% as compared with the corresponding period of the previous year. The salable coal production of the Group was 34.72 million tonnes, representing an increase of 5.47 million tonnes or 18.7% as compared with the corresponding period of the previous year.

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

| | For the six months ended 30 June 2017 (kilotonne) | For the six months ended 30 June 2016 (kilotonne) | Increase/ Decrease (kilotonne) | Increase/ Decrease (%) |
|-----------------------------|--|--|--------------------------------------|------------------------------|
| 1. Raw coal production | 36,403 | 31,590 | 4,813 | 15.24 |
| The Company | 16,388 | 17,314 | -926 | -5.35 |
| Shanxi Neng Hua | 864 | 857 | 7 | 0.82 |
| Heze Neng Hua | 1,220 | 1,649 | -429 | -26.02 |
| Ordos Neng Hua ^① | 4,307 | 751 | 3,556 | 473.50 |
| Haosheng Coal ^② | 2,109 | – | 2,109 | – |
| Yancoal Australia | 7,900 | 7,772 | 128 | 1.65 |
| Yancoal International | 3,615 | 3,247 | 368 | 11.33 |
| 2. Salable coal production | 34,719 | 29,249 | 5,470 | 18.70 |
| The Company | 16,371 | 17,308 | -937 | -5.41 |
| Shanxi Neng Hua | 846 | 847 | -1 | -0.12 |
| Heze Neng Hua | 1,204 | 1,643 | -439 | -26.72 |
| Ordos Neng Hua | 4,307 | 751 | 3,556 | 473.50 |
| Haosheng Coal | 2,109 | – | 2,109 | – |
| Yancoal Australia | 6,511 | 5,749 | 762 | 13.25 |
| Yancoal International | 3,371 | 2,951 | 420 | 14.23 |

Notes:

① The raw coal production and salable coal production of Ordos Neng Hua increased as compared with the corresponding period of the previous year. This was mainly due to the commercial operation of its Zhuanlongwan Coal Mine in the second half of 2016.

② The raw coal production and salable coal production of Haosheng Coal increased as compared with the corresponding period of the previous year. This was mainly due to the commercial operation of Shilawusu Coal Mine in January 2017.

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

(2) Coal Prices and Sales

The Group's average sales price of coal for the first half of 2017 increased as compared with the corresponding period of the previous year, which is attributed to the stable and positive development of China's macro economy, coal supply-side structural reform and other policies.

For the first half of 2017, the Group sold a total of 41.7 million tonnes of coal, representing an increase of 9.14 million tonnes or 28.1% as compared with the corresponding period of the previous year. This is mainly due to: ① the sale of traded coal increased by 3.77 million tonnes as compared with the corresponding period of the previous year; ② the commercial operation of new coal mines, resulting in the increase in the sales volume of salable coal of Ordos Neng Hua and Haosheng Coal by 3.09 million tonnes and 2.1 million tonnes respectively as compared with the corresponding period of the previous year.

For the first half of 2017, the Group realized a sales income of RMB21,119.2 million, representing an increase of RMB10,500.2 million or 98.9% as compared with the corresponding period of the previous year.

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

| | For the six months ended 30 June 2017 | | | | For the six months ended 30 June 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 | 16,371 | 16,093 | 588.21 | 9,466,036 | 17,308 | 16,524 | 335.24 | 5,539,694 |
| No. 1 clean coal | 66 | 69 | 898.84 | 62,004 | 75 | 58 | 463.48 | 26,849 |
| No. 2 clean coal | 4,905 | 4,625 | 770.80 | 3,564,655 | 5,450 | 5,152 | 421.60 | 2,172,072 |
| No. 3 clean coal | 1,165 | 1,247 | 617.23 | 769,666 | 1,278 | 1,206 | 366.74 | 442,438 |
| Lump coal | 1,016 | 1,082 | 635.70 | 687,990 | 1,169 | 1,109 | 385.05 | 427,138 |
| Sub-total of clean coal | 7,152 | 7,023 | 723.97 | 5,084,315 | 7,972 | 7,525 | 407.74 | 3,068,497 |
| Screened raw coal | 9,219 | 9,070 | 483.09 | 4,381,721 | 8,438 | 8,339 | 288.20 | 2,403,147 |
| Mixed coal & Others | - | - | - | - | 898 | 660 | 103.07 | 68,050 |
| 2. Shanxi Neng Hua | 846 | 868 | 350.09 | 303,972 | 847 | 821 | 177.12 | 145,312 |
| Screened raw coal | 846 | 868 | 350.09 | 303,972 | 847 | 821 | 177.12 | 145,312 |
| 3. Heze Neng Hua | 1,204 | 801 | 985.98 | 790,133 | 1,643 | 1,479 | 425.56 | 629,400 |
| No. 2 clean coal | 1,042 | 801 | 985.98 | 790,133 | 1,198 | 1,294 | 459.44 | 594,647 |
| Screened raw coal | 162 | - | - | - | - | - | - | - |
| Mixed coal and Others | - | - | - | - | 445 | 185 | 187.85 | 34,753 |
| 4. Ordos Neng Hua | 4,307 | 3,859 | 226.44 | 873,891 | 751 | 773 | 220.41 | 170,413 |
| Screened raw coal | 4,307 | 3,859 | 226.44 | 873,891 | 751 | 773 | 220.41 | 170,413 |
| 5. Haosheng Coal | 2,109 | 2,096 | 287.12 | 601,704 | - | - | - | - |
| Screened raw coal | 2,109 | 2,096 | 287.12 | 601,704 | - | - | - | - |
| 6. Yancoal Australia | 6,511 | 6,244 | 480.28 | 2,998,701 | 5,749 | 5,518 | 339.82 | 1,875,153 |
| Semi-hard coking coal | 136 | 131 | 616.25 | 80,456 | 272 | 261 | 481.89 | 125,686 |
| Semi-soft coking coal | - | - | - | - | 435 | 418 | 445.78 | 186,206 |
| PCI coal | 1,200 | 1,150 | 784.35 | 902,376 | 1,485 | 1,425 | 398.82 | 568,501 |
| Thermal coal | 5,175 | 4,963 | 406.21 | 2,015,869 | 3,557 | 3,414 | 291.37 | 994,760 |
| 7. Yancoal International | 3,371 | 3,328 | 302.57 | 1,007,008 | 2,951 | 2,800 | 265.73 | 744,035 |
| Thermal coal | 3,371 | 3,328 | 302.57 | 1,007,008 | 2,951 | 2,800 | 265.73 | 744,035 |
| 8. Traded coal | - | 8,408 | 603.90 | 5,077,708 | - | 4,642 | 326.37 | 1,514,962 |
| 9. Total for the Group | 34,719 | 41,697 | 506.49 | 21,119,153 | 29,249 | 32,557 | 326.17 | 10,618,969 |

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

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 | -144,704 | 4,071,046 |
| Shanxi Neng Hua | 8,522 | 150,138 |
| Heze Neng Hua | -288,163 | 448,896 |
| Ordos Neng Hua | 680,208 | 23,270 |
| Haosheng Coal | 601,704 | – |
| Yancoal Australia | 246,516 | 877,032 |
| Yancoal International | 140,369 | 122,604 |
| Traded Coal | 1,229,274 | 2,333,472 |

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

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

| | For the six months ended 30 June 2017 | | For the six months ended 30 June 2016 | |
|----------------|--|-----------------------------------|--|-----------------------------------|
| | Sales Volume (kilotonne) | Sales Income (RMB'000) | Sales Volume (kilotonne) | Sales Income (RMB'000) |
| 1. China | 32,168 | 16,843,525 | 23,497 | 7,779,886 |
| Eastern China | 20,832 | 12,128,421 | 19,555 | 6,516,882 |
| Southern China | 479 | 205,298 | 1,802 | 587,399 |
| Northern China | 9,282 | 3,827,758 | 1,951 | 603,822 |
| Other regions | 1,575 | 682,048 | 189 | 71,783 |
| 2. Japan | 1,210 | 720,658 | 1,321 | 472,028 |
| 3. South Korea | 1,526 | 814,621 | 1,659 | 583,583 |
| 4. Australia | 3,254 | 1,095,645 | 2,551 | 672,438 |
| 5. Others | 3,539 | 1,644,704 | 3,529 | 1,111,034 |
| 6. Group Total | 41,697 | 21,119,153 | 32,557 | 10,618,969 |

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

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

The following table sets out the Group's coal sales volume by industries for the first half of 2017:

| | For the six months ended 30 June 2017 | | For the six months ended 30 June 2016 | |
|----------------|--|---------------------------|--|---------------------------|
| | Sales Volume (kilotonne) | Sales Income (RMB'000) | Sales Volume (kilotonne) | Sales Income (RMB'000) |
| 1. Power | 14,356 | 5,933,444 | 10,739 | 3,033,546 |
| 2. Metallurgy | 1,979 | 1,841,701 | 2,468 | 1,036,244 |
| 3. Chemical | 5,976 | 3,433,363 | 3,368 | 1,416,364 |
| 4. Trade | 14,106 | 8,602,138 | 14,818 | 4,820,715 |
| 5. Others | 5,280 | 1,308,507 | 1,164 | 312,100 |
| 6. Group Total | 41,697 | 21,119,153 | 32,557 | 10,618,969 |

(3) The Cost of Coal Sales

The Group's cost of coal sales for the first half of 2017 was RMB12,443.6 million, increased by RMB5098.1 million or 69.4% as compared with the corresponding period of the previous year, which was attributed to: ① the increase of sales in traded coal caused an increase of sales costs of RMB3,503.6 million as compared with the corresponding period of the previous year; ② the commercial operation of newly constructed coal mines of Ordos Neng Hua and Haosheng Coal, which caused an increase of sales cost of RMB805 million; ③ the sales cost of the Company increased by RMB681.6 million as compared with the corresponding period of the previous year.

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

| | | | For the six months ended | For the six months ended | Increase/ Decrease | Increase/ Decrease (%) |
|-----------------------|-------------------------|-----------|-----------------------------|-----------------------------|-----------------------|---------------------------|
| Unit | | | 30 June 2017 | 30 June 2016 | | |
| The Company | Total cost of sales | RMB'000 | 4,151,753 | 3,470,123 | 681,630 | 19.64 |
| | Cost of sales per tonne | RMB/tonne | 256.72 | 202.35 | 54.37 | 26.87 |
| Shanxi Neng Hua | Total cost of sales | RMB'000 | 163,596 | 91,889 | 71,707 | 78.04 |
| | Cost of sales per tonne | RMB/tonne | 188.42 | 112.00 | 76.42 | 68.23 |
| Heze Neng Hua | Total cost of sales | RMB'000 | 364,723 | 507,365 | -142,642 | -28.11 |
| | Cost of sales per tonne | RMB/tonne | 383.99 | 296.44 | 87.55 | 29.53 |
| Ordos Neng Hua | Total cost of sales | RMB'000 | 556,376 | 106,539 | 449,837 | 422.23 |
| | Cost of sales per tonne | RMB/tonne | 144.17 | 137.79 | 6.38 | 4.63 |
| Haosheng Coal | Total cost of sales | RMB'000 | 355,189 | - | - | - |
| | Cost of sales per tonne | RMB/tonne | 169.49 | - | - | - |
| Yancoal Australia | Total cost of sales | RMB'000 | 1,524,960 | 1,411,430 | 113,530 | 8.04 |
| | Cost of sales per tonne | RMB/tonne | 244.24 | 255.78 | -11.54 | -4.51 |
| Yancoal International | Total cost of sales | RMB'000 | 804,472 | 643,577 | 160,895 | 25.00 |
| | Cost of sales per tonne | RMB/tonne | 241.72 | 224.09 | 17.63 | 7.87 |
| Tradable Coal | Total cost of sales | RMB'000 | 5,005,039 | 1,501,481 | 3,503,558 | 233.34 |
| | Cost of sales per tonne | RMB/tonne | 595.27 | 323.47 | 271.80 | 84.03 |

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

Reasons for changes of the Company's unit sales cost: ① The decrease in sales volume of salable coal caused an increase of RMB14.62 in unit sales cost as compared with the corresponding period of the previous year; ② The increase in employees' salary attributed to an increase of RMB17.09 in unit sales cost as compared with the corresponding period of the previous year; ③ The increase of sales tax and additional charges resulted in an increase of RMB14.29 in unit sales cost as compared with the corresponding period of the previous year.

Reasons for Shanxi Neng Hua's changes in unit sales cost: ① The increase of employees' salary caused an increase of RMB31.40 in unit sales cost as compared with the corresponding period of the previous year; ② The increase of lease expenses of complex mechanized mining equipment attributed to an increase of RMB21.18 in unit sales cost as compared with the corresponding period of the previous year; ③ The increase of sales tax and additional charges resulted in an increase of RMB18.17 in unit sales cost as compared with the corresponding period of the previous year.

Reasons for changes of Heze Neng Hua's unit sales cost: ① The decrease of the sale volume of salable coal caused the unit sales cost increased by RMB73.13 as compared with the corresponding period of the previous year; ② The increase of sales tax and additional charges attributed to an increase of RMB16.26 in unit sales cost.

2. Railway Transportation Business

For the first half of 2017, the transportation volume of the Company's Railway Assets was 6.64 million tonnes, representing an increase of 1.77 million tonnes or 36.4% as compared with that of the corresponding period of 2016. Income from railway transportation services of the Company (income from transported volume settled on the basis of ex-mine prices plus special purpose railway transportation fees borne by customers) was RMB139.2 million for the first half of 2017, representing an increase of RMB39.118 million or 39.1% as compared with that of the same period of 2016. The cost of railway transportation business was RMB66.914 million, representing an increase of RMB11.084 million or 19.9%.

3. Coal Chemicals Business

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

| | Methanol Production Volume (kilotonne) | | | Methanol Sales Volume (kilotonne) | | |
|-------------------|--|--------------|---------------------------|-----------------------------------|--------------|---------------------------|
| | For the six | For the six | Increase/ Decrease (%) | For the six | For the six | Increase/ Decrease (%) |
| | months ended | months ended | | months ended | months ended | |
| | 30 June 2017 | 30 June 2016 | | 30 June 2017 | 30 June 2016 | |
| 1. Yulin Neng Hua | 330 | 347 | -4.90 | 318 | 342 | -7.02 |
| 2. Ordos Neng Hua | 404 | 454 | -11.01 | 399 | 458 | -12.88 |

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

| | Sales Income (RMB'000) | | | Sales Cost (RMB'000) | | |
|-------------------|------------------------|--------------|---------------------------|----------------------|--------------|---------------------------|
| | For the six | For the six | Increase/ Decrease (%) | For the six | For the six | Increase/ Decrease (%) |
| | months ended | months ended | | months ended | months ended | |
| | 30 June 2017 | 30 June 2016 | | 30 June 2017 | 30 June 2016 | |
| 1. Yulin Neng Hua | 590,219 | 465,106 | 26.90 | 492,257 | 363,071 | 35.58 |
| 2. Ordos Neng Hua | 721,061 | 605,334 | 19.12 | 537,244 | 369,017 | 45.59 |

Note: The sales cost of methanol products of Yulin Neng Hua and Ordos Neng Hua increased as compared with the corresponding period of the previous year due to the rise of coal price.

4. Power Generation Business

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

| | Power Generation (10,000kWh) | | | Power Output Dispatch (10,000kWh) | | |
|-------------------|------------------------------|--------------|---------------------------|-----------------------------------|--------------|---------------------------|
| | For the six | For the six | Increase/ Decrease (%) | For the six | For the six | Increase/ Decrease (%) |
| | months ended | months ended | | months ended | months ended | |
| | 30 June 2017 | 30 June 2016 | | 30 June 2017 | 30 June 2016 | |
| 1. Hua Ju Energy | 42,437 | 45,616 | -6.97 | 14,107 | 16,120 | -12.49 |
| 2. Yulin Neng Hua | 14,183 | 14,391 | -1.45 | 1,096 | 1,383 | -20.75 |
| 3. Heze Neng Hua | 64,696 | 75,111 | -13.87 | 57,076 | 69,438 | -17.80 |

| | Sales Income (RMB'000) | | | Sales Cost (RMB'000) | | |
|-------------------|------------------------|--------------|---------------------------|----------------------|--------------|---------------------------|
| | For the six | For the six | Increase/ Decrease (%) | For the six | For the six | Increase/ Decrease (%) |
| | months ended | months ended | | months ended | months ended | |
| | 30 June 2017 | 30 June 2016 | | 30 June 2017 | 30 June 2016 | |
| 1. Hua Ju Energy | 57,205 | 64,281 | -11.01 | 44,892 | 49,954 | -10.13 |
| 2. Yulin Neng Hua | 2,045 | 2,817 | -27.41 | 5,327 | 3,891 | 36.91 |
| 3. Heze Neng Hua | 179,264 | 209,205 | -14.31 | 211,610 | 171,831 | 23.15 |

5. Heat Business

Hua Ju Energy generated heat energy of 0.87 million steam tonnes and sold 50 thousand steam tonnes for the first half of 2017, realizing the sales income of RMB10.946 million, with the sales cost at RMB4.71 million.

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

6. Electrical and Mechanical Equipment Manufacturing Business

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

| | Sales Income (RMB'000) | | | Sales Cost (RMB'000) | | |
|---|------------------------------|------------------------------|---------------------------|------------------------------|------------------------------|---------------------------|
| | For the six | For the six | Increase/ Decrease (%) | For the six | For the six | Increase/ Decrease (%) |
| | months ended 30 June 2017 | months ended 30 June 2016 | | months ended 30 June 2017 | months ended 30 June 2016 | |
| 1. Hydraulic support | 13,839 | 372,162 | -96.28 | 6,940 | 292,557 | -97.63 |
| 2. Road header | - | 3,019 | -100.00 | - | 2,566 | -100.00 |
| 3. Scraper/belt conveyor | 46,336 | 96,413 | -51.94 | 24,088 | 89,336 | -73.04 |
| 4. Frequency converter and switch cabinet | 43,221 | 33,237 | 30.04 | 20,179 | 23,522 | -14.21 |

Notes:

- ① The sales income and sales cost of hydraulic support decreased as compared with the corresponding period of the previous year, which was mainly due to the fact that the hydraulic support sold externally decreased by 19,000 tonnes.
- ② The sales income and sales cost of scraper/belt conveyor decreased as compared with the corresponding period of the previous year, which was mainly due to the fact that the scraper/belt conveyor sold externally decreased by 3,000 tonnes.
- ③ The sales income of frequency converter and switch cabinet increased as compared with the corresponding period of the previous year, which was mainly due to the fact that frequency converter and switch cabinet sold externally increased by 331 sets.

(II) ANALYSIS OF PRINCIPAL BUSINESS

1 The following table sets out analysis of changes in relevant items of Condensed Consolidated Income statement and Condensed Consolidated Cash Flow Statement

Unit: RMB'000

| Items | For the six months ended 30 June 2017 | For the six months ended 30 June 2016 | Increase/ Decrease (%) |
|--|---|---|---------------------------|
| Sales income | 22,922,493 | 12,580,714 | 82.20 |
| Sales cost | 13,857,808 | 8,771,677 | 57.98 |
| Coal transportation cost | 973,333 | 877,151 | 10.97 |
| Selling, general and administrative expenses | 3,232,671 | 3,083,733 | 4.83 |
| Finance costs | 1,322,943 | 1,132,759 | 16.79 |
| Income tax | 1,130,735 | 72,466 | 1,460.37 |
| Net cash flow from operating activities | 3,121,140 | -77,417 | -3,931.60 |
| Net cash flow out from investing activities | 7,328,430 | 5,056,410 | 44.93 |
| Net cash flow from financing activities | 5,074,064 | -146,446 | - |
| Research and development expenditure | 44,649 | 30,557 | 46.12 |

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

(1) *Analysis on changes of items in condensed consolidated income statement*

Causes for changes in sales income: ① The increase in sales volume and price of self-produced coal attributed to an increase of RMB6,937.4 million of sales income; ② The increase in sales income of traded coal caused an increase in sales income by RMB3,562.7 million as compared with the corresponding period of the previous year.

Causes for changes in sales cost: ① The sales cost of self-produced coal increased by RMB1,594.5 million as compared with the same period of the previous year; ② The sales cost of the traded coal increased by RMB3,503.6 million as compared with the corresponding period of the previous year.

Causes for changes in income tax: The Group's taxable income increased as compared with the corresponding period of the previous year.

(2) *Analysis on changes of items in condensed consolidated cash flow statement*

Analysis on changes of net cash from operating activities: ① The increase in sales volume of salable coal and sales price caused an increase in cash inflow from operating activities by RMB64.463 million; ② Payment for all taxes and charges increased by RMB18.715 million as compared with the corresponding period of the previous year; ③ The changes in cash received and cash payment in relation to other operating activities caused a decrease in cash inflow by RMB1,589.2 million as compared with the corresponding period of the previous year.

Analysis on changes of net cash in investing activities: ① During the reporting period, the increase in guarantee deposits for letter of credit and bank loans attributed to an increase of RMB43.375 million in cash outflows from investing activities; ② The changes in securities investment attributed to a decrease in cash outflow by RMB2,295.1 million as compared with the corresponding period of the previous year.

Analysis on changes of net cash from financing activities: ① The Group issued USD500 million of perpetual capital securities in this reporting period and redeemed USD300 million of perpetual capital securities in the corresponding period of the previous year, which attributed to an increase in cash inflow from financing activities by RMB5,253.1 million as compared with the corresponding period of the previous year; ② Capital contributions in non-controlling interests decreased by RMB3,674.6 million as compared with the corresponding period of the previous year; ③ Cash received from bank loan and bond issuance decreased by RMB4,741.9 million as compared with the corresponding period of the previous year; ④ Cash for debt repayment decreased by RMB7,833.3 million as compared with the corresponding period of the previous year.

2 Others

(1) *Illustration on significant changes in the profit structure or source of profit of the Group.*

Not applicable.

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

(2) Source and use of fund

For the first half of 2017, the Group's source of fund was mainly from operating cash income, issuance of various types of bonds issuance and bank loan, and the fund was mainly used for the operating businesses expenditure, purchase or procurement of fixed asset, engineering project under construction and project goods and materials, repayment of bank loan, bond and their relative interests.

(III) EXPLANATION ON SIGNIFICANT CHANGES OF NET INCOME DUE TO NON-PRINCIPAL BUSINESS

Not applicable.

(IV) ASSETS AND LIABILITIES

1. Table for the analysis of changes of items in Condensed Consolidated Balance Statement

Unit: RMB'000

| Items | Closing amount as at 30 June 2017 | Percentage to the total assets as at 30 June 2017(%) | Closing amount as at 30 June 2016 | Percentage to the total assets as at 30 June 2016(%) | Percentage of increase/ decrease in closing amount (%) | Notes |
|--|---|---|---|--|--|--|
| Restricted cash | 3,985,173 | 2.49 | 1,144,800 | 0.78 | 248.11 | During the reporting period, the guarantee deposits for the Group's bank loan and letter of credit increased by RMB2,551.9 million. |
| Inventory | 3,261,192 | 2.04 | 2,162,147 | 1.47 | 50.83 | ① The inventory of Qingdao Zhongyin Ruifeng International Trad Co., Ltd. increased by RMB661 million; ② The inventory of Donghua Heavy Industry Co., Ltd. increased by RMB155 million; ③ The inventory of coal of Heze Neng Hua Co., Ltd. increased by RMB126 million. |
| Prepayment and other receivables | 9,773,015 | 6.12 | 7,313,141 | 4.96 | 33.64 | During the reporting period, the Group's rolling settlement of the prepaid trade increased. |
| Tax payable | 394,271 | 0.25 | 775,051 | 0.53 | -49.13 | During the reporting period, the Group's taxable income and value-added tax increased. |
| Owners of perpetual capital securities | 10,036,753 | 6.28 | 6,662,191 | 4.52 | 50.65 | During the reporting period, Yancoal International issued USD500 million of senior guaranteed perpetual capital securities. |
| Other information | | | | | | |

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

2. Major asset subject to restrictions as at the end of this reporting period

(Relevant data was listed under CASs)

As at 30 June 2017, the Group's asset subject to restriction was RMB11,260.8 million, which mainly included cash fund and receivable notes subject to restriction, and relevant pledged asset for borrowings. For details, please refer to the note headed "Assets subject to restriction on ownership or rights of use" to the financial statement prepared under CASs.

3. Other information

(1) Debt on equity ratio

As at 30 June 2017, the equity attributable to the equity holders of the Company and the interest bearing debt amounted to RMB42,180.7 million and RMB66,044.7 million respectively, representing a debt on equity ratio of 156.6%. For detailed information on interest bearing debt, please refer to the Note "Borrowings" to the financial statements prepared under the IFRS or Notes headed "Short-term loans", "Non-current liabilities due within one year", "Other current liabilities", "Long-term loans", "Bonds payable", "Long-term payables" to the financial statements prepared under the CASs.

(2) Contingent liabilities

For details of the contingent liabilities, please see Note "Contingent liabilities" of the Financial Statements prepared under the IFRS.

(3) Pledge of assets

For details of pledge of assets, please refer to Note "Project under construction" and "Restricted assets of ownership or use" to the financial statements prepared under the CASs.

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

(V) ANALYSIS OF INVESTMENT

(Financial data in this section were all listed under CASS)

1. Overall analysis of the Group's external equity investment during the reporting period

(1) Significant equity investment

For the first half of 2017, the total external equity investments made by the Group amounted to RMB1,227.4 million, representing a decrease of RMB325 million or 20.9% as compared with that of the same period of the previous year. The relevant information of projects invested is set out as follows:

| No. | Projects of external equity investment | The Group's investment | | Name of the invested company | Principal business |
|-------|--|--|--|--|---|
| | | Total amount of project investment (RMB 100 million) | amount during the reporting period (RMB 100 million) | | |
| 1 | Equity purchase of Hangzhou CRRC Time Venture Investment Partnership (LP) | 0.500 | 0.200 | Hangzhou CRRC Time Venture Investment Partnership (LP) | Service: start-up ventures investment, private fund equity investment, start-up ventures investment consulting, management services for start-up ventures |
| 2 | Establishment of a controlled company of Yancoal Blue Sky Clean Energy Co., Ltd. | 0.255 | 0.255 | Yancoal Blue Sky Clean Energy Co., Ltd. | Production and sales of clean briquette coal |
| 3 | Establishment of a wholly-owned company, Yancoal Mining Engineering Co., Ltd. | 0.500 | 0.500 | Yancoal Mining Engineering Co., Ltd. | Mine engineering construction |
| 4 | Increase capital in Duanxin Investment Holding (Beijing) Co., Ltd. | 10.000 | 10.000 | Duanxin Investment Holding (Beijing) Co., Ltd. | Project investment and investment management etc. |
| 5 | Acquisition of Wuxi Dingye Energy Co., Ltd. through debt restructuring | 1.319 | 1.319 | Wuxi Dingye Energy Co., Ltd. | Bulk sale of coal, real estate development and operation etc. |
| Total | | 12.574 | 12.274 | – | – |

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

(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 this reporting period

Unit: RMB'000

| Stock code | Stock abbreviation | 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 | 635 | 0 | 105 | Available-for-sale financial asset |
| 02016 | Zheshang Bank | 1,777,669 | 2.86 | 1,855,449 | 78,533 | 115,195 | Available-for-sale financial asset |
| Total | | 1,779,429 | - | 1,856,084 | 78,533 | 115,300 | - |

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

Sources of Lianyungang's shares: The Company subscribed for Lianyungang's promoter shares at the time of its incorporation and obtained stock dividend in 2007 and 2011, respectively. In 2015, the Company reduced shares of Lianyungang by 1,703,699 by installments.

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

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

- 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 share capital at the end of the reporting period (%) | Book value at the end of the reporting period | Gains or losses during the reporting period | Changes in equity during the reporting period | Accounting items | Source of shares |
|--|--------------------|--|---|---|---|-----------------------------|--|
| Yankuang Group Finance Company Limited | 250,000 | 25.00 | 413,529 | 18,674 | 18,674 | Long-term equity investment | Capital contribution for establishment |
| Shandong Zoucheng Jianxin Rural Bank | 9,000 | 9.00 | 9,664 | 93 | 93 | Long-term equity investment | Capital contribution for establishment |
| Qilu Bank Co., Ltd. | 782,948 | 8.67 | 953,313 | 89,101 | 55,468 | Long-term equity investment | share purchase |
| Shanghai CIFCO Futures Co., Ltd. | 264,560 | 33.33 | 301,363 | 16,743 | 16,743 | Long-term equity investment | share purchase |
| Total | 1,306,508 | — | 1,677,869 | 124,611 | 90,978 | — | — |

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

- 3) Financial assets at fair value held by the Company at the end of the reporting period

During this reporting period, the Group partially repurchased RMB437.6 million of Xinhua Fushi Ruixin No.1 Special Asset Management Plan ("Xinhua Fushi Fund"). As at the end of this reporting period, the initial investment of Xinhua Fushi Fund was RMB650 million, with the closing carrying value of RMB218.1 million, the owners' equity changes in the reporting period of RMB50.460 million, and the accounting item of which is "AFS financial assets".

The Company subscribed shares of Hangzhou CRRC Times Venture Partnership (LP) ("CRRC Fund") by using RMB50 million from self-owned funds, with the initial investment of RMB20 million, the closing carrying value of RMB20 million, and the accounting item of which is "AFS financial assets".

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

(VI) DISPOSAL OF MATERIAL ASSETS AND EQUITY

Not applicable.

(VII) ANALYSIS OF MAJOR CONTROLLED COMPANIES AND JOINT STOCK COMPANIES

1. Major controlled companies

For the first half of 2017, the controlled companies having rather significant impacts on the current net income attributable to the Group's shareholders are as follows.

Unit: RMB'000

| Name of company | Registered capital | 30 June 2017 | | Net profit for the first half of 2017 |
|-----------------|--------------------|--------------|------------|---------------------------------------|
| | | Total assets | Net assets | |
| Ordos Neng Hua | 8,100,000 | 20,860,750 | 6,050,525 | 391,487 |

Note: For details of the relevant information such as the principal business of the Group's controlled subsidiaries, please refer to Note "Interests in other entities" to the financial statements prepared under CASs.

2. Major stock-participating companies

For details of the relevant information such as the principal business and major financial information of the Group's stock-participating companies, please refer to Note "Interests in other entities" to the financial statements prepared under CASs.

(VIII) CHANGES IN VARIABLE INTEREST ENTITIES CONTROLLED BY THE COMPANY

Watagan Company is a SPV company incorporated by Yancoal Australia for purpose of implementing asset securitization. It raised fund of USD950 million through asset securitization of three coal mines in New South Wales Australia in 2016. For detailed information, please see the section headed "Entities Controlled by the Company" in the 2015 annual report of the Company.

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

(IX) ENTRUSTED LOAN

| Borrower | Amount (RMB100 million) | Term of loan (years) | Loan Interest rate | Purpose | Mortgage or guarantor | Overdue or not | Related Transaction or not | Loan extension or not | Involved in lawsuit or not | Source of facility and for funding or not | Related relationship | Income from interest during the reporting period |
|----------------|-------------------------------|----------------------------|-----------------------|---|-----------------------------|-------------------|----------------------------------|-----------------------------|----------------------------------|--|----------------------------|--|
| Yulin Neng Hua | 2,500 | 8 | 4.90% | Methanol project construction | - | No | No | Yes | No | No | Wholly-owned subsidiary | 0.0009 |
| Heze Neng Hua | 8.9 | 5 | 4.90% | Zhaolou power plant construction | - | No | No | Yes | No | No | Controlled subsidiary | 0.221 |
| Ordos Neng Hua | 28 | 5 | 4.75% | Purchase of Wenyu coalmine | - | No | No | Yes | No | No | Wholly-owned subsidiary | 0.672 |
| Ordos Neng Hua | 19 | 5 | 4.75% | Methanol project construction | - | No | No | No | No | No | Wholly-owned subsidiary | 0.456 |
| Ordos Neng Hua | 18.82 | 5 | 4.75% | Consideration for mining right of Zhuan Longwan Coal Mine | - | No | No | No | No | No | Wholly-owned subsidiary | 0.452 |

Note to the entrusted loan

As at the end of the reporting period, the Company has received total principal and interest of the entrusted loan of RMB250 million which the Company provided to Yulin Neng Hua.

III. DISCLOSURE ON OTHER EVENTS

(I) WARNING OR EXPLANATION ON ESTIMATED LOSSES OR SIGNIFICANT CHANGES IN AGGREGATE NET PROFIT FROM THE BEGINNING OF 2017 TO THE END OF THE NEXT REPORTING PERIOD WHEN COMPARED WITH THAT OF THE SAME PERIOD OF THE PREVIOUS YEAR UNDER CASs.

Not applicable.

(II) POSSIBLE RISKS, IMPACTS AND COUNTERMEASURES

Risks of safety management

Among the Group's business segments, coal, coal chemicals and electricity power are all of high-risk industries, and the uncertainty factors affecting safe production are more complicated and could easily cause risks in safety management.

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

Countermeasures: strengthen safety systems and regulations, apply strict check and assessment over the enforcement of the safety system, give priority to responsibility check and assessment on key units and posts, putting more efforts on safety technology management and upgrade safety guarantee level; reinforce comprehensive governance of key areas and prevent occurrence of major accidents; enhance safety supervision and inspections and adopt severe measures when investigating safety accountability.

Risks of products trading

Trading business is an important supplement to the Group's entity industries. In view of the rather rapid growth of trade volume, the different regions and diversified products the trade involved, and the uncertainty of macroeconomic environment, trade risks may occur easily.

Countermeasures: optimize management and control system and perfect prevention system, ensuring there are rules for trade to follow and make risks controllable; summarize the possible risks of trade beforehand, on spot and afterwards, strengthen management and control over the whole process of trade business; integrate trade platform and further optimize the trade management and control system in localized, diversified and networked way; and enhance professional training of trade team and promote the professionalized and coordinative development of the trade industry.

Risks of accounts receivable

Due to the slow down of the growth of China's economy, some enterprises suffered from inefficiency in working capital and decrease of debt repayment capability, which in turn prolonged the Group's fund turnover period, and increased the risks and difficulties of accounts receivable collection.

Countermeasures: perfect customers' credit management system, strictly review the customers' credit management, timely adjust the customers' credit lines and credit periods, effectively control the new occurrence of accounts receivable, strengthen source prevention and control of risks in accounts receivable, optimize the dynamic supervision mechanism and decrease risks of accounts receivable; strengthen the accounts receivable collection and ensure effective collection; enhance staff training in relation to law, audit and risks prevention and control, and reinforce their risks awareness and risks control capability.

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

(III) OTHER DISCLOSURES

1. Capital Expenditure Plan

The capital expenditure for the first half of 2017 and the capital expenditure plan for 2017 of the Group are set out in the following table:

| | The first half of 2017 (RMB0'000) | 2017 Planned (RMB0'000) |
|------------------------|---|----------------------------|
| The Company | 8,946 | 77,728 |
| Shanxi Neng Hua | 5 | 5,371 |
| Yulin Neng Hua | 1,316 | 25,650 |
| Heze Neng Hua | 10,763 | 81,907 |
| Hua Ju Energy | 3,752 | 4,688 |
| Ordos Neng Hua | 38,410 | 195,757 |
| Haosheng Coal | 5,978 | 125,076 |
| Donghua Heavy Industry | 7,787 | 86,058 |
| Yancoal Australia | 65,880 | 127,693 |
| Yancoal International | 2,703 | 42,232 |
| Total | 145,540 | 772,160 |

The Group possesses relatively sufficient cash and financing facilities currently, which are expected to meet the operation and development requirements.

2. Operation strategy of the second half of 2017

Currently, the world economy has been undergoing deep-level adjustment, while Chinese economy has been in a long-term “secondary-high speed growth period”. Looking forward to the second half of 2017, in view of the increasing efforts on supply-side structural reform and tight coal import policy by Chinese government, the coal supply is strongly expected to be periodically tight and the coal price is expected to maintain a medium to high level. The Group will grasp market tendency and adopt flexible and effective management strategy to ensure the realization of annual business objectives.

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

In the second half of 2017, the Group will focus on the following business measures:

Strengthen production organization and improve industry profitability. First, integrate advanced production capacity by organizing coal production in a scientific and high-efficient way to ensure the stable and high efficient production in headquarter area and steadily improve the coal production in Inner Mongolia and Australia. Second, strengthen the maintenance and management of power system equipment for coal chemical industry so as to maintain long, safe and stable performance cycle and improve the production and efficiency, and expedite the construction of Rongxin Chemical and Yulin Methanol Phase II Project. Third, optimize the internal resources of equipment manufacturing, frame out a clear development pattern, enhance cooperation or establish joint venture with advantageous enterprises so as to upgrade the research and development capability and improve the quality and efficiency in relation to equipment manufacturing.

Strengthen capital operation and increase capital profitability. We will accelerate the transformation of old driving motions to new ones, focus on “trilateral support” strategic layout, and make overall implementation of capital operation, asset operation, enterprise and finance investment, which will provide financial support and profit-making support. After acquisition of the 100% equity of Coal & Allied and 65% equity of Yankuang Finance Company, as well as the non-public issuance of A shares, the Company will seek opportunities to purchase new primary resource project and reinforce merger and integration between industrial capital and financial capital; expand cooperation with various financial institutions, increase flexibility in fund raising and broaden financing channels; innovate and expand modes of financial leasing business and strengthen the financial leasing segment.

Strengthen market linkage and improve marketing effectiveness. We will stress the analysis of coal market information and the trend of coal price, actively respond to the market and improve the marketing effectiveness. First, optimize marketing layout, increase market linkage development, increase market share and marketing efficiency. Second, optimize the sales channels and further expand channels along the river and coastal areas. Third, optimize the product structure, implement the clean coal strategy and coal blending strategy so as to increase quality and price. Fourth, optimize marketing synergy by regional coordination between the headquarter area, Shaanxi, Inner Mongolia and Australia, and realize advantages complementary in resources and customers at home and abroad. By adhering to the strategy of “big marketing, big trade, big logistics”, integrate logistics trade resources, give full play to the centralized advantage, and improve the profitability of logistics trade industry.

Enhance intelligent management and improve management efficiency. With the concept of intelligent management, we will promote management optimization and upgrading, and promote the transformation of enterprise management to a qualified, connotative and innovated one. We will enhance budget control of all kinds of expenses, implement rigid reverted cost indicators to strictly control expenses and unit cost; implement tax planning and human resource structure optimization, and reduce costs from structural optimization, so as to expand and extend the business scope of synergy and sharing, speed up the establishment of a business platform, establish a highly integrated sharing management system with data fusion, whole business chain and full coverage, strengthen internal controls and reduce operating costs.

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

3. The Impact of Exchange Rate Changes

- (1) The overseas coal sales income as the overseas coal sales of the Group are denominated in USD and AUD;
- (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 changes in foreign exchange rates, the Group had exchange loss of RMB243.3 million during the reporting period. For details of the exchange gain and loss, please see Note “Income before income tax” to the financial statement prepared under IFRS and Note “Financial cost” to the financial statements prepared under CASs.

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 see Note “Fair value” 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.

4. Taxation

During the reporting period, the Company and all its 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% on their taxable profits, respectively.

I. INFORMATION ON GENERAL MEETING OF SHAREHOLDERS

| Session of meeting | Date of meeting | Query index of the designated websites for publishing resolutions | Date of disclosure of resolutions |
|--|-----------------|--|-----------------------------------|
| The 2017 First Extraordinary General Meeting | 10 March 2017 | The website of Shanghai Stock Exchange | 10 March 2017 |
| The 2017 First Class Meeting of the Holders of A Shares | 10 March 2017 | (http://www.sse.com.cn) | 10 March 2017 |
| The 2017 First Class Meeting of the Holders of H Shares | 10 March 2017 | The website of Hong Kong Stock Exchange (http://www.hkexnews.hk) | 10 March 2017 |
| The 2016 Annual General Meeting of Shareholders | 29 June 2017 | The Company's website (http://www.yanzhoucoal.com.cn) | 29 June 2017 |
| The 2017 Second Class Meeting of the Holders of A Shares | 29 June 2017 | | 29 June 2017 |
| The 2017 Second Class Meeting of the Holders of H shares | 29 June 2017 | | 29 June 2017 |
| The 2017 Second Extraordinary General Meeting | 25 August 2017 | | 25 August 2017 |
| The 2017 Third Class Meeting of the Holders of A Shares | 25 August 2017 | | 25 August 2017 |
| The 2017 Third Class Meeting of the Holders of H Shares | 25 August 2017 | | 25 August 2017 |

Note: The date of disclosure indicates the date when resolution was published.

II. PROFIT DISTRIBUTION SCHEME OR CAPITAL RESERVE TRANSFERRED TO SHARE CAPITAL SCHEME

Proposed Profit Distribution Scheme or Capital Reserve Transferred to Share Capital Scheme for the First Half of 2017

Whether distributed or transferred

No

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

III. PERFORMANCE OF UNDERTAKINGS

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 | With 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 restructured 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 | None | Yes |
| Undertakings Related to Refinancing | Other | Yankuang Group | The filling measures to the diluted prompt returns due to the Company's non-public issuance of A Shares: 1) Undertakes not to excessively intervene the Company's operation and management activities and 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 filling 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. | 31 March 2017 Long-term effective | None | Yes |

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

| Background | Type | Undertaker | Undertakings | Undertaking date and deadline for performance | With performance deadline or not | Perform timely and strictly or not |
|------------|-------|--|--|---|----------------------------------|------------------------------------|
| | Other | Directors and senior management of the Company | <p>The filling 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 units 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 have 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 filling in returns; 5) Undertakes to link up the power exercising conditions of equity incentive set by the Company with the implementation of the Company's filling in returns, if the Company implements the equity incentive in future; 6) Undertakes to effectively perform the relative filling in returns set by the Company and any undertakings made by individuals for filling in 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 the date of the undertaking made to the date of the completion of non-public issuance, if CSRC publishes new regulations about filling 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. | 31 March 2017 Long-term effective | None | Yes |

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

IV. APPOINTMENT AND DISMISSAL OF AUDITORS

Explanation on the appointment and dismissal of auditors

As considered and approved at the 2016 annual general meeting on 29 June 2017, the Company appointed Shine Wing Certified Public Accountants (special general partnership) and SHINEWING (HK) CPA Limited as the domestic and overseas accountants for 2017. They are responsible for the audit of financial statement and the audit assessment on internal control, with the term from the end of 2016 annual general meeting to the end of 2017 annual general meeting.

The Company was approved to pay RMB6.25 million for the auditing services for businesses both at home and abroad in 2017, including RMB4.65 million for Shine Wing Certified Public Accountants (special general partnership) and RMB1.6 million for SHINEWING (HK) CPA Limited. The Company was responsible for auditors' on-site audit accommodation and meal expenses, but not for any other related expenses, such as travelling expenses. The Company's overseas subsidiaries paid AUD1.35 million for the auditing services, but were not responsible for auditors' on-site audit accommodation, meal, travelling expenses and other related expenses. The Board of the Company 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 of the Company confirms that, except for the ordinary financial auditing fees, the other service fees paid to the auditors have no impact to the independent auditing opinion of the auditors.

Explanation on the change of auditors during the auditing period

Based on comprehensive consideration of time cost and internal resources factors, Grant Thornton Hong Kong Limited put forward its 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 at the 2017 first extraordinary general meeting held on 10 March 2017, the Company engaged Shine Wing (Hong Kong) Certified Public Accountants as its Hong Kong auditor, with an engagement from the date of the end of 2017 first extraordinary general meeting to the date of the end of 2016 annual general meeting.

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

The Company's Explanation on "Non-standard Audit Report" given by Auditors

Not applicable.

Explanation on "Non-standard Audit Report" on the financial report in the annual report of the previous year given by Certified Public Accountants

Not applicable.

V. RELATED MATTERS ON BANKRUPTCY AND REORGANIZATION

Not applicable.

VI. 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") and Yanzhou Coal</p> <p>From May to August 2015, the Company has received 4 pleadings at the court from Minsheng Bank. Minsheng Bank brought a civil litigation against the Company to Jinan Municipal Intermediate People's Court and Jinan Central District 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>1. The case involving a principal amount of RMB29.439 million</p> <p>The first instance of judgment of Jinan Municipal Intermediate People's Court dated 11 January 2016 ruled that: as per the Bills Discounted Agreement, the Company should pay a principal amount of RMB29.439 million and corresponding interests to Minsheng Bank. In February 2016, the Company filed an appeal to the Higher People's Court of Shandong Province with regards to the case. On 12 June 2016, the second instance of judgment of Shandong Provincial Higher People's Court ruled 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 to the designated bank account in full, and the payment included principal, interest, litigation preservation and execution fee related to the case.</p> <p>2. The cases involving principal amounts of RMB49.9998 million and RMB50 million</p> <p>Regarding to the two cases, the first instance of judgment of Jinan Municipal Intermediate People's Court dated 12 January 2016 ruled that: according to the stipulations of the Bills Discounted Agreement, the Company should pay Minsheng Bank RMB49.9998 million and corresponding interests, RMB50 million and corresponding interests, respectively. Regarding to the two cases, the Company has respectively appealed to the Shandong Provincial Higher People's Court in February 2016. On 27 June 2016, the second instance of judgment of Shandong Provincial Higher People's Court ruled 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 and litigation preservation fee related to the two cases.</p> | <p>For details, please refer to the announcement of Yanzhou coal in relation to involvement in litigation dated 23 March 2016 and the announcements in relation to the update on the arbitration dated 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> |

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Item Overview

Query Index

In spite of the completion of 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 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 the above three cases to the People's Procuratorate of Shandong Province, and received the acceptance. On 11 May 2017, the People's Procuratorate of Shandong Province applied to the Supreme People's Procuratorate for counter appeals of the second instance judgments of the above three cases to the Supreme People's Court of Shandong Province.

As the above cases are in the progress of civil counter appeals, the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit.

3. The case involving principal amounts of RMB20 million

On 29 June 2016, the first instance judgment of Jinan Municipal Central District People's Court ruled that: the Company should pay RMB20 million and corresponding interest to Minsheng Bank the other appeal from Minsheng Bank was rejected; RMB145 thousand of the litigation fee and RMB5,000 of property preservation fee shall be borne by Yanzhou Coal. On 14 July 2016, the Company filed an appeal to Jinan Municipal Intermediate People's Court based on the case.

On 28 November 2016, the second instance judgment of Shandong Provincial Higher People's Court ruled that: the appeal was rejected and the first instance judgment was upheld. On 17 January 2017, as per the Execution Notice from Jinan Municipal Intermediate People's Court, the Company executed the judgment by paying RMB22.4325 million totally for principal, interest, litigation preservation fees involved in the case.

In spite of the completion of judgments and performance of execution procedures for the case, the Company will timely take appropriate actions and responses based on the litigation progress of other three cases to safeguard the legitimate rights and interests of Company and its Shareholders.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Item Overview

Query Index

Series of contractual disputes on Shandong Hengfeng Electric Power Fuel Co., Ltd. ("Hengfeng")

1. Financial loan contract dispute of Weihai Commercial Bank Co., LTD. ("Weihai Commercial Bank")

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 payment obligations of RMB99.119 million and corresponding interest within scope of accounts payable due to that the Hengfeng made a pledge to the plaintiff through its accounts receivables of RMB103.42 million to Yanzhou Coal.

2. Factoring contract dispute of the Zhonghuixintong Business Factoring Company ("Zhonghuixintong")

On 26 November 2015, citing the factoring contract dispute, Zhonghuixintong appealed to Beijing No.3 Intermediate People's Court against Hengfeng, requiring the Company to repay the principals and corresponding interest of the factoring financing fund of RMB159.9770 million and perform payment obligation of the accounts receivable and the corresponding interest due to the fact that Hengfeng had transferred its accounts receivable of RMB145 million in Yanzhou Coal to Zhonghuixintong. In accordance with the investigation and verification of the Company, Yanzhou Coal and Zhongyin Logistics and Trade Co., Ltd., a wholly-owned subsidiary of the Company ("Zhongyin Logistics") never made any accounts receivable pledges to the aforementioned financial institution. The Company believes through forges the seals of Yanzhou Coal, Hengfeng was suspected to fiction the enjoyments of the accounts receivables of Yanzhou Coal, and finally Hengfeng 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, Yanzhou Coal has reported to public security organs while responding to the court actively.

Due to the pending and appearance in the first instance of above two 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 Zone Branch")

On 14 July 2015, citing the financial loan contract dispute, the Agricultural Bank Jining High-tech Zone Branch sued Zhongyin Logistics at Jining Intermediate People's Court. As Hengfeng made a pledge to the plaintiff through its accounts receivables of RMB61.1696 million by 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 Jishangchuzi No.242 Judgment of Civil Litigation given by Jining Intermediate People's Court, which ruled that the appeal of Agricultural Bank Jining High-tech Zone Branch against Zhongyin Logistics was rejected at the first instance.

Since the Company bears no legal liabilities in the case, the litigation does not have any impact on the current profit or future profit of the Company.

For details, please refer to the announcement in relation to involvement in litigation dated 23 March 2016 and the announcement in relation to involvement in litigation dated 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.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

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 the sales contract involved in the case with Jinan Railway Trade. The Company holds dissents on the causes of action of Jinan Railway Trade.

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

Dispute on the agreement between Xiamen Xindeco Co., Ltd ("Xiamen Xindeco" or "the Plaintiff") and the Company and Zhongyin Logistics

In March 2017, the Company has received civil complaint from Xiamen Xindeco. Xiamen Xindeco sued the Company and Zhongyin Logistics at Xiamen Intermediate People's Court on grounds of the sale and purchase agreement dispute, demanding the repayment of loan principal totaling RMB164.4 million and the interest accrued from Zhongyin Logistics and the Company to undertake joint responsibility.

After investigation and verification by the Company, the corporate chops of the Company and Zhongyin Logistics being used in the relevant evidence submitted by the Plaintiff are suspected of forgery. This case involves a third party, Shanghai Lu Xiao Mining Co., Ltd. and the relevant responsible person being suspected of implementation of contractual fraud through the production of forged company chops. The Company has reported to the police authority in accordance with the law and the case has been established. The police authority has carried out criminal measures to the relevant personnel.

The criminal case involved in this case is currently being processed, and the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit of the Company

For details, please refer to the announcement in relation to involvement in 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.

For details, please refer to the announcement in relation to involvement in litigation 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.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Item Overview

Query Index

Dispute on claiming right between Luxing Property Co., Ltd. (“Luxing Property”) and the Company

In July 2017, Luxing Property has brought a lawsuit in the Jining Intermediate People's Court against nine defendants including the Company and Hengfeng in relation to disputes on claim of damages. Luxing Property claimed for the principal amount of accounts receivable amounting to RMB99.96 million and the interests from the Company, and requested Hengfeng to discharge the repurchase obligation of the aforesaid debts, and other defendants to discharge the corresponding joint liability for Hengfeng's debts.

Luxing Property alleged that, in February 2015, Hengfeng signed a domestic factoring business contract (the “Factoring Contract”) with the Jining Branch of Laishang Bank Co., Ltd. (“Laishang Bank Jining Branch”), whereby Hengfeng transferred the Accounts Receivable to Laishang Bank Jining Branch. Luxing Property further alleged that, upon the expiration of the Factoring Contract, Hengfeng did not fulfill the repurchase obligation it owed to Laishang Bank Jining Branch under the Factoring Contract. In December 2016, Laishang Bank Jining Branch and Luxing Property entered into a debt transfer agreement, whereby Laishang Bank Jining Branch transferred all the principal and interests as well as other corresponding rights to which it was entitled under the Factoring Contract to Luxing Property. According to the Company's investigation and verification, the Company does not have any accounts payable to Hengfeng. The Company considers that Hengfeng might have fraudulently created the Accounts Receivable by forging Yanzhou Coal's seal for the purposes of operating factoring businesses at the relevant financial institutions. The Company will actively participate in the upcoming legal proceedings and reserve the right to take further legal actions to actively protect the legal rights of the Company.

Since the case is in the process of first instance proceedings and has not yet been heard by the court, the Company is currently unable to estimate the impact of the lawsuit on the current profit and future profit of the Company.

For details, please refer to the announcement in relation to involvement in litigation dated 11 August 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.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

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

| Prosecution (applicant) | Respondent | Jointly and severally liable party | Type | Background | Amount involved (RMB10 thousand) | Whether caused estimated liabilities and amount | Progress | Hearing result and impact | Judgment execution |
|----------------------------|---|--|------------|--|---|--|--------------------------------|--|-----------------------|
| Yanzhou Coal | Jinan Railway Coal Trade Group Co., LTD | 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 the Coal Sales Contract signed with the Company, suing Jinan Railway Trade to return a loan of RMB80 million and related fund occupancy fees to the Company. On 1 January 2014, the Company entered into the 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 fulfill their obligations. As at 31 October 2014, coal 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. | 8,000.00 | No | Judgment in the first instance | On 13 July 2017, Jining Municipal Intermediate People's Court judged in the first instance that Jinan Railway Trade shall pay RMB 80 million and corresponding interest to Yanzhou Coal. | - |

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

| Prosecution (applicant) | Respondent | Jointly and severally liable party | Type | Background | Amount involved (RMB10 thousand) | 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 | 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 Court, alleging a failure by the Company to completely perform its obligation in Contract Transfer Agreement and Engineering Construction Contract, suing Coal Trade Center to pay arrears of project fund of RMB57.457 million and corresponding interest. On 8 July 2016 Jining Intermediate People's Court made the judgment of the first instance for this case and ruled that Coal Trade Center shall pay RMB52.8769 million of project construction fund and the corresponding 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 lodged an appeal at Shandong Provincial Higher Court for this case. | 5,745.70 | No | Final judgment in the second instance | On 25 January 2017, it was the judgment of Shandong Provincial Higher People's court at the second instance that the appeal was rejected and upheld. Currently the case has entered execution progress. Therefore it's unable to accurately estimate the impact of the litigation on the current profit and future profit of the Company. | The case has been in execution progress but not executed yet. |

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

| Prosecution (applicant) | Respondent | Jointly and severally liable party | Type | Background | Amount involved (RMB10 thousand) | Whether caused estimated liabilities and amount | Progress | Hearing result and impact | Judgment execution |
|--|--|---|------------|---|---|--|---------------------------------------|---|---|
| Rizhao Bank Co., Ltd. ("Rizhao Bank") | Shandong Yancoal Rizhao Coal Storage and Blending Co., Ltd. ("Rizhao Coal Storage and Blending") | Shandong Yabin Energy Co., Ltd., Shandong Lingtong International Trade Co., Ltd., natural persons including Peng Haiying, Liu Ya and Sun Chunguang | Litigation | On 24 July 2015, based on import and export bills documentary dispute, Rizhao Bank brought a civil litigation at Rizhao Municipal Intermediate People's Court and applied to rule that RizhaoTengtu Investment Co., Limited ("Tengtu Company") repay bills documentary fund of RMB37.4251 million and relevant interest, Shandong Yabin Energy Co., Ltd., Shandong Lingtong International Trade Co., Ltd., natural persons, namely: Peng Haiying, Liu Ya and Sun Chunguang shall bear the joint and several liabilities, and Rizhao Coal Storage and Blending shall bear joint and settlement liability of Tengtu Company. On 29 December 2015, Rizhao Municipal Intermediate People's Court made the judgment of the first instance and ruled that Tengtu Company shall pay bills documentary fund of RMB37.4251 million and relevant interest, Shandong Yabin Energy Co., Ltd., Shandong Lingtong International Trade Co., Ltd., natural persons, namely: Peng Haiying, Liu Ya and Sun Chunguang shall bear the joint and several liabilities; on condition that Tengtu Company does not perform its repayment obligation according to the judgment, Rizhao Bank has the right to ask Rizhao Coal Storage and Blending to pay the fund under commercial acceptance bill. Rizhao Coal Storage and Blending lodged an appeal as it did not accept the judgment. | 3,742.51 | No | Final judgment in the second instance | On 28 June 2016, it was the judgment of Shandong Provincial Higher People's Court at second instance that the appeal was rejected and upheld. The Company will avoid damages to the lawful rights and interests of the Company through supervision and urges to Tengtu company and relative joint responsible personnel for debts clear off, appeals, repayment press and lawsuits against Tengtu Company. Currently it's unable to accurately estimate the impact of the litigation on the current profit and future profit. | The case has been in execution progress but not executed yet. |

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

| Prosecution (applicant) | Respondent | Jointly and severally liable party | Type | Background | Amount involved (RMB10 thousand) | Whether caused estimated liabilities and amount | Progress | Hearing result and impact | Judgment execution |
|--|--|---|------------|---|---|--|--------------------------|---|-----------------------|
| Shandong Yancoal Rizhao Port Coal Storage and Blending Co., Ltd | Tengtu Company | Tengtu Company and nine warranties | Litigation | On 23 March 2017, Yancoal Rizhao charged Tengtu Company and its joint guarantors, Shandong Yabin Energy Co., Ltd., Shandong Lingtong International Trade Co., Ltd., Shandong Sanheng Trade Co., Ltd., Zaozhuang Luyang Trade Co., Ltd. and natural persons, namely: Peng Haiying, Liu Ya, Chen Shuai, Sun Chunguang and Xu Deping to Rizhao Municipal Intermediate People's Court, asking Tengtu Company to return the payment of RMB3,742.51 million and interest, and the nine joint guarantors to bear the jointly and severally liable for compensation. | 3,742.51 | No | In the first instance | Due to the pending and appearance in the first instance of the case, the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit. | - |
| Yanzhou Coal | Rizhao Shanneng International Logistics Co., Ltd. ("Shanneng International") | No | Litigation | On 23 November 2016, citing Shanneng International breached the Coal Sales Contract signed between the Company and Shanneng International, the Company sued to Shandong Provincial Rizhao City Intermediate People's Court, requiring the Court to judge that Shanneng International shall repay RMB80 million of loan and corresponding interest for occupied funds to the Company. In January 2014, the Company signed the Coal Sales Contract with Shanneng International, stipulating Shanneng International as a coal supplier of the Company, and both parties perform the obligations immediately after the signature of contract. As at 31 October 2016, there was still unsupplied coal valued RMB80 million from Shanneng International. Even after many times of urges from the Company, Shanneng International has not supplied the coal, and has not repaid to the Company either. | 8,000.00 | No | In the first instance | Due to the pending and appearance in the first instance of the case, the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit. | - |

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

| Prosecution (applicant) | Respondent | Jointly and severally liable party | Type | Background | Amount involved (RMB10 thousand) | Whether caused estimated liabilities and amount | Progress | Hearing result and impact | Judgment execution |
|----------------------------|--|--|------------|---|---|--|-----------------------|---|-----------------------|
| Yanzhou Coal | Yichang Xingfa Group Co., Ltd. ("Yichang Xingfa") | No | Litigation | In 20 January 2017, citing Yichang Xingfa breached the Coal Sales Contract signed between the Company and Yichang Xingfa, the Company sued to Shandong Provincial Jining City Intermediate People's Court, requiring the Court to judge that Yichang Xingfa shall repay RMB35.0239 million of loan and capital occupancy interest to the Company. In January 2015, the Company signed the Coal Sales Contract with Yichang Xingfa, stipulating that Yichang Xingfa as a coal supplier of the Company, and both parties perform the obligations immediately after the contract is signed. As at 31 December 2016, there was still unsupplied coal valued RMB35.0239 million from Yichang Xingfa, and Yichang Xingfa has not repaid to the Company either. | 3,502.39 | No | In the first instance | Due to the pending and appearance in the first instance of the case, the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit. | – |
| Yanzhou Coal | Shandong Dongda Energy Co., Ltd. ("Dongda Energy") | No | Litigation | On 16 January 2017, citing Dongda Energy breached the Coal Cooperative Operation Agreement signed between the Company and Dongda Energy, the Company appealed to Shandong Provincial Jining City Intermediate People's Court, requiring the Court to judge that Dongda Energy shall repay RMB49.5371 million of loan and corresponding delinquency interest to the Company. In January 2015, the Company signed the Coal Cooperative Operation Agreement with Dongda Energy, stipulating that the Company shall supply coal to Dongda Energy and Dongda Energy is in charge of distribution and sales, and both parties perform the obligations immediately after the contract is signed. As at 31 December 2016, Dongda Energy still has not repaid the loan of RMB49.5371 million to the Company. | 4,953.71 | No | In the first instance | Due to the pending and appearance in the first instance of the case, the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit. | – |

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

| Prosecution (applicant) | Respondent | Jointly and severally liable party | Type | Background | Amount involved (RMB10 thousand) | Whether caused estimated liabilities and amount | Progress | Hearing result and impact | Judgment execution |
|----------------------------------|---|--|------------|--|---|--|-----------------------|---|-----------------------|
| Yanzhou Coal Mining Co., Ltd. | Xintai City Hanzhuang Economic and Trade Co., Ltd. ("Hanzhuang Economic and Trade") | No | Litigation | On 8 February 2017, citing Hanzhuang Economic and Trade breached the Coal Sales Contract signed between the Company and Hanzhuang Economic and Trade, the Company appealed to Shandong Provincial Jining City 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 Coal Sales Contract with Hanzhuang Economic and Trade, stipulating that Hanzhuang Economic and Trade as coal suppliers of the Company, and both parties perform the obligations immediately after the contract is 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 has not repaid to the Company either. | 4,596.97 | No | In the first instance | Due to the pending and appearance in the first instance of the case, the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit. | – |

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

| Prosecution (applicant) | Respondent | Jointly and severally liable party | Type | Background | Amount involved (RMB10 thousand) | Whether caused estimated liabilities and amount | Progress | Hearing result and impact | Judgment execution |
|--|---|--|------------|--|---|--|-----------------------|---|-----------------------|
| Shandong Yanmei Rizhao Port Coal Storage and Blending Co., Ltd. | Wuxi City Shengluda Power Fuel Co., Ltd. ("Wuxi Shengluda") | Wuxi City Xinan Fuel Co., Ltd. and natural persons being Pu Weizhong etc. | Litigation | On 9 November 2016, citing Wuxi Shengluda breached the Coal Sales Contract signed between Rizhao Coal Storage and Blending and Wuxi Shengluda, Rizhao Coal Storage and Blending appealed to Shandong Provincial Rizhao City Intermediate People's Court, requiring the Court to judge that Wuxi Shengluda shall repay RMB27.8274 million of goods payment and corresponding interest. On 17 July 2014, Rizhao Coal Storage and Blending signed the Coal Sales Contract with Wuxi Shengluda, stipulating that Wuxi Shengluda as coal supplier to Rizhao Coal Storage and Blending, and both parties perform the obligations immediately after the contract is signed. Based on the Guarantee Agreement signed on 22 December 2014 by Rizhao Coal Storage and Blending with Wuxi Shengluda, Xinan Fuel Co., Ltd. and natural persons including Pu Weizhong, Zhu Yunfen, Pu Jingbo, Pu Weiqing and Pu Yongbao, all guarantors undertake 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 RMB27.8274 million of goods payment from Wuxi Shengluda. | 2,782.74 | No | In the first instance | Due to the pending and appearance in the first instance of the case, the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit. | – |

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

| Prosecution (applicant) | Respondent | Jointly and severally liable party | Type | Background | Amount involved (RMB10 thousand) | Whether caused estimated liabilities and amount | Progress | Hearing result and impact | Judgment execution |
|--|--|--|------------|---|---|--|-----------------------|---|-----------------------|
| 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 Sales 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 City Intermediate People's Court, requiring Fuyang Tianwang to repay RMB68.01 million of goods payment and corresponding interest. | 6,801.00 | No | In the first instance | Due to the pending and appearance in the first instance of the case, the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit. | – |

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

| Prosecution (applicant) | Respondent | Jointly and severally liable party | Type | Background | Amount involved (RMB10 thousand) | Whether caused estimated liabilities and amount | Progress | Hearing result and impact | Judgment execution |
|---|----------------------------------|--|------------|--|---|--|-----------------------|---|-----------------------|
| China Construction Bank Co., Ltd. Jining Guhuai Road Branch ("Construction Bank Guhuai Road Branch") | Yanzhou Coal Mining Co., Ltd. | Five limited companies including Jining Liaoyuan Trade Ltd. and two natural persons including Dong Longliang and Hu Fuyan | Litigation | On 29 June 2017, citing the financial loan contract dispute, Construction Bank Guhuai Road Branch appealed to Jining Municipal Intermediate People's Court against the Company, Jining Liaoyuan Trade Ltd., Shandong Shengqiang Economic and Trade Co., Ltd., Shandong Changjinhao Coal Co., Ltd., Jining Rongde Economic and Trade Co. Ltd., Zhejiang Jiabao Logistics Co., Ltd. and two natural persons, namely Dong Longliang, Hu Fuyan, requiring Jining Liaoyuan Trade Ltd. to repay the principal RMB95.8596 million and corresponding interest. It required the Company to perform payment obligations within scope of accounts payable due to that Jining Liaoyuan Trade Ltd. made a pledge to the plaintiff through its accounts receivables of RMB90.52 million to Yanzhou Coal. According to the investigation and verification of the Company, Yanzhou Coal did not handled the accounts receivable pledge business from China Construction Bank. The Company believed that Jining Liaoyuan Trade Ltd. was suspected of forging the Company's seal and handling accounts receivable pledge loans in financial institutions. The Company submitted a seal appraisal application to the court of the case, and the relevant appraisal work is currently being conducted. | 9,585.96 | No | In the first instance | Due to the pending and appearance in the first instance of the case, the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit. | – |

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

| Prosecution (applicant) | Respondent | Jointly and severally liable party | Type | Background | Amount involved (RMB10 thousand) | Whether caused estimated liabilities and amount | Progress | Hearing result and impact | Judgment execution |
|--|--|--|------------|--|---|--|--------------------------|---|-----------------------|
| JiningGaoxin Urban Construction Investment Co., Ltd. ("Jining Urban Construction Investment") | Shandong Coal Trading Center Co., Ltd. | No | Litigation | On 18 April 2017, Jining Urban Construction Investment appealed to Jining Municipal Intermediate People's Court against Shandong Coal Trading Center Co., Ltd. to pay the remaining transfer fee RMB65.1431 million and the corresponding liquidated damages of the Innovation Tower in Jining High-tech District. Shandong Coal Trading Center Co., Ltd. believed that payment terms for the remaining transfer price were not available due to the Innovation Tower Transfer Agreement in Jining High-tech District which was signed on 19 April 2013 by both sides. | 6,514.31 | No | In the first instance | Due to the pending and appearance in the first instance of the case, the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit. | - |

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

During the reporting period, neither the Company nor its Directors, Supervisors, senior management, Shareholders holding more than 5% of the shares of the Company, actual controllers have been investigated by the relevant authorities, imposed any compulsory measures by judicial departments, transferred to judicial organization or prosecuted for criminal liability, audited or imposed administrative penalty by the CSRC, banned from entering into the securities market, publicly criticized or confirmed as non-fit of proper persons, or publicly reprimanded by other administrative departments or the stock exchanges.

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

There is no failure to perform the effective court judgments, incurred large amount of debt which is outstanding or any kind of dishonest of the Company and the Shareholders and actual controllers of the Company in the reporting period.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

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

Not applicable.

X. MAJOR CONNECTED/RELATED TRANSACTION

(The data set forth in this section are calculated in accordance with PRC accounting standards.)

(I) Connected/Related Transactions Performance in relation to Daily Operation

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

Not applicable.

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

(1) Approval and execution of continuing Connected/Related Transaction

- (i) Continuing connected/related transaction of the supply of materials and services and insurance fund

At the 2014 second extraordinary general meeting of the Company held on 12 December 2014, five 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” 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 ways to determine transaction price include: state price; market price is applied when the state price is not available; actual cost pricing 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 transaction made in each 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 RMB761.5 million in the first half of 2017. The goods and services provided by the Controlling Shareholder to the Group amounted to RMB887.7 million.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

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 the first half of 2017:

| | For the six months ended 30 June 2017 | | For the six months ended 30 June 2016 | | Increase/ Decrease |
|--|--|--------------------------------------|--|--------------------------------------|---|
| | Amount | Percentage of operating income | Amount | Percentage of operating income | connected/ related of transaction |
| | (RMB'000) | (%) | (RMB'000) | (%) | (%) |
| Sales of goods and provision of services by the Group to its Controlling Shareholder | 761,490 | 0.94 | 906,947 | 3.68 | -16.04 |
| Sales of goods and provision of services by the Controlling Shareholder to the Group | 887,727 | 1.10 | 839,128 | 3.41 | 5.79 |

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

| | Operating income (RMB'000) | Operating cost (RMB'000) | Gross profits (RMB'000) |
|---|----------------------------------|-----------------------------|----------------------------|
| Coal sold to the controlling shareholder | 503,603 | 285,810 | 217,793 |

Pursuant to the Provision of Insurance Fund Administrative Services Agreement, the Controlling Shareholder shall provide free management and transferring services for the Group's basic 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 first half of 2017 was RMB387.2 million.

(ii) 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., and the cap of service fee for a period from 1 January 2016 to 31 December 2017. The price is mainly determined by referring to actual cost plus reasonable profit.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Pursuant to the Coal Train Escort Services Agreement, Yankuang Security Service Co., Ltd. provided coal train escort services to the Group. In the first half of 2017, the Group paid service fee of RMB8.84 million to Yankuang Security Service Co., Ltd.

(iii) Continuing connected/related transaction of financial services

At the thirtieth meeting of the sixth session of the Board held on 31 March 2017, the Company considered and approved the Financial Service Agreement between Yanzhou Coal Mining Co., Ltd. and Yankuang Group Finance Company Limited (the former “Financial Service Agreement”), which was agreed that Yankuang Group Finance Company Limited would provide deposit, comprehensive credit, settlement and other financial services and the transaction cap was from 1 April 2017 to 31 December 2017.

At Annual General Meeting held on 29 June 2017, it was approved that the Company would spend RMB1.1242 billion to acquire a 65% stake in Yankuang Group Finance Company Limited, held by Yankuang Group. The newly signed “Financial Service Agreement” between Yankuang Group Finance Company Limited and Yankuang Group and the transaction caps from 2017 to 2019 were also approved. The above equity purchase transaction is performing the shareholding change procedure and has not completed the shareholding rights transfer. Before the 65% shareholding rights of Yankuang Group Finance Company Limited transfer, the continuing connected/related transaction of financial services between the Company and Yankuang Group Finance Company Limited will be performed under the original “Financial Service Agreement”.

Pursuant to the original “Financial Service Agreement”, the Group's balances of principal and interest of deposit and loan in Yankuang Finance Company were RMB916.7 million and RMB216.5 million respectively as in the first half of 2017.

Save as disclosed above, no other continuing connected/related transaction of financial services occurred between the Group and Yankuang Finance Company in the first half of 2017.

(iv) Continuing connected/related transaction of clean energy technology

As reviewed and approved at the twenty-fifth meeting of the sixth session of the Board held on 11 October 2016, Yancoal 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 price is mainly determined by actual cost plus reasonable profit.

During the reporting period, the Group and Yankuang Technology Co. Ltd did not carry out any business mentioned herein.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

(v) Continuing connected/related transaction of entrusted management of coal 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 Management Agreement for Chemical Projects with Yankuang Chemical Industry Co., Ltd, and the transaction cap was for a period from 28 October 2016 to 31 December 2017. The price is mainly determined by actual cost plus reasonable profit.

Pursuant to the Management Agreement for Chemical Projects, Yankuang Chemical Industry Co., Ltd. should provide chemical project entrusted management service to the Group, while the payment of the chemical project entrusted management fees is after the annual assessment. In the first half of 2017, the Group has not paid any chemical project entrusted management fees to Yankuang Chemical Industry Co., Ltd.

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

| No. | Type of connected/ related transaction | Agreement | Annual transaction cap for the year 2017 (RMB'000) | Actual occurrence of transaction for the first half of 2017 (RMB'000) |
|-----|---|--|--|--|
| | | | | |
| 1 | Material and facilities provided by Yankuang Group | Provision of Materials Agreement | 1,719,000 | 262,467 |
| 2 | Labor and services provided by Yankuang Group | Mutual Provision of Labor and Services Agreement | 2,777,200 | 625,260 |
| 3 | Insurance fund management and transfer payment services provided by Yankuang Group (free of charge) for the Group's staff | Provision of Insurance Fund Administrative Services Agreement | 1,655,775 | 387,163 |
| 4 | Sale of products, material and equipment lease provided to Yankuang Group | Provision of Products, Materials and Equipment Leasing Agreement | 7,334,250 | 718,705 |
| 5 | Electricity Power and heat provided to Yankuang Group | Provision of Electricity and Heat Agreement | 144,800 | 40,090 |
| 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 | 2,695 |

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

| No. | Type of connected/ related transaction | Agreement | Annual transaction cap for the year 2017 (RMB'000) | Actual occurrence of transaction for the first half of 2017 (RMB'000) |
|-----|---|--|--|--|
| 7 | Financial services provided by Yankuang Group | Financial Service Agreement and its supplementary agreement | 1,100,000 1,000,000 13,000 | 916,664 216,509 0 |
| 8 | Train escort services provided by Yankuang Group | Coal Train Escort Services Agreement | 31,000 | 8,840 |
| 9 | Clean energy technology licensing | Know-How Licensing Agreement | 5,000 | 0 |
| 10 | Entrusted management of chemical projects | Management Agreement of Chemical Projects | 5,500 | 0 |

Note:

The amount of connected/related transactions in relation to the professional services provided by the Group to the Controlling Shareholder was RMB2.695 million in the first half of 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 thousand in the first half of 2017.

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

3. Undisclosed events in extraordinary announcements

Not applicable

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

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

Not applicable.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

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

The acquisition of 65% equity interests of Yankuang Group Finance Co., Ltd.

As reviewed and approved at the 2016 Annual General Meeting held on 29 June 2017, the Company proposed to acquire 65% equity interests of Yankuang Group Finance Co., Ltd. held by Yankuang Group at RMB1.1242 billion. The above connected/related transaction is performing the shareholding change procedure and has not completed the shareholding rights transfer.

For details, please refer to the announcement in relation to the connected/related transaction on 28 April 2017 and the announcement in relation to the resolution passed at the 2016 annual general meeting of shareholders of the Company on 29 June 2017. 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 and Shanghai Securities News.

3. *Events not disclosed in extraordinary announcements*

Not applicable.

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

Not applicable.

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

Item Overview

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 Yancoal, 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, Yankuang Electricity Sales Co., Ltd. has become a main provider in the electricity market of Shandong Province.

Query Index

For details, please refer to the announcement on resolution passed at the twenty-ninth meeting of the sixth session of the board and the announcement on connected/related transactions dated on 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.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

3. Events not disclosed in extraordinary announcements

Not applicable.

(IV) Credit and Debt Obligation among Connected Parties

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

Not applicable.

2. Events disclosed in extraordinary announcements but with progress or changes in subsequent implementation

Not applicable.

3. Events not disclosed in extraordinary announcements

(RMB'000)

| Connected parties | Connection | 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 | 1,722,860 | 1,906,449 | 2,573,440 | 1,845,618 | 2,044,514 | 1,352,820 |
| Total | | 1,722,860 | 1,906,449 | 2,573,440 | 1,845,618 | 2,044,514 | 1,352,820 |

Reasons for credit and debt obligation among connected parties Mutual sale of goods and provision of services

Impact on the operation results and financial status of the Company by credit and debt obligation No significant impact

(V) Other Significant Connected/Related Transactions

Not applicable.

(VI) Others

Pursuant to the Hong Kong Listing Rules, the Group's connected/related transactions set out in Note "Balance of Connected Transaction" to the consolidated financial statements prepared in accordance with the IFRS constitute continuing connected/related 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 Chapter 14A of the Hong Kong Listing Rules.

Other than the significant connected/related transaction disclosed in this section, there is no other significant connected/related transaction of the Group during the reporting period which is required to be disclosed in the report according to the Hong Kong Listing Rules.

XI. MATERIAL CONTRACTS AND PERFORMANCE

(I) Trust, Contract or Lease

Not applicable.

1. Trust

Not applicable.

2. Contract

Not applicable.

3. Lease

Not applicable.

(II) Guarantees

Unit: RMB 100 million

External guarantees of the Company (excluding guarantees to subsidiaries)

| | |
|--|---|
| Total amount of guarantee during the reporting period (excluding guarantees to the controlled subsidiaries) | 0 |
| Total guarantee balance by the end of the reporting period (A) (excluding guarantees to the controlled subsidiaries) | 0 |

Guarantees to subsidiaries of the Company

| | |
|--|--------|
| Total amount of guarantee to controlled subsidiaries during the reporting period | 72.81 |
| Total balance of guarantee to controlled subsidiaries by the end of the reporting period (B) | 341.14 |

Total guarantees (including guarantees to subsidiaries)

| | |
|---|--------|
| Total amount of guarantees (A+B) | 341.14 |
| Percentage of total amount of guarantee in the equity attributable to the Shareholders of the Company (%) | 67.41 |
| 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) | 328.64 |
| Total amount of guarantee exceeding 50% of equity attributable to the Shareholders (E) | 31.65 |
| Total amount of the above 3 categories guarantees (C+D+E) | 341.14 |

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Announcement of undue guarantee that may bear
several and joint liability

No

Guarantee explanations

1. The external guarantee occurred during the previous period and extended to the 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. Another tranche of USD1.015 billion was 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 was 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. As at 30 June 2017, the balance of the above loan was USD2.74 billion. The Company provided the guarantees of USD1.825 billion and RMB6.545 billion to Yancoal Australia.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

As approved at the 2012 second extraordinary general meeting, the Company provided guarantees to its wholly-owned subsidiary, Yancoal International, for issuing USD1.0 billion corporate bonds in the overseas market. As at 30 June 2017, the balance of the above guarantee, USD227.62 million, has been extended to the reporting period.

As approved at the 2012 annual general meeting, the Company provided guarantee of RMB2.036 billion for a bank loan of USD300 million benefiting its wholly-owned subsidiary, Yancoal International.

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 considered and approved at the 2014 first extraordinary general meeting, the Company provided financing guarantee in the credit amount of AUD187million to Yancoal Australia. As at 30 June 2017, a guarantee balance of AUD100 million was extended to the reporting period.

A total of AUD330 million performance deposits and performance guarantees, which were necessary for operation of Yancoal Australia and its subsidiaries, were extended to this reporting period.

As approved at the 2015 annual general meeting, the Company provided guarantee in the amount of USD20 million for Yancoal International. As of 30 June 2017, a guarantee balance of USD20 million was extended to this reporting period.

As approved at the 2015 annual general meeting, the Company provided guarantee in the amount of RMB1.295 billion for Qingdao Zhongyin Ruifeng International Trade Co., Ltd. As of 30 June 2017, a guarantee balance of RMB1.295 billion was extended to this reporting period.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

2. Guarantees arising during the reporting period

As approved at the 2015 annual general meeting of the Company, Yancoal Australia and its subsidiaries provided a guarantee in an amount not exceeding AUD500 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 in a total of AUD114 million due to operational necessity.

As approved at the 2015 annual general meeting, the Company could provide guarantee for Yancoal International. During the reporting period, the Company provided guarantee in an amount of USD500 million to Yancoal International.

As approved at the 2015 annual general meeting, the Company could provide guarantee for Qingdao Zhongyin Ruifeng International Trade Co., Ltd. During the reporting period, the Company provided guarantee in an amount of RMB650 million to Qingdao Zhongyin Ruifeng International Trade Co., Ltd.

As approved at the 2015 annual general meeting, the Company could provide guarantee for Zhongyan Trade Company Limited in Qingdao Free Trade Zone. During the reporting period, the Company provided guarantee in an amount of RMB1.4 billion for Zhongyan Trade Company Limited.

As approved at the 2015 annual general meeting, the Company could provide guarantee for Zhongyin Financial Leasing. During the reporting period, the Company provided guarantee in an amount of RMB1.25 billion for Zhongyin Financial Leasing.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Note:

- ① The above table was prepared in accordance with the CASs and calculated at USD/RMB exchange rate of 6.7744 and AUD/RMB exchange rate of 5.2099.
- ② The guarantee amount and the guarantee balance at the end of the reporting period includes the external guarantee of the subsidiary, and the guarantee amount is the amount of the external guarantee of the subsidiary multiplied by the proportion of the shares held by the Company. The Company and its subsidiaries' external guarantees should be filled in here.
- ③ The total amount of the guarantee was the sum of the above two items, the balance of the guarantee (excluding the guarantee for the subsidiaries) and the balance of the guarantee for the subsidiaries at the end of the reporting period. The sum of the three guarantees was the sum of the above three items, the amount of the guarantee provided to the shareholders, the actual controller and its related parties, the amount of the debt guarantee directly or indirectly provided to the secured object with an asset-liability ratio of more than 70%, and the total amount of the guarantee exceeding 50% of the net assets. If the above two or three circumstances occur at the same time in a guarantee, it only need to be calculated once in total.

(III) Other Significant Contracts

1. Entrusted wealth management

| Trustee | Product of entrusted wealth management | Amount (RMB100 million) | Valid from | Maturity date | Yield determination | Actual amount of principal taken back | Actual income | Whether passed legal procedure or not | Connected/Related Transactions or not | Lawsuit involved or not |
|--|--|----------------------------|-----------------|------------------|---------------------|---------------------------------------|------------------|---------------------------------------|---------------------------------------|-------------------------|
| | | | | | | (RMB100 million) | (RMB10 thousand) | | | |
| Jining branch of Industrial Bank Co., Ltd. | Principal and income guaranteed | 20 | 25 January 2017 | 25 April 2017 | 4.00% | 20 | 1972.60 | Yes | No | No |
| Zoucheng Jining sub-branch of Bank of Communications | Income guaranteed | 20 | 26 January 2017 | 27 February 2017 | 4.10% | 20 | 718.90 | Yes | No | No |
| Total | / | 40 | / | / | / | 40 | 2691.50 | / | / | / |

Amount of principal and income unrecovered but overdue (RMB) 0

Explanations on entrusted wealth management 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 an aggregate amount not exceeding RMB5.0 billion. The expiration period of this business is 36 months starting from the date of the meeting.

The above-mentioned entrusted wealth management business does not constitute connected/related 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, the Hong Kong Stock Exchange, the Company's website and/or China Securities Journal and Shanghai Securities News.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

2. Other significant events

(I) 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.

(II) Acquisition of equities of Coal & Allied

As reviewed and approved at the 2017 second extraordinary meeting held on 25 August 2017, Yancoal Australia acquired 100% of share capital of Coal & Allied Industries Limited ("C&A"), which was owned by Australian Coal Holdings Pty. Limited and Hunter Valley Resources Pty Ltd, wholly-owned members of Rio Tinto plc at a consideration of USD2.45 billion. Within 5 years after delivery, a total of USD 240 million will be paid for non-contingent royalties.

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 respectively, and the announcements of resolutions passed at the 2017 second extraordinary general meeting held on 25 August 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.

(III) Establish the joint venture to operate Hunter Valley Operations ("HVO")

As reviewed and approved at the second meeting of the seventh session of the Board held on 25 July 2017, after Yancoal Australia's acquisition of 100% interest in C&A, Yancoal Australia would proceed with a possible disposal of 16.6% interest in HVO to Glencore Coal Pty Ltd. (Glencore) and establish a Joint Venture to operate HVO with Glencore and corresponding arrangement when in need of cooperation.

For details, please refer to the announcement on resolutions passed at the second meeting of the seventh session of the board of directors held on 26 July 2017 and the announcement on equity acquisition by 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.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

(IV) 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 announcement dated 31 March 2017, 28 April 2017, 29 June 2017 in relation to the non-public issuance, respectively, and the announcements of resolutions passed at the general meeting held on 25 August 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.

(V) 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 for no more than USD1 billion of allotted shares issued by Yancoal Australia with a price finally determined by Yancoal Australia (the final subscription amount is subject to the final implementation plan and results of the allotment of shares of Yancoal Australia); the Company further agreed to convert all or part of the USD1.8 billion convertible hybrid bonds of Yancoal Australia which it held to ordinary shares of Yancoal Australia (the final converting amount would be determined pursuant to relevant regulatory requirements and taking into account of the actual circumstance of Yancoal Australia). In respect of those hybrid bonds which were not converted ultimately due to the relevant regulatory requirements, the Company would no longer seek to convert them into ordinary shares of Yancoal Australia.

For details, please refer to the announcements of resolutions passed at the second meeting of the seventh session of the Board held on 26 July 2017 and 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, 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.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

(VI) Acquisition of 100% equity interest in Wuxi Dingye by way of debt restructuring

Approved by the Company's general manager's office meeting, the Company and relevant parties signed "Creditor's Rights and Debt Transfer Agreement", which reorganized the debt among the Company, Zhongyin Logistics, Rizhao Coal Storage and Blending, Jiangsu Tianyu Energy Co., Ltd. ("Jiangsu Tianyu"), Wuxi Zhongshang Energy Co., Ltd. ("Wuxi Zhongshang"), Wuxi Zhongmai Trade Co., Ltd. ("Wuxi Zhongmai"). Zhongyin Logistics and Rizhao Coal Storage and Blending transferred its RMB460 million claim to Jiangsu Tianyu, Wuxi Zhongshang and Wuxi Zhongmai to the Company. In the meantime, Wuxi Zhongshang and Wuxi Zhongmai transferred its RMB460 million debt to Jiangsu Tianyu. As a result, the Company had RMB460 million in Jiangsu Tianyu claims. Jiangsu Tianyu paid 100% of its equity interest of an appraised value of RMB131 million in Wuxi Dingye and its debt of RMB328 million owed to Wuxi Dingye to its debts owed to the Company and repaid the remaining RMB6.83 million in debts to the Company in cash. Upon completion of the reorganization, the Company held 100% equity interest in Wuxi Dingye.

(VII) Financing through the insurance bonds investment plan

As reviewed and approved at the thirty-second meeting of the sixth session of the Board held on 13 June 2017, the Company obtained financing through subscribing for the "China Life-Yanzhou Coal Mining Bonds Investment Plan" initiated and set up by China Life Asset Management Company Limited as trustee, totally obtaining financing of not more than RMB10 billion. The bonds investment plan was divided into four phases. The financing amount of each phase was not more than RMB3 billion and the term for each phase shall not be more than eight years.

For details, please refer to the announcement of resolutions passed at the thirty-second meeting of the sixth session of the board of directors held on 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.

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

Duanxin Beijing subscribed for shares in Hangzhou CRRC Times Venture Investment Partnership (LP). The fund mainly invested in the high-end equipment manufacturing in the way of equity investment, and the total capital contribution was 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 announcements 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.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

(IX) Establishment of Qingdao (Region) Headquarter

As reviewed and approved at the twenty-ninth meeting of the sixth session of the Board convened 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 of the Company.

For details, please refer to the announcement of resolutions passed at the twenty-ninth meeting of the sixth session of the Board convened on 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.

(X) Adjust the departmental organization of the Company

As reviewed and approved at the thirty-second meeting of the sixth session of Board held on 13 June 2017, the Company made certain adjustments to the departmental organization: setting up the 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; adjusting the Machinery Management Center of the Company as Machinery Installation and Removal Center of the Company, which is responsible for the construction work relating to installation and removal of the fully mechanized mining equipment for working level of the mines.

As reviewed and approved at the second meeting of the seventh session of Board held on 25 July 2017, the Company established the Ministry of Supervision of Yanzhou Coal Mining Company Limited, which is responsible for the supervision and efficiency inspection of the Company.

For details, please refer to the announcement of resolutions passed at the thirty-second meeting of the sixth session of the Board held on 13 June 2017 and the announcement of resolutions passed at the second meeting of the seventh session of the Board held on 26 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.

XII. PERFORMANCE OF POVERTY ALLEVIATION BY THE COMPANY

1. Summary of accurate poverty alleviation for the reporting period

The Company undertook the social responsibilities in an active manner, continuously carried out all kinds of accurate poverty alleviation works, pursued development with local community and contributed to social harmony. In the first half of 2017, pursuant to relevant accurate poverty alleviation policies issued by the State and the Government of Shandong Province, the Company undertook social responsibilities in all manners, such as helping with the employment poverty alleviation construction according to local government's plan and arrangement and responding to the call to participate in "Charity Day" activity and use all the money for the aid in the natural disasters and emergency, serious disease sufferer from extremely needy family, poverty students from colleges, high schools and primary schools, urban and rural extremely needy residents and the implementation on Red Cross Love Home Project, etc.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

2. Statistics on accurate poverty alleviation for the reporting period

Unit: RMB10 thousand

| Indicators | Amount of Investment and Implementation |
|---|--|
| I. Overview | |
| Of which, 1. Poverty alleviation fund | 25 |
| 2. Material equivalent in RMB | 0 |
| 3. Number of filed poor people who overcome poverty with the help of the Company's poverty alleviation | 0 |
| II. Investment by items | |
| 9. Other projects | |
| Of which, 9.1 Number of projects | 2 |
| 9.2 Amount of investment | 25 |
| 9.3 Number of filed poor people who overcome poverty with the help of the Company's poverty alleviation | 0 |
| 9.4 Explanation on other projects | Poverty alleviation station, and "Charity Donation Day" activity |

XIII.CONVERTIBLE CORPORATE BONDS

Not applicable.

XVI.EXPLANATION ON THE ENVIRONMENTAL PROTECTION PRACTICES OF LISTED COMPANIES AND THEIR SUBSIDIARIES IN SEVERELY POLLUTING INDUSTRIES SPECIFIED IN THE REGULATIONS MADE BY NATIONAL ENVIRONMENTAL PROTECTION AUTHORITIES

The Group proactively promoted and optimized the construction of environment and energy management system, increased investment in environmental protection treatment, energy-saving technology renovation, and continuously improved production technique and process. During the reporting period, the Group invested RMB164.4 million on environment protection facilities, achieved energy saving and consumption reduction and met standards on pollutants discharge simultaneously. 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 relevant requirements made by local environmental authorities being satisfied.

The Group implemented strict management procedures on energy saving and environment protection, performed well in review, supervision and management of environment impact assessment, energy saving assessment and "three simultaneous" program for 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.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Besides, through establishing and perfecting 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 bare 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 received no administrative penalty due to any illegal activity in relation to environment protection.

XV. EXPLANATION ON OTHER SIGNIFICANT EVENTS

(I) Information, Reasons and Effects of the Changes in Accounting Policies, Accounting Estimates and Accounting Methods as Compared to the Previous Accounting Period

Not applicable.

(II) Significant Accounting Errors Being Subject to Reconsideration, Corrections, Causes and Effects during the Reporting Period

Not applicable.

(III) Others

(Prepared in accordance with the Hong Kong Listing Rules)

1. *Repurchase, sale or redemption of shares of the Company*

(1) Redemption of the USD450 million guaranteed notes

The 4.461% USD450 million guaranteed notes (the “Notes”) issued in 2012 by Yancoal International Resources, a wholly-owned subsidiary of the Company, matured on 16 May 2017. Yancoal International Resources redeemed the entire outstanding principal amount of the Notes in the sum of USD356,797,000 plus interest of USD7,958,357.08 accrued thereon pursuant to the terms and conditions of the Notes. Listing of the Notes on the Hong Kong Stock Exchange will be withdrawn with effect from 15 May 2017.

For details, please refer to the announcement dated 15 May 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.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

(2) Issuance of USD500 million senior guaranteed perpetual capital securities

According to the mandate of the 2015 annual general meeting, Yancoal International Resources issued USD500 million senior guaranteed perpetual capital securities at an interest rate of 5.75% on 6 April 2017, which were unconditionally and irrevocably guaranteed by the Company. This securities were listed in the Hong Kong Stock Exchange with effect from 18 April 2017.

For details, please refer to the announcements dated 6 April 2017, 7 April 2017 and 17 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.

(3) Mandate granted from annual general meeting to issue additional H Shares and repurchase H Shares

As at the 2016 annual general meeting held on 29 June 2017, the Board was granted a general mandate to issue additional H Shares during the relevant authorized period. Under the general mandate, the Board is authorized to issue or not to issue additional H Shares not exceeding 20% of the aggregate nominal value of H Shares in issue as at the date of passing the resolution during the relevant authorized period according to the needs and market conditions upon obtaining approvals from the relevant regulatory authorities and complying with the relevant laws, regulations and the Articles.

As at the 2016 annual general meeting, the 2017 second class meeting of holders of A shares and the 2017 second class meeting of holders of H shares held on 29 June 2017, the Board was granted a general mandate separately. Under the general mandate, the Company was authorized to repurchase H Shares not exceeding 10% of the aggregate nominal value of H Shares in issue as at the date of passing the resolution according to the needs and market conditions upon obtaining approvals from the relevant regulatory authorities and complying with the relevant laws, regulations and the Articles.

As at the date of this report, the Company has not exercised the above general mandates.

Save as disclosed above, there is no repurchase, sale or redemption of shares of the Company or any subsidiary of the Company during the reporting period.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

2. *Remuneration policy*

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 general meeting for approval. The remuneration for the senior management is reviewed and approved by the Board.

The Company adopts a combined annual remuneration, risk control and special contribution award system 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 comprehensively 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.

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

3. *Auditors*

The details of auditors are set out in the section headed “IV. Appointment and Dismissal of Auditors” in this chapter.

XVI. CORPORATE GOVERNANCE

(I) Corporate Governance

(Prepared in accordance with PRC CASs)

The Company has closely monitored the securities market standards and legal regulations, and has actively improved its corporate governance structure during the reporting period as follows.

Since the listing of the Company, in accordance with the PRC Corporate Law, the 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 and has abided by the corporate governance principles of transparency, accountability and protection of the rights and interests of the Shareholders as a whole. There is no significant difference between the corporate governance system and the requirements in relevant documents detailed by the CSRC.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

(II) Compliance with Corporate Governance Code and Model Code

(Prepared in accordance with the Hong Kong Listing Rules)

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 crucial to the operation and development of the Group. The Board regularly reviews corporate governance practices to ensure the Company's operation is in compliance with the laws, regulations and supervisory rules of places where the shares of the Company are traded, and consistently endeavors to implement a high standard of corporate governance.

The corporate governance measures implemented by the Group include, but not limited to the following: 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/related transactions of the Company, the Rules for the Management of Relationships with Investors, Internal Reporting System for Significant Information, 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 first half of 2017 ended 30 June 2017, the corporate governance rules and practices of the Group are in compliance with the principles and the code provisions set out in the Corporate Governance Code (the "**Code**") contained in the Hong Kong Listing Rules. Some of the corporate governance practices adopted by the Group are more stringent than the Code.

During the reporting period, the Company has strictly complied with the above corporate governance practices without any deviation. For details, please refer to the Report on Corporate Governance of the Company included in 2016 annual report of the Company.

Having made specific enquiries with all the Directors and Supervisors, the Directors and Supervisors have strictly complied with codes set out in Appendix X of Hong Kong Listing Rules headed Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") and the Code for Securities Transactions by Management of the Company during the reporting period. The Company has adopted a code of conduct regarding securities transactions of the Directors and Supervisors on terms no less stringent than the required standard set out in the Model Code.

(III) Investor Relations

The Company has been continuously modifying the Rules for the Management of Relationships with Investors, and improved standard management of investor relations through effective information collection, compilation, examination, disclosure, and feedback management procedures. During the reporting period, the Company facilitated its bidirectional communications with the capital market through face-to-face meetings at international and domestic road-shows, attendance in investment strategy meetings organized by brokers at home and abroad, inviting investors for Company site visits as well as many other means like making full use of "SSE E-interactive Platform", hotlines, faxes and e-mails. The company has had 430 contacts with analysts, fund managers and investors. During the reporting period, there was no significant change in the Articles and related constituent documents.

CHAPTER 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Changes in Ordinary Shares

1. Table of changes in ordinary shares

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

CHAPTER 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS – CONTINUED

2. *Explanation on changes in ordinary shares*

The A Shares with restricted moratorium held by the Directors, Supervisors and senior management will be unrestricted after six months since they resigned. For details, please refer to the section headed “Changes in Shares with Restricted Moratorium” in this chapter.

3. *The impact of changes in ordinary shares on financial indicators such as earnings per share, net asset per share from the end of the reporting period to the disclosure date of the interim report (if any)*

Not applicable.

4. *Other disclosures which were considered necessary by the Company or required by securities regulatory institutions*

As at the latest practicable date prior to the issue of this interim report, according to the information publically 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 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS – CONTINUED

(II) Changes in Shares with Restricted Moratorium

Unit: share

| Name of shareholder | Number of shares with restricted moratorium at the beginning of the reporting period | Number of shares released from restricted moratorium | Increase in number of shares with restricted moratorium | Number of shares with restricted moratorium at the end of the reporting period | Reasons for restricted 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 above persons were unrestricted due to their expiry of resignation.

CHAPTER 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS – CONTINUED

II. SHAREHOLDERS

(I) Total Number of the Shareholders

| | |
|--|--------|
| Total number of ordinary Shareholders as at the end of the reporting period (shareholder) | 51,306 |
| Total number of preferred Shareholders with resumed voting right as at the end of the reporting period (shareholder) | 0 |

(II) Top Ten Shareholders and Top Ten Shareholders Holding Tradable Shares (or Shares not Subject to Trading Moratorium) as at 30 June 2017

Unit: share

| Name of shareholders | Shareholding of the top ten shareholders | | Percentage (%) | Number of shares held with trading moratorium | Pledge or locked Status | Number of shares | Nature of shareholders |
|--|--|--|----------------|---|-------------------------|------------------|--------------------------|
| | Increase/ Decrease during the reporting period | Number of shares held by the end of the reporting period | | | | | |
| Yankuang Group Company Limited | 0 | 2,600,000,000 | 52.93 | 0 | pledged | 820,000,000 | State-owned legal person |
| Hong Kong Securities Clearing Company (Nominees) Limited | -30,400 | 1,945,116,299 | 39.60 | 0 | unknown | 0 | Foreign legal person |
| National Social Security Fund 414 Combination | 35,272,672 | 35,272,672 | 0.72 | 0 | No | 0 | Others |
| Central Huijin Assets Management Co., Ltd | 0 | 19,355,100 | 0.39 | 0 | No | 0 | State-owned legal person |
| China Securities Finance Corporation Limited | -43,773,393 | 16,511,045 | 0.34 | 0 | No | 0 | State-owned legal person |
| Abu Dhabi Investment Authority | 6,706,748 | 6,706,748 | 0.14 | 0 | No | 0 | Others |
| ICBC-HuaAn Anxin Consumption Service Hybrid Securities Investment Fund | 5,301,254 | 5,301,254 | 0.11 | 0 | No | 0 | Others |
| National Social Security Fund 116 Combination | 4,599,779 | 4,599,779 | 0.09 | 0 | No | 0 | Others |
| ICBC-China Southern Big Data 100 Index Securities Investment Fund | 4,318,351 | 4,318,351 | 0.09 | 0 | No | 0 | Others |
| Hong Kong Securities Clearing Company Limited | 1,989,106 | 4,225,222 | 0.09 | 0 | No | 0 | Foreign legal person |

CHAPTER 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS – CONTINUED

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 | 2,600,000,000 | A shares | 2,600,000,000 |
| Hong Kong Securities Clearing Company (Nominees) Limited | 1,945,116,299 | H shares | 1,945,116,299 |
| National Social Security Fund 414 Combination | 35,272,672 | A shares | 35,272,672 |
| Central Huijin Assets Management Co., Ltd | 19,355,100 | A shares | 19,355,100 |
| China Securities Finance Corporation Limited | 16,511,045 | A shares | 16,511,045 |
| Abu Dhabi Investment Authority | 6,706,748 | A shares | 6,706,748 |
| ICBC-HuaAn Anxin Consumption Service Hybrid Securities Investment Fund | 5,301,254 | A shares | 5,301,254 |
| National Social Security Fund 116 Combination | 4,599,779 | A shares | 4,599,779 |
| ICBC-China Southern Big Data 100 Index Securities Investment Fund | 4,318,351 | A shares | 4,318,351 |
| Hong Kong Securities Clearing Company Limited | 4,225,222 | A shares | 4,225,222 |

Explanation on connected relationship or concerted action among the above shareholders

The subsidiary of Yankuang Group incorporated in Hong Kong held 180,000,000 H shares through HKSCC (Nominees) Limited. 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

CHAPTER 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS – CONTINUED

Notes:

1. The above information regarding “Total number of Shareholders” and “Top Ten Shareholders and Top Ten Shareholders holding tradable shares (or shares not subject to trading moratorium) as at 30 June 2017” 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.
2. 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. HKSCC Limited is the nominal shareholder of the Company’s Shanghai-Hong Kong Stock Connect Program.
3. On 13 April 2017, the 480,000,000 A shares contained in 2,600,000,000 A shares of the Company held by Yankuang Group were transferred to a guarantee and trust account jointly opened by Yankuang Group and CITIC Securities Co., Ltd., which provided stock guarantee for issuance of the non-public exchangeable corporate bond (first tranche).
4. As at 30 June 2017, Yankuang Group pledged 820,000,000 A shares of the Company, including: (1) On 26 November 2015, Yankuang Group pledged its 520,000,000 shares of domestic shares without trading moratorium of the Company in favor of the Export-Import Bank of China for a term of 24 months. (2) Yankuang Group pledged its 402,000,000 shares and 378,000,000 shares of domestic shares without trading moratorium of the Company in favor of the Qilu Securities (Shanghai) Assets Management Co., Ltd. on 7 July 2016 and 15 July 2016, respectively, for a term of 36 months. On 11 April 2017, Yankuang Group lifted the pledge of 480,000,000 shares of the above pledged shares and the remaining 300,000,000 shares were within the pledge term.

Shareholding amount by top ten shareholders holding shares with restricted trading moratorium and restricted trading moratorium

Not applicable.

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

Not applicable.

CHAPTER 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS – CONTINUED

(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 30 June 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 held (shares) | Nature of interests | Percentage in H Share capital of the Company | Percentage in total share capital of the Company |
|---|--|---|--------------------------------|---------------------|--|--|
| Yankuang Group | A Shares (state-owned legal person shares) | Beneficial owner | 2,600,000,000 | Long position | — | 52.93% |
| | | Beneficial owner | 480,000,000 | Short position | — | 9.77% |
| Qilu Securities (Shanghai) Asset Management Co., Ltd. | A Shares | Person having a security interest in shares | 300,000,000 | Long position | — | 6.11% |
| Yankuang Group ^① | H Shares | Interest of controlled corporations | 180,000,000 | Long position | 9.22% | 3.66% |
| JPMorgan Chase & Co. | H Shares | Beneficial owner | 35,672,606 | Long position | 1.83% | 0.73% |
| | | | 14,147,530 | Short position | 0.72% | 0.29% |
| | | Investment manager | 78,000 | Long position | 0.00% | 0.00% |
| | | Custodian corporation/ approved lending agent | 195,862,154 | Long position | 10.03% | 3.99% |
| Templeton Asset Management Ltd. | H Shares | Investment manager | 176,462,000 | Long position | 9.04% | 3.59% |
| BNP Paribas Investment Partners SA | H Shares | Investment manager | 117,641,207 | Long position | 6.03% | 2.39% |

Notes :

- Yankuang Group's controlled subsidiary incorporated in Hong Kong holds such H Shares in the capacity of beneficial owner.
- The percentage figures above have been rounded off to the nearest second decimal place.
- Information disclosed herein is based on the information available on the website of Hong Kong Stock Exchange at www.hkexnews.hk.

During the reporting period, there was no change in controlling Shareholders or actual controller of the Company.

CHAPTER 7 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGES IN SHAREHOLDING

(I) Changes in Shareholding of Current and Resigned Directors, Supervisors and Senior Management during the Reporting Period

As at the disclosure date of this Interim Report, save as disclosed below, none of the Directors, Supervisors or senior management had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) which (i) was required to be recorded in the register established and maintained in accordance with section 352 of the SFO; or (ii) was required to be notified to the Company and Hong Kong Stock Exchange in accordance with the Model Code (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

Shareholding of the Company:

The shareholding of A shares by Directors, Supervisors and senior management of the Company is as follows:

| Name | Title | Number of shares held at the beginning of the period | Number of shares held at the end of the period | Increase/Decrease during the reporting period |
|----------------------------|----------------------|--|--|---|
| Li Xiyong | Director | 10,000 | 10,000 | 0 |
| Li Wei | Director | 10,000 | 10,000 | 0 |
| Wu Xiangqian | Director | 10,000 | 10,000 | 0 |
| Wu Yuxiang | Director | 30,000 | 30,000 | 0 |
| Guo Dechun | Director | 0 | 0 | 0 |
| Zhao Qingchun | Director | 0 | 0 | 0 |
| Guo Jun | Director | 10,000 | 10,000 | 0 |
| Kong Xiangguo | Independent Director | 0 | 0 | 0 |
| Jia Shaohua | Independent Director | 0 | 0 | 0 |
| Poon Chiu Kwok | Independent Director | 0 | 0 | 0 |
| Qi Anbang | Independent Director | 0 | 0 | 0 |
| Gu Shisheng | Supervisor | 10,000 | 10,000 | 0 |
| Zhou Hong | Supervisor | 0 | 0 | 0 |
| Meng Qingjian | Supervisor | 0 | 0 | 0 |
| Zhang Ning | Supervisor | 0 | 0 | 0 |
| Jiang Qingquan | Supervisor | 10,000 | 10,000 | 0 |
| Chen Zhongyi | Supervisor | 10,500 | 10,500 | 0 |
| Liu Jian | Senior management | 0 | 0 | 0 |
| Zhao Honggang | Senior management | 10,000 | 10,000 | 0 |
| He Jing | Senior management | 0 | 0 | 0 |
| Wang Fuqi | Senior management | 10,000 | 10,000 | 0 |
| Jin Qingbin | Senior management | 0 | 0 | 0 |
| Wang Lijie(resigned) | Independent director | 0 | 0 | 0 |
| Wang Xiaojun(resigned) | Independent director | 0 | 0 | 0 |
| Zhang Shengdong (resigned) | Supervisor | 10,000 | 10,000 | 0 |
| Xue Zhongyong (resigned) | Supervisor | 0 | 0 | 0 |
| An Manlin (resigned) | Senior management | 0 | 0 | 0 |

CHAPTER 7 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT – CONTINUED

As at the end of the reporting period, the current and resigned Directors, Supervisors and senior management together held 130,500 of the Company's A shares, representing 0.0027% of the total issued share capital of the Company.

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

Other explanation

Not applicable.

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

Not applicable.

II. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

| Name | Title | Changes | Reasons for Change |
|-----------------|--|-----------|--------------------|
| Kong Xiangguo | Independent director | Elected | Work Allocation |
| Poon Chiu Kwok | Independent director | Elected | Work Allocation |
| Zhou Hong | Vice chairman of the Supervisory Committee | Elected | Work Allocation |
| Zhang Ning | Supervisor | Elected | Work Allocation |
| He Jing | Deputy general manager | Appointed | Work Allocation |
| Wang Lijie | Independent director | Resigned | Health problem |
| Wang Xiaojun | Independent director | Resigned | Work Allocation |
| Zhang Shengdong | Chairman of the Supervisory Committee | Resigned | Work Allocation |
| Xue Zhongyong | Supervisor | Resigned | Work Allocation |
| An Manlin | Deputy general manager | Resigned | Work Allocation |

Explanation on Changes of Directors, Supervisors and Senior Management

(I) Changes of Members of the Board

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

Mr. Wang Lijie, an 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 position of independent Director and other relevant positions in the special committee of the Board. He stopped to perform his duty of independent Director from the end of the first extraordinary general meeting of 2017 held on 10 March 2017.

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

CHAPTER 7 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT – CONTINUED

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 end of 2016 annual general meeting to the end of the general meeting for election of directors of 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.

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.

(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 end of 2016 annual general meeting to the end 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.

(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. Mr. An Manlin resigned from the position of deputy general manager of the Company.

CHAPTER 7 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT – CONTINUED

III. CHANGES IN POSITIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN THE SUBSIDIARIES OF THE COMPANY DURING THE REPORTING PERIOD

(Prepared in accordance with the Hong Kong Listing Rules)

| Title | Name | Before change | After change | New employment |
|---------------------------|----------------|---------------------------------------|---|----------------------|
| Director, general manager | Wu Xiangqian | — | Director of Yancoal Australia Limited | Since 28 April 2017 |
| Director | Wu Yuxiang | Director of Yancoal Australia Limited | — | Since 28 April 2017 |
| Director, CFO | Zhao Qingchun | — | Director of Yancoal Australia Limited | Since 28 April 2017 |
| Independent director | Poon chiu Kwok | — | Independent director of HongHua Group Limited | Since 15 June 2017 |
| Deputy general manager | Liu Jian | — | Director of Shaanxi Future Energy Chemical Co., Ltd. | Since 9 January 2017 |
| | | — | Director of Heze Neng Hua | Since 15 March 2017 |
| | | — | Chairman of Shanxi Neng Hua | Since 15 March 2017 |
| Deputy general manager | He Jing | — | Chairman of Shandong Zhongyin International Trade Co., Ltd. | Since 1 August 2017 |
| | | — | Director of Shanxi Neng Hua | Since 1 August 2017 |

CHAPTER 8 CORPORATE BONDS

(All the financial data in this chapter were prepared in accordance with the CASs)

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: RMB 100 million

| Name | Abbreviation | Code | Issue date | Maturity date | Balance | Interest rate | Way to repay principal 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% | | |
| 2012 Corporate Bond of Yanzhou Coal (first tranche) | 12 Yanzhou Coal 02 | 122268 | 2012/7/23 | 2022/7/23 | 40 | 4.95% | | |
| 2012 Corporate Bond of Yanzhou Coal (first tranche) | 12 Yanzhou Coal 01 | 122267 | 2012/7/23 | 2017/7/23 | 10 | 4.20% | | |

Principal and interest payment of corporate bonds

In March 2017, the Company paid the annual interest of RMB115.4 million for “12 Yanzhou Coal 03” bond and the annual interest of RMB187.6 million for “12 Yanzhou Coal 04” bond.

Other explanation on corporate bond

Not applicable.

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 |
| 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, PRC |

Other explanation:

As at 30 June 2017, Yanzhou Coal has paid the interests of 2012 corporate bond (second tranche) on schedule.

CHAPTER 8 CORPORATE BONDS – CONTINUED

(All the financial data in this chapter were prepared in accordance with the CASs)

III. USE OF PROCEEDS BY CORPORATE BONDS

The 2012 corporate bond (first tranche) and the 2012 corporate bond (second tranche) of Yanzhou Coal Mining Co., Ltd. issued proceeds of RMB5 billion (before deducting issue expenses), respectively, with RMB10 billion funds raised in total. The whole proceeds were used to replenish working capital, which is in consistent with the use of proceeds and the utilizing plan promised in the prospectus.

As at the end of the reporting period, the bond balance of 2012 corporate bond (first tranche) of Yanzhou Coal Mining Co., Ltd. was RMB5 billion and the bond balance of 2012 corporate bond (second tranche) of Yanzhou Coal Mining Co., Ltd. was RMB5 billion.

IV. INFORMATION ON CREDIT RATING AGENCY OF CORPORATE BOND

1. On 24 April 2017, the track ratings made by Dagong Global Credit Rating Co., Ltd. based on the conditions of the Company 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 has been published on the website of Shanghai Stock Exchange and the website of the Company on 19 May 2017.
2. During the reporting period, the bond rating of 2012 corporate bond (first tranche) and 2012 corporate bond (second tranche) of Yanzhou Coal Mining Co., Ltd. remain AAA without any change, which indicates that the risk of bonds unable to repay at maturity is very small.

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

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

1. Guarantee

On 2 January 2012, the board of directors of Yankuang Group approved that, Yankuang Group, provided 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.

CHAPTER 8 CORPORATE BONDS – CONTINUED

(All the financial data in this chapter were prepared in accordance with the CASs)

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

Unit: RMB10 thousand

| | 30 June 2017 | 31 December 2016 |
|--|------------------|------------------|
| Net assets | 6,253,611 | 5,672,980 |
| Liability to asset ratio | 74.04% | 74.9% |
| Return rate on net assets | 0.53% | 2.54% |
| Current ratio | 1.01 | 0.89 |
| Liquidity ratio | 0.73 | 1.21 |
| Credit status of guarantor | AAA | AAA |
| Accumulative balance of external guarantee | 510,000 | 510,000 |
| Accumulative balance of external guarantee to net assets ratio | 8.15% | 8.99% |

Note: The “accumulative balance of external guarantee” excludes the amount of the guarantee provided by Yankuang Group to controlled subsidiaries.

As at the end of the reporting period, besides equity interest of Yanzhou Coal, the other main assets held by Yankuang Group include: (1) 91.41% equity interest of Guohong Chemicals Co., Ltd.; (2) 100% equity interest in Shandong Yankuang International Coking Co., Ltd.; (3) 100% equity interest in Yankuang Lunan Chemicals Co., Ltd. (4) 50% equity interest in Shaanxi Future Energy Chemicals Co., Ltd.; (5) 51.37% equity interest in Yankuang Guizhou Chemicals Co., Ltd.; (6) 99.67% equity interest in Yankuang Xinjiang Neng Hua Co., Ltd.; (7) 100% equity interest in Zhongyin Real Estate Co., Ltd.

2. Bond repayment scheme

The value date of 12 Yanzhou Coal 01 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 01 for the previous interest year from 2012 to 2017 is on 23 July each year (extended accordingly when it is official holiday or rest day, hereinafter inclusive). The maturity date of 12 Yanzhou Coal 01 is on 23 July 2017. The Company has already paid back bondholders the principal and final interest and delisted this bond.

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 on 23 July each year (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 in 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 on 3 March each year (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 in the maturity date.

CHAPTER 8 CORPORATE BONDS – CONTINUED

(All the financial data in this chapter were prepared in accordance with the CASs)

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 each year (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 in 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 Co., Ltd. will be conducted by bond registration and depository institution and relevant organizations. The payment detail will be explained in the announcement issued through the media designated by the Company in CSRC according to relevant requirements.

3. Bond repayment supporting plan

During the reporting period, the plans and measures for bond repayment supporting of the Company were coincident with the prospectus, including: (1) establish specialized team for bond repayment; (2) ensure that the special 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) when the Company cannot pay back the principal and interests of the 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 responsible person cannot be transferred.

4. Special account for bond repayment

The Company didn't set up special accounts for bond repayment.

VI. BONDHOLDERS' MEETING OF THE COMPANY

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

VII. PERFORMANCE OF DUTIES BY BOND TRUSTEE

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 this bond. During the reporting period, reports on entrusted management businesses have been disclosed by BOC International and published on the website of Shanghai Stock Exchange.

CHAPTER 8 CORPORATE BONDS – CONTINUED

(All the financial data in this chapter were prepared in accordance with the CASs)

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS AS AT THE END OF THE REPORTING PERIOD AND PREVIOUS YEAR (OR IN THE REPORTING PERIOD AND THE CORRESPONDING PERIOD OF PREVIOUS YEAR)

| Main indicator | As at 30 June 2017 | As at 31 December 2016 | Increase/ decrease (%) |
|--------------------------|--------------------------|------------------------------|---------------------------------------|
| Current ratio | 0.93 | 0.82 | 13.41 |
| Liquidity ratio | 0.87 | 0.77 | 12.98 |
| Liability to asset ratio | 61.72% | 64.94% | decrease of 3.22 percentage points |
| Loan repayment rate | 100% | 100% | 0 |

| | For the six months ended 30 June 2017 | For the six months ended 30 June 2017 | Increase/ decrease (%) |
|-----------------------------|--|--|------------------------------|
| EBITDA interest cover ratio | 6.23 | 1.63 | 282.21 |
| Interest cover ratio | 100% | 100% | 0 |

IX. EXPLANATION ON OVERDUE BOND

Not applicable.

X. PRINCIPAL AND INTEREST PAYMENT OF OTHER BONDS AND FINANCING INSTRUMENTS 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 and three tranches of super-short term notes issued in the reporting period on schedule without default.

CHAPTER 8 CORPORATE BONDS – CONTINUED

(All the financial data in this chapter were prepared in accordance with the CASs)

XI. BANK CREDIT STATUS OF THE COMPANY DURING THE REPORTING PERIOD

As at 30 June 2017, the total bank credit limit of the Company was RMB106.65 billion, of which, RMB52.931 billion has been used, RMB53.719 billion remained unused. In the first half of 2017, the Company repaid the principal and interest of bank loan amounting to RMB2.104 billion on schedule. The repayment date for the loan amounting to USD200 million from BOC Paris Branch by Yancoal International was extended to 1 year.

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

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

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

XIII. EFFECT ON OPERATIONS AND BOND REPAYMENT ABILITY OF THE COMPANY BY SIGNIFICANT EVENTS

For the information on significant events and latest progress of the Company, please refer to "Chapter 5 Significant Events" in this Interim Report.

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

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2017

| | NOTES | Period ended 30 June | |
|--|-------|--------------------------------|--------------------------------|
| | | 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) |
| Gross sales of coal | | 21,119,153 | 10,618,970 |
| Railway transportation service income | | 139,204 | 100,086 |
| Gross sales of electricity power | | 238,514 | 276,303 |
| Gross sales of methanol | | 1,311,280 | 1,070,440 |
| Gross sales of heat supply | | 10,946 | 10,084 |
| Gross sales of equipment manufacturing | | 103,396 | 504,831 |
| Total revenue | | 22,922,493 | 12,580,714 |
| Transportation costs of coal | | (973,333) | (877,151) |
| Cost of sales and service provided | | (12,510,561) | (7,401,641) |
| Cost of electricity of power | | (261,829) | (225,677) |
| Cost of methanol | | (1,029,501) | (732,088) |
| Cost of heat supply | | (4,710) | (4,290) |
| Cost of equipment manufacturing | | (51,207) | (407,981) |
| Total cost of sales | | (14,831,141) | (9,648,828) |
| Gross profit | | 8,091,352 | 2,931,886 |
| Selling, general and administrative expenses | | (3,232,671) | (3,083,733) |
| Share of profit of associates | | 250,391 | 217,361 |
| Share of profit (loss) of joint ventures | | 91,442 | (28,239) |
| Other income and gains | | 1,172,127 | 1,524,701 |
| Finance costs | 5 | (1,322,943) | (1,132,759) |
| Profit before tax | 6 | 5,049,698 | 429,217 |
| Income taxes expenses | 7 | (1,130,735) | (72,466) |
| Profit for the period | | 3,918,963 | 356,751 |
| Attributable to: | | | |
| Equity holders of the Company | | 3,451,199 | 375,236 |
| Owners of perpetual capital securities | | 211,011 | 209,799 |
| Non-controlling interests | | | |
| – Perpetual capital securities | | 47,812 | 60,848 |
| – Other | | 208,941 | (289,132) |
| | | 3,918,963 | 356,751 |
| Earnings per share, basic and diluted | 9 | RMB0.70 | RMB0.08 |

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – CONTINUED

FOR THE PERIOD ENDED 30 JUNE 2017

| | NOTES | Period ended 30 June | |
|--|-------|----------------------|-------------|
| | | 2017 | 2016 |
| | | RMB'000 | RMB'000 |
| | | (unaudited) | (unaudited) |
| Profit for the period | | 3,918,963 | 356,751 |
| Other comprehensive income (expenses) (after income tax): | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Available-for-sales investments: | | | |
| Change in fair value | | 79,364 | (46,417) |
| Reclassification adjustments to income statements | | – | (14,773) |
| Deferred taxes | | (13,230) | 15,297 |
| | | 66,134 | (45,893) |
| Cash flow hedges: | | | |
| Cash flow hedge reserve recognised in other comprehensive income | | 1,921,912 | 199,414 |
| Reclassification adjustments for amounts transferred to income statement (included in revenue) | | 290,121 | 117,890 |
| Deferred taxes | | (663,610) | (18,553) |
| | | 1,548,423 | 298,751 |
| Share of other comprehensive (expense) income of associates | | (3,644) | 15,781 |
| Exchange difference arising on translation of foreign operations | | 1,039,065 | 539,422 |
| Other comprehensive income for the period | | 2,649,978 | 808,061 |
| Total comprehensive income for the period | | 6,568,941 | 1,164,812 |
| Attributable to: | | | |
| Equity holders of the Company | | 5,631,429 | 978,023 |
| Owners of perpetual capital securities | | 211,011 | 209,799 |
| Non-controlling interests | | | |
| – Perpetual capital securities | | 47,812 | 60,848 |
| – Other | | 678,689 | (83,858) |
| | | 6,568,941 | 1,164,812 |

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

| | NOTES | 30 June 2017 RMB'000 (unaudited) | 31 December 2016 RMB'000 (audited) |
|---|-------|---|---|
| Current assets | | | |
| Bank balances and cash | 10 | 16,759,688 | 16,422,769 |
| Term deposits | 10 | 3,395,597 | 2,445,000 |
| Restricted cash | 10 | 3,985,173 | 1,144,800 |
| Bills and accounts receivables | 11 | 10,426,445 | 9,735,859 |
| Held-to-maturity investment | | 136,057 | 130,573 |
| Long term receivables-due within one year | | 2,208,214 | 1,944,050 |
| Royalty receivable | | 148,504 | 156,461 |
| Inventories | | 3,261,192 | 2,162,147 |
| Prepayments and other receivables | 12 | 9,773,015 | 7,313,141 |
| Prepaid lease payments | | 26,188 | 29,056 |
| Tax recoverable | | 42,331 | 27,555 |
| | | 50,162,404 | 41,511,411 |
| Non-current assets | | | |
| Intangible assets | | 40,865,011 | 40,606,793 |
| Prepaid lease payments | | 960,954 | 872,202 |
| Property, plant and equipment | 13 | 33,582,502 | 31,023,022 |
| Construction in progress | | 9,690,835 | 10,929,944 |
| Goodwill | | 1,659,419 | 1,646,717 |
| Investments in securities | | 2,231,283 | 2,624,003 |
| Interests in associates | | 5,291,770 | 5,133,273 |
| Interests in joint ventures | | 280,036 | 65,390 |
| Held-to-maturity investment | | – | 69,427 |
| Long term receivables-due after one year | | 5,421,134 | 4,667,837 |
| Royalty receivable | | 885,625 | 841,300 |
| Deposits made on investments | | 118,926 | 118,926 |
| Deferred tax assets | | 8,655,141 | 7,345,227 |
| | | 109,642,636 | 105,944,061 |
| Total assets | | 159,805,040 | 147,455,472 |

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED

AS AT 30 JUNE 2017

| | NOTES | 30 June 2017 RMB'000 (unaudited) | 31 December 2016 RMB'000 (audited) |
|---|-------|---|---|
| Current liabilities | | | |
| Bills and accounts payables | 14 | 6,678,821 | 5,849,019 |
| Other payables and accrued expenses | | 12,169,046 | 10,567,895 |
| Provision for land subsidence, restoration, rehabilitation and environmental costs | 15 | 2,314,964 | 2,689,433 |
| Amounts due to Parent Company and its subsidiary | | 169,138 | 315,956 |
| Borrowings – due within one year | 16 | 32,127,077 | 30,741,981 |
| Long term payables – due within one year | | 396,285 | 396,285 |
| Provision | | 39,489 | 44,982 |
| Derivative financial instruments | | 349 | 3,246 |
| Tax payable | | 394,271 | 775,051 |
| | | 54,289,440 | 51,383,848 |
| Non-current liabilities | | | |
| Borrowings – due after one year | 16 | 33,917,589 | 34,835,810 |
| Deferred tax liabilities | | 8,177,473 | 7,017,396 |
| Provision for land subsidence, restoration, rehabilitation and environmental costs | 15 | 684,427 | 617,447 |
| Provision | | 162,626 | 197,418 |
| | | 42,942,115 | 42,668,071 |
| Total liabilities | | 97,231,555 | 94,051,919 |
| Capital reserves | | | |
| Share capital | 17 | 4,912,016 | 4,912,016 |
| Reserves | 17 | 37,268,647 | 32,226,660 |
| Equity attributable to equity holders of the Company | | 42,180,663 | 37,138,676 |
| Owners of perpetual capital security | 18 | 10,036,753 | 6,662,191 |
| Non-controlling interests | | | |
| – Subordinated capital notes | | 3,102 | 3,102 |
| – Other | | 10,352,967 | 9,599,584 |
| | | 62,573,485 | 53,403,553 |
| Total liabilities and equity | | 159,805,040 | 147,455,472 |

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2017

| | Attributable to equity holders of the Company | | | | | | | | | | Non-controlling interests | | | | |
|---|---|-----------------|---------------|-------------------------|-------------------------------|---------------------|--------------------------------|-------------------------|----------------------|------------|--|---|----------------------------|-----------|-------------|
| | Share capital | Capital reserve | Share premium | Future development fund | Statutory common reserve fund | Translation reserve | Investment revaluation reserve | Cash flow hedge reserve | Retained earnings | | Perpetual Capital Securities issued by the Company | Perpetual Capital Securities issued by a subsidiary | Subordinated Capital Notes | Others | Total |
| | RMB'000 (note 17) | RMB'000 | RMB'000 | RMB'000 (note 17) | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 (note 17) | RMB'000 | RMB'000 (note 18) | RMB'000 (note 18) | RMB'000 (note 19) | RMB'000 | RMB'000 |
| At 1 January 2016 (audited) | 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 period (unaudited) | - | - | - | - | - | - | - | - | 375,236 | 375,236 | 209,799 | 60,848 | - | (289,132) | 356,751 |
| Other comprehensive income (expenses): | | | | | | | | | | | | | | | |
| - Fair value change of available-for-sale investments | - | - | - | - | - | - | (45,893) | - | - | (45,893) | - | - | - | - | (45,893) |
| - Share of other comprehensive income of associates | - | - | - | - | - | - | 15,781 | - | - | 15,781 | - | - | - | - | 15,781 |
| - Cash flow hedge reserve recognised | - | - | - | - | - | - | - | 260,654 | - | 260,654 | - | - | - | 38,097 | 298,751 |
| - Exchange differences arising on translation of foreign operations | - | - | - | - | - | 372,245 | - | - | - | 372,245 | - | - | - | 167,177 | 539,422 |
| Total comprehensive income (expenses) for the period (unaudited) | - | - | - | - | - | 372,245 | (30,112) | 260,654 | 375,236 | 978,023 | 209,799 | 60,848 | - | (83,858) | 1,164,812 |
| Transactions with owners (unaudited) | | | | | | | | | | | | | | | |
| - Distribution paid to holders of perpetual capital securities | - | - | - | - | - | - | - | - | - | - | (253,800) | (79,938) | - | - | (333,738) |
| - Establishment of a subsidiary | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,000,000 | 4,000,000 |
| - Appropriations to and utilisation of reserves | - | - | - | (195,583) | - | - | - | - | 195,583 | - | - | - | - | - | - |
| - Dividends | - | - | - | - | - | - | - | - | (49,120) | (49,120) | - | - | - | (4,200) | (53,320) |
| - Acquisition of non-controlling interests | - | - | - | - | - | - | - | - | 1,267 | 1,267 | - | - | - | (3,670) | (2,403) |
| - Redemption of perpetual capital securities | - | - | - | - | - | - | - | - | - | - | - | (1,835,747) | - | - | (1,835,747) |
| Transactions with owners (unaudited) | - | - | - | (195,583) | - | - | - | - | 147,730 | (47,853) | (253,800) | (1,915,685) | - | 3,992,130 | 1,774,792 |
| At 30 June 2016 (unaudited) | 4,918,400 | (19,439) | 2,981,002 | 783,078 | 5,952,503 | (8,008,052) | 72,648 | (1,096,601) | 30,716,532 | 36,300,071 | 6,617,682 | - | 3,102 | 5,820,403 | 48,741,258 |

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – CONTINUED

FOR THE PERIOD ENDED 30 JUNE 2017

| | Attributable to equity holders of the Company | | | | | | | Non-controlling interests | | | | | |
|--|---|---------------|-------------------------|------------------------|---------------------|--------------------------------|-------------------------|---------------------------|------------|--|---|----------------------------|------------|
| | Share capital | Share premium | Future development fund | Statutory reserve fund | Translation reserve | Investment revaluation reserve | Cash flow hedge reserve | Retained earnings | Total | Perpetual Capital Securities issued by the Company | Perpetual Capital Securities issued by a subsidiary | Subordinated Capital Notes | Others |
| | RMB'000 (note 17) | RMB'000 | RMB'000 (note 17) | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 (note 17) | RMB'000 | RMB'000 (note 18) | RMB'000 (note 18) | RMB'000 (note 19) | RMB'000 |
| At 1 January 2017 (audited) | 4,912,016 | 2,967,947 | 978,661 | 5,952,503 | (8,768,479) | 81,346 | (778,951) | 31,783,633 | 37,138,676 | 6,662,191 | - | 3,102 | 9,599,584 |
| Profit for the period (unaudited) | - | - | - | - | - | - | - | 3,451,199 | 3,451,199 | 211,011 | 47,812 | - | 208,941 |
| Other comprehensive income (expenses): | | | | | | | | | | | | | |
| - Fair value change of available-for-sale investments | - | - | - | - | - | 66,134 | - | - | 66,134 | - | - | - | 66,134 |
| - Share of other comprehensive income of associates | - | - | - | - | - | (3,644) | - | - | (3,644) | - | - | - | (3,644) |
| - Cash flow hedge reserve recognised | - | - | - | - | - | - | 1,229,625 | - | 1,229,625 | - | - | - | 318,798 |
| - Exchange differences arising on translation of foreign operations | - | - | - | - | 888,115 | - | - | - | 888,115 | - | - | - | 150,950 |
| Total comprehensive income (expenses) for the period (unaudited) | - | - | - | - | 888,115 | 62,490 | 1,229,625 | 3,451,199 | 5,631,429 | 211,011 | 47,812 | - | 678,689 |
| Transactions with owners (unaudited) | | | | | | | | | | | | | |
| - Issuance of perpetual capital securities | - | - | - | - | - | - | - | - | - | 3,417,351 | - | - | 3,417,351 |
| - Distribution paid to holders of perpetual capital securities | - | - | - | - | - | - | - | - | - | (253,800) | (47,812) | - | (301,612) |
| - Establishment of subsidiaries and injection of capital to a subsidiary | - | - | - | - | - | - | - | - | - | - | - | - | 325,450 |
| - Dividends | - | - | - | - | - | - | - | (589,442) | (589,442) | - | - | - | (250,756) |
| Transactions with owners (unaudited) | - | - | - | - | - | - | - | (589,442) | (589,442) | 3,163,551 | (47,812) | - | 74,694 |
| At 30 June 2017 (unaudited) | 4,912,016 | 2,967,947 | 978,661 | 5,952,503 | (7,880,364) | 143,836 | 450,674 | 34,655,390 | 42,180,663 | 10,036,753 | - | 3,102 | 10,352,967 |

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2017

| | 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) |
|---|--------------------------------|--------------------------------|
| NET CASH FROM (USED IN) OPERATING ACTIVITIES | 2,650,151 | (77,417) |
| INVESTING ACTIVITIES | | |
| Acquisition of additional interests in a subsidiary | – | (2,403) |
| Placement of restricted cash | (2,840,373) | (713,046) |
| (Increase)/decrease in term deposits | (970,597) | 1,239,554 |
| Investment in interest in a joint venture | (169,168) | (10,000) |
| Investment in an associate | – | (550,000) |
| Investment in investment securities | (20,000) | (2,315,139) |
| Purchase of intangible assets | (239,833) | (11,330) |
| Purchase of property, plant and equipment and construction in progress | (1,861,443) | (2,461,185) |
| Proceeds on disposal of property, plant and equipment | 23,839 | 347,573 |
| Increase in long term receivables | (1,222,254) | (528,959) |
| Other investing activities | 339,849 | (51,475) |
| NET CASH USED IN INVESTING ACTIVITIES | (6,959,980) | (5,056,410) |
| FINANCING ACTIVITIES | | |
| Contribution from non-controlling interests | 325,450 | 4,000,000 |
| Distribution paid to holders of perpetual capital securities | (301,612) | (333,738) |
| Dividends paid | (250,756) | (53,320) |
| Repayments of bank borrowings | (5,473,886) | (7,807,208) |
| Proceeds from bank borrowings | 3,641,668 | 2,394,900 |
| Proceeds from issuance of guaranteed notes | 7,500,000 | 13,488,667 |
| Proceeds from issuance of perpetual capital securities | 3,417,351 | – |
| Redemption of perpetual capital securities | – | (1,835,747) |
| Repayment of guaranteed notes | (4,500,000) | (10,000,000) |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES | 4,358,215 | (146,446) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 48,386 | (5,280,273) |
| CASH AND CASH EQUIVALENTS, AT BEGINNING OF THE PERIOD | 16,422,769 | 20,175,120 |
| Effect of foreign exchange rate | 288,533 | (28,603) |
| CASH AND CASH EQUIVALENTS, AT END OF THE PERIOD, represented by bank balances and cash | 16,759,688 | 14,866,244 |

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE PERIOD ENDED 30 JUNE 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”) and its H shares are listed on The Stock Exchange of Hong Kong (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 and General Information section of the interim report.

On 24 January 2017, the American Depositary 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 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 subsidiaries of the Company are principally engaged in methanol, electricity and heat supply and equipment manufacturing.

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

2. BASIS OF PREPARATION

The condensed interim consolidated financial information of the Company and its subsidiaries (collectively as the “Group”) for the six months ended 30 June 2017 has been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the HKEX. They do not include all of the information required in annual financial statements in accordance with IFRSs, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016. The interim financial information is unaudited.

3. SIGNIFICANT ACCOUNTING POLICIES

The interim financial information has been prepared in accordance with the accounting policies adopted in the Group’s most recent annual financial statements for the year ended 31 December 2016.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016, except a number of accounting policies that are adopted by the Company and effective for annual periods beginning on or after 1 January 2017.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In the current period, the Group had applied, for the first time, the new standards and interpretations and revised/amended standards and interpretations (the new “IFRSs”) issued by the IASB and the International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB, which are effective for the financial year beginning on 1 January 2017. The new IFRSs relevant to these interim financial statements are as follows:

| | |
|----------------------|--|
| Amendments to IAS 7 | Disclosure Initiative |
| Amendments to IAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |

The adoption of the new IFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods.

The Group has not early applied the new standards or interpretations that have been issued but are not yet effective.

4. SEGMENT INFORMATION

The Group is engaged primarily in the mining business. The Group is also engaged in the coal railway transportation business. The Group 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 |

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

4. SEGMENT INFORMATION – CONTINUED

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, finance costs and income tax expenses. This is the measure reported to the board, being the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

(a) Segment revenues and results

Segment information about these businesses is presented below:

| | For the period ended 30 June 2017 | | | | | | |
|-----------------------------------|-----------------------------------|-----------------------------|-----------------------------|-------------------------|-------------|--------------|--------------|
| | Methanol, | | | | | | |
| | Coal mining | Coal railway transportation | electricity and heat supply | Equipment manufacturing | Unallocated | Eliminations | Consolidated |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| SEGMENT REVENUE | | | | | | | |
| External | 21,119,153 | 139,204 | 1,560,740 | 103,396 | – | – | 22,922,493 |
| Inter-segment | 1,065,420 | 24,668 | 295,383 | 421,021 | – | (1,806,492) | – |
| Total | 22,184,573 | 163,872 | 1,856,123 | 524,417 | – | (1,806,492) | 22,922,493 |
| RESULTS | | | | | | | |
| Segment results | 6,412,349 | 27,251 | 203,908 | 52,190 | – | – | 6,695,698 |
| Unallocated corporate expenses | | | | | | | (1,569,465) |
| Unallocated corporate income | | | | | | | 525,186 |
| Interest income | | | | | | | 379,389 |
| Share of profit of associates | 153,957 | | 6,680 | | 89,754 | | 250,391 |
| Share of profit of joint ventures | 91,442 | | | | | | 91,442 |
| Finance costs | | | | | | | (1,322,943) |
| Profit before tax | | | | | | | 5,049,698 |
| Income taxes expenses | | | | | | | (1,130,735) |
| Profit for the period | | | | | | | 3,918,963 |

Inter-segment revenue is charged at prices pre-determined by the relevant governmental authority.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

4. SEGMENT INFORMATION – CONTINUED

(a) Segment revenues and results – continued

| For the period ended 30 June 2016 | | | | | | |
|-----------------------------------|-------------|----------------|------------------------------|---------------|--------------|--------------|
| | Coal mining | Coal railway | Methanol, electricity and | Equipment | Eliminations | Consolidated |
| | RMB'000 | transportation | heat supply | manufacturing | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| SEGMENT REVENUE | | | | | | |
| External | 10,618,970 | 100,086 | 1,356,827 | 504,831 | – | 12,580,714 |
| Inter-segment | 175,026 | 23,107 | 309,472 | 97,122 | (604,727) | – |
| Total | 10,793,996 | 123,193 | 1,666,299 | 601,953 | (604,727) | 12,580,714 |
| RESULTS | | | | | | |
| Segment results | 1,885,930 | 14,372 | 247,899 | 56,424 | – | 2,204,625 |
| Unallocated corporate expenses | | | | | | (1,283,233) |
| Unallocated corporate income | | | | | | 92,985 |
| Interest income | | | | | | 358,477 |
| Share of profit of associates | 119,234 | | 98,127 | | | 217,361 |
| Share of loss of joint ventures | (28,239) | | | | | (28,239) |
| Finance costs | | | | | | (1,132,759) |
| Profit before tax | | | | | | 429,217 |
| Income taxes expenses | | | | | | (72,466) |
| Profit for the period | | | | | | 356,751 |

Inter-segment revenue is charged at prices pre-determined by the relevant governmental authority.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

5. FINANCE COSTS

| | Period ended 30 June | |
|---|----------------------|-------------|
| | 2017 | 2016 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Interest expenses on: | | |
| – borrowings wholly repayable within 5 years | 1,263,038 | 867,622 |
| – borrowings not wholly repayable within 5 years | 201,300 | 394,405 |
| – Bills receivable discounted without recourse | 298 | 583 |
| | 1,464,636 | 1,262,610 |
| Less: interest expenses capitalised into construction in progress | (141,693) | (129,851) |
| | 1,322,943 | 1,132,759 |

6. PROFIT BEFORE TAX

| | Period ended 30 June | |
|--|----------------------|-------------|
| | 2017 | 2016 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Profit before taxes has been arrived at after charging: | | |
| Depreciation of property, plant and equipment | 1,843,970 | 1,711,821 |
| Amortisation of intangible assets | 437,209 | 296,128 |
| Total depreciation and amortisation | 2,281,179 | 2,007,949 |
| Dividends and interest income | 490,292 | 451,462 |
| Gain arising from transfer of available-for-sale securities to associate | – | 105,168 |
| Release of prepaid lease payments | 13,094 | 12,113 |
| (Gain) loss on disposal of property, plant and equipment, net | (9,916) | 3,034 |
| Impairment loss recognised in respect of inventories | 17,716 | 18,828 |
| Exchange loss, net | 243,329 | 222,510 |
| Provision of impairment loss on accounts and other receivables | 162,448 | 1,109,053 |
| Reversal of impairment loss on accounts and other receivables | (73,261) | – |

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

7. INCOME TAX EXPENSES

| | Period ended 30 June | |
|----------------|----------------------|-------------|
| | 2017 | 2016 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Income taxes: | | |
| Current taxes | 1,242,985 | 445,272 |
| Deferred taxes | (112,250) | (372,806) |
| | 1,130,735 | 72,466 |

8. DIVIDEND

| | Period ended 30 June | |
|--|----------------------|-------------|
| | 2017 | 2016 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Final dividend approved, RMB0.12 (2016: RMB0.01) per share | 589,442 | 49,120 |

Pursuant to 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.

9. EARNINGS PER SHARE

The calculation of the earnings per share attributable to equity holders of the Company for the six months ended 30 June 2017 and 30 June 2016 is based on the profit for the period of approximately RMB3,451,199,000 and approximately RMB375,236,000 and on the weighted average of 4,912,016,000 shares in issue during the period ended 30 June 2017 and 30 June 2016 respectively.

Diluted earnings per share for the six months ended 30 June 2017 and 2016 is the same as the basic earnings share as there is no dilutive effect of subordinated capital notes on potential ordinary shares.

10. BANK BALANCES AND CASH/TERM DEPOSITS AND RESTRICTED CASH

At the reporting dates, the restricted cash of PRC portion mainly represents the deposits paid for safety work as required by the State Administrative of work safety. Term deposits were pledged to certain banks as security for loans and banking facilities granted to the Group.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

11. BILLS AND ACCOUNTS RECEIVABLES

| | At 30 June 2017 RMB'000 (unaudited) | At 31 December 2016 RMB'000 (audited) |
|---|--|--|
| Accounts receivable | 2,266,586 | 3,001,670 |
| Less: Impairment loss | (228,627) | (151,812) |
| | 2,037,959 | 2,849,858 |
| Bills receivable | 8,388,486 | 6,886,001 |
| Total bills and accounts receivables, net | 10,426,445 | 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 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 30 June 2017 RMB'000 (unaudited) | At 31 December 2016 RMB'000 (audited) |
|----------------|--|--|
| 0 – 90 days | 7,675,535 | 6,900,175 |
| 91 – 180 days | 840,608 | 546,045 |
| 181 – 365 days | 1,761,603 | 1,612,648 |
| Over 1 year | 148,699 | 676,991 |
| | 10,426,445 | 9,735,859 |

The Group does not hold any collateral over these balances.

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.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

11. BILLS AND ACCOUNTS RECEIVABLES – CONTINUED

An analysis of the impairment loss on accounts receivable for 30 June 2017 and 31 December 2016 are as follows:

| | At 30 June 2017 RMB'000 (unaudited) | At 31 December 2016 RMB'000 (audited) |
|----------------------------|--|--|
| At the beginning of period | 151,812 | 59,914 |
| Provided for the period | 82,349 | 91,898 |
| Reversal for the period | (5,534) | – |
| At the end of period | 228,627 | 151,812 |

Included in the impairment loss on bills and accounts receivables is a balance of approximately RMB228,627,000 (2016: approximately 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.

12. PREPAYMENTS AND OTHER RECEIVABLES

| | At 30 June 2017 RMB'000 (unaudited) | At 31 December 2016 RMB'000 (audited) |
|---|--|--|
| Advance to suppliers | 3,835,370 | 3,943,418 |
| Less: Impairment loss on advance to suppliers | (1,059,050) | (1,046,678) |
| | 2,776,320 | 2,896,740 |
| Prepaid relocation costs of inhabitants | 2,005,751 | 2,005,751 |
| Dividend receivable | 150,010 | 5,000 |
| Others | 4,840,934 | 2,405,650 |
| | 9,773,015 | 7,313,141 |

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

12. PREPAYMENTS AND OTHER RECEIVABLES – CONTINUED

An analysis of the impairment loss on advances to suppliers for 30 June 2017 and 31 December 2016 are as follows:

| | At 30 June 2017 RMB'000 (unaudited) | At 31 December 2016 RMB'000 (audited) |
|----------------------------|--|--|
| At the beginning of period | 1,046,678 | 29,523 |
| Provided for the period | 80,099 | 1,017,155 |
| Reversal for the period | (67,727) | – |
| At the end of period | 1,059,050 | 1,046,678 |

Included in the above balances as of 30 June 2017 is individually impaired advances to suppliers is a balance of approximately RMB1,059,050,000 (31 December 2016: approximately RMB1,046,678,000). 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. Receivable 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 period ended 30 June 2017 and 31 December 2016, there was no written off against prepayments and other receivables.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of property, plant and machinery with a cost of approximately RMB1,293,145,000 (2016: approximately RMB2,461,185,000). Items of property, plant and machinery with a net book value of approximately RMB13,923,000 were disposed of during the six months ended 30 June 2017 (2016: approximately RMB396,747,000), resulting in a gain (2016: loss) on disposal of approximately RMB9,916,000 (2016: approximately RMB3,034,000).

14. BILLS AND ACCOUNTS PAYABLES

| | At 30 June 2017 RMB'000 (unaudited) | At 31 December 2016 RMB'000 (audited) |
|------------------|--|--|
| Accounts payable | 4,016,623 | 4,363,905 |
| Bills payable | 2,662,198 | 1,485,114 |
| | 6,678,821 | 5,849,019 |

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

14. BILLS AND ACCOUNTS PAYABLES – CONTINUED

The following is an aged analysis of bills and accounts payables based on the invoice dates at the reporting dates:

| | At 30 June 2017 RMB'000 (unaudited) | At 31 December 2016 RMB'000 (audited) |
|----------------|--|--|
| 0 – 90 days | 5,663,430 | 4,883,651 |
| 91 – 180 days | 228,218 | 467,604 |
| 181 – 365 days | 319,116 | 244,263 |
| Over 1 year | 468,057 | 253,501 |
| | 6,678,821 | 5,849,019 |

The average credit periods for bills and accounts payables are 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

15. PROVISION FOR LAND SUBSIDENCE, RESTORATION, REHABILITATION AND ENVIRONMENTAL COSTS

| | At 30 June 2017 RMB'000 (unaudited) | At 31 December 2016 RMB'000 (audited) |
|------------------------------------|--|--|
| At the beginning of period | 3,306,880 | 3,199,739 |
| Exchange re-alignment | 24,919 | 42,580 |
| Additional provision in the period | 599,967 | 1,095,637 |
| Utilisation of provision | (932,375) | (1,031,076) |
| At the end of period | 2,999,391 | 3,306,880 |
| Presented as: | | |
| Current portion | 2,314,964 | 2,689,433 |
| Non-current portion | 684,427 | 617,447 |
| | 2,999,391 | 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.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

16. BORROWINGS

| | At 30 June 2017 RMB'000 (unaudited) | At 31 December 2016 RMB'000 (audited) |
|------------------------------------|--|--|
| Current liabilities | | |
| Bank borrowings | | |
| – Unsecured borrowings (i) | 8,571,024 | 7,620,029 |
| – Secured borrowings (ii) | 4,815,080 | 5,849,658 |
| Loans pledged by machineries (iii) | 600,000 | 200,000 |
| Finance lease liabilities (iv) | 109,253 | 101,453 |
| Guaranteed notes (v) | 18,031,720 | 16,970,841 |
| | 32,127,077 | 30,741,981 |
| Non-current liabilities | | |
| Bank borrowings | | |
| – Unsecured borrowings (i) | 4,897,425 | 2,397,847 |
| – Secured borrowing (ii) | 18,647,611 | 20,055,625 |
| Loans pledged by machineries (iii) | 1,200,000 | 1,600,000 |
| Finance lease liabilities (iv) | 219,220 | 255,567 |
| Guaranteed notes (v) | 8,953,333 | 10,526,771 |
| | 33,917,589 | 34,835,810 |
| Total borrowings | 66,044,666 | 65,577,791 |

(i) Unsecured borrowings are repayable as follows:

| | At 30 June 2017 RMB'000 (unaudited) | At 31 December 2016 RMB'000 (audited) |
|---|--|--|
| Within one year | 8,571,024 | 7,620,029 |
| More than one year, but not exceeding two years | 1,812,240 | 661,000 |
| More than two years, but not more than five years | 3,085,185 | 1,736,847 |
| | 13,468,449 | 10,017,876 |

As at 30 June 2017, unsecured short term borrowings carried interests at fixed rates at a range of 1.90%-6.90% (31 December 2016: 1.26%-6.00%) per annum.

As at 30 June 2017, unsecured long term borrowings of approximately RMB2,359,129,000 carried interest at fixed rates at a range of 4.51%-5.60% (31 December 2016: 4.75%-4.80%) per annum while the remaining unsecured long term borrowings carried interest at floated rates at a range of three-months LIBOR plus a margin of 0.60%-2.80% (31 December 2016: three-months LIBOR plus a margin of 0.60%) per annum.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

16. BORROWINGS – CONTINUED

(ii) Secured borrowings are repayable as follows:

| | At 30 June 2017 RMB'000 (unaudited) | At 31 December 2016 RMB'000 (audited) |
|---|--|--|
| Within one year | 4,815,080 | 5,849,658 |
| More than one year, but not exceeding two years | 2,522,380 | 1,687,400 |
| More than two years, but not more than five years | 10,547,007 | 12,356,190 |
| More than five years | 5,578,224 | 6,012,035 |
| | 23,462,691 | 25,905,283 |

As at 30 June 2017, secured short term borrowings carried interest at fixed rates at a range of 1.90%-5.60% (31 December 2016: 1.26%-6.00%) per annum.

As at 30 June 2017, secured long term borrowings of approximately RMB11,419,620,000 carried interest at a range of 4.51%-8.70% (31 December 2016: 5.68-8.70%) per annum while the remaining secured long term borrowings carried interest at a range of six-months LIBOR plus a margin of 1.20%-3.20% (31 December 2016: six-months LIBOR plus a margin of 1.10-3.20%) per annum.

(iii) Loans pledged by machineries are repayable as follows:

| | At 30 June 2017 RMB'000 (unaudited) | At 31 December 2016 RMB'000 (audited) |
|---|--|--|
| Present value of minimum payments | | |
| Within one year | 600,000 | 200,000 |
| More than one year, but not exceeding two years | 1,200,000 | 1,000,000 |
| More than two years, but not more than five years | – | 600,000 |
| | 1,800,000 | 1,800,000 |
| Less: Amounts due within one year and included in current liabilities | (600,000) | (200,000) |
| Amounts due after one year and included in non-current liabilities | 1,200,000 | 1,600,000 |

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

16. BORROWINGS – CONTINUED

(iv) Finance lease liabilities are repayable as follows:

| | At 30 June 2017 RMB'000 (unaudited) | At 31 December 2016 RMB'000 (audited) |
|---|--|--|
| Minimum lease payments | | |
| Within one year | 124,500 | 118,231 |
| More than one year, but not exceeding two years | 72,302 | 71,587 |
| More than two years, but not more than five years | 171,763 | 193,800 |
| | 368,565 | 383,618 |
| Less: Future finance charges | (40,092) | (26,598) |
| Present value of lease payments | 328,473 | 357,020 |
| | | |
| | At 30 June 2017 RMB'000 (unaudited) | At 31 December 2016 RMB'000 (audited) |
| Present value of minimum lease payments | | |
| Within one year | 109,253 | 101,453 |
| More than one year, but not exceeding two years | 40,770 | 96,978 |
| More than two years, but not more than five years | 178,450 | 158,589 |
| | 328,473 | 357,020 |
| Less: Amounts due within one year and included in current liabilities | (109,253) | (101,453) |
| Amounts due after one year and included in non-current liabilities | 219,220 | 255,567 |

Finance lease liabilities of approximately RMB328,473,000 (2016: approximately RMB357,020,000) carried interest at 4.975% per annum (2016: 5.52% per annum).

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

16. BORROWINGS – CONTINUED

(v) Guaranteed notes are detailed as follows:

| | At 30 June 2017 RMB'000 (unaudited) | At 31 December 2016 RMB'000 (audited) |
|---|--|--|
| Guaranteed notes denominated in RMB repayable within one year | 16,489,618 | 14,495,741 |
| Guaranteed notes denominated in USD repayable within one year | 1,542,102 | 2,475,100 |
| Guaranteed notes denominated in RMB repayable within two to five years | 1,943,500 | 1,941,225 |
| Guaranteed notes denominated in USD repayable over five years | – | 1,579,113 |
| Guaranteed notes denominated in RMB repayable over five years | 7,009,833 | 7,006,433 |
| | 26,985,053 | 27,497,612 |

17. 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 2016 (audited) | 2,960,000,000 | 1,958,400,000 | 4,918,400,000 |
| Shares repurchased and cancelled | – | (6,384,000) | (6,384,000) |
| At 31 December 2016 (audited) and 30 June 2017 (unaudited) | 2,960,000,000 | 1,952,016,000 | 4,912,016,000 |

| | 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 2016 (audited) | 2,960,000 | 1,958,400 | 4,918,400 |
| Shares repurchased and cancelled | – | (6,384) | (6,384) |
| At 31 December 2016 (audited) and 30 June 2017 (unaudited) | 2,960,000 | 1,952,016 | 4,912,016 |

Each share has a par value of RMB1.

17. 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'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.

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 30 June 2017 is the retained earnings computed under IFRS which amounted to approximately RMB40,341,983,000 (31 December 2016: approximately RMB33,843,779,000).

18. PERPETUAL CAPITAL SECURITIES

| | Non-controlling interests | | Total RMB'000 |
|--|---|--|------------------|
| | Perpetual capital securities issued by the Company and a subsidiary RMB'000 (note i, ii) | Perpetual capital securities issued by a subsidiary RMB'000 (note iii) | |
| At 1 January 2016 (audited) | 6,661,683 | 1,854,837 | 8,516,520 |
| Profit attributable 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) |
| Redemption of perpetual capital security | – | (1,854,837) | (1,854,837) |
| At 31 December 2016 and 1 January 2017 (audited) | 6,662,191 | – | 6,662,191 |
| Issuance of perpetual capital security | 3,417,351 | – | 3,417,351 |
| Profit attributable to holders of perpetual capital security | 211,011 | 47,812 | 258,823 |
| Distribution paid to holders of perpetual capital security | (253,800) | (47,812) | (301,612) |
| At 30 June 2017 (unaudited) | 10,036,753 | – | 10,036,753 |

- (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.

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. Those 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.

18. PERPETUAL CAPITAL SECURITIES – CONTINUED

- (ii) The Company issued 5.75% perpetual capital securities with par value of US\$500,000,000 on 6 April 2017. Coupon payments of 5.75% per annum on the perpetual capital securities are paid in once a year. The perpetual capital securities has 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) 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.

19. 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 the Australian Securities Exchange. The distribution rate is set at 7% per annum, with interest will be paid half a year at Yancoal Australia’s discretion.

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, the next distribution payment date for the SCNs occurred on 31 January 2017, the distribution was paid at a rate of 7% per annum or USD3.50 per SCN. The total amount distributed was USD63 million.

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.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

20. 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 condensed consolidated financial information 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).

| | At 30 June 2017 | | | |
|--|-----------------|-------------|-------------|-------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Assets | | | | |
| Available-for-sale investments | | | | |
| – Investments in securities listed on the SSE | 635 | – | – | 635 |
| – Investments in securities listed on the HKEX | 1,855,449 | – | – | 1,855,449 |
| – Investment in unlisted investment portfolio | – | 238,101 | – | 238,101 |
| Derivative financial instruments | | | | |
| – Royalty receivable | – | – | 1,034,129 | 1,034,129 |
| | 1,856,084 | 238,101 | 1,034,129 | 3,128,314 |
| Liabilities | | | | |
| Derivative financial instruments | | | | |
| – Forward foreign exchange contracts | – | 349 | – | 349 |
| | – | 349 | – | 349 |

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

20. FAIR VALUES – CONTINUED

| | At 31 December 2016 | | | |
|--|---------------------------------|---------------------------------|---------------------------------|-------------------------------|
| | Level 1 RMB'000 (audited) | Level 2 RMB'000 (audited) | Level 3 RMB'000 (audited) | Total RMB'000 (audited) |
| 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 |
| – Investment in unlisted investment portfolio | – | 679,852 | – | 679,852 |
| Derivative financial instruments | | | | |
| – Royalty receivable (i) | – | – | 997,761 | 997,761 |
| | 1,807,061 | 679,852 | 997,761 | 3,484,674 |
| Liabilities | | | | |
| Derivative financial instruments | | | | |
| – Forward foreign exchange contracts | – | 3,246 | – | 3,246 |
| | – | 3,246 | – | 3,246 |

During the six months ended 30 June 2017 and the year ended 31 December 2016, there are no change in categories between level 1 and level 2 and no movement from or into level 3.

- (i) Royalty receivable has been determined to have a finite life being the life of the Middlemount and is measured at fair value basis. It is measured based on management expectations of the future cash flows with the remeasurement recorded in the income statement at each balance sheet date. The amount expected to be received in the next 12 month will be disclosed as current receivable and the discounted expected future cash flow beyond 12 months will be disclosed as a non-current receivable. Change in fair value is included in selling, general and administrative expenses.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

21. 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 30 June 2017 RMB'000 (unaudited) | At 31 December 2016 RMB'000 (audited) |
|---|--|--|
| Nature of balances (other than those already disclosed) | | |
| Bills and accounts receivables | | |
| – Parent Company and its subsidiaries | 839,443 | 773,333 |
| – Joint ventures | 110,167 | 573,260 |
| – Associates | 35,864 | – |
| Prepayments and other receivables | | |
| – Parent Company and its subsidiaries | 1,820,353 | 707,108 |
| – Associates | 93,401 | 93,401 |
| Long-term receivables | | |
| – Parent Company and its subsidiaries | 15,075 | 21,649 |
| Bills and accounts payables | | |
| – Parent Company and its subsidiaries | 164,148 | 315,956 |
| – Joint ventures | – | 3,001 |
| – Associates | 7 | 2 |
| Other payables and accrued expenses | | |
| – Parent Company and its subsidiaries | 972,161 | 1,201,935 |
| – Joint ventures | 4,196 | 15,265 |
| – Associates | 6,180 | 686 |
| – Non-controlling interest | 672 | – |

The amounts due from/to the Parent Company, joint ventures and its subsidiaries are non-interest bearing, unsecured and repayable on demand.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

21. RELATED PARTY BALANCES AND TRANSACTIONS – CONTINUED

Balances and transactions with related parties – continued

During the periods, the Group had the following significant transactions with the Parent Company and/or its subsidiary companies, associates, joint ventures and non-controlling interest:

| | Period ended 30 June | |
|---|----------------------|-------------|
| | 2017 | 2016 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| <i>Income</i> | | |
| Sales of coal | 1,217,054 | 456,710 |
| Sales of heat and electricity | 40,090 | 55,646 |
| Sales of auxiliary materials | 209,857 | 373,951 |
| Sales of methanol | 4,033 | 13,904 |
| Provision of coal mine management service | 173,922 | – |
| Royalty income | 65,934 | – |
| <i>Expenditure</i> | | |
| Utilities and facilities | 32,677 | 4,139 |
| Purchases of supply materials and equipment | 1,835,532 | 1,627,002 |
| Repair and maintenance services | 6,101 | 4,959 |
| Social welfare and support services | 852,448 | 100,351 |
| Construction services | 160,225 | 16,607 |
| Coal processing service | 41,312 | 38,393 |
| Coal train convoy services | 8,840 | 13,159 |
| Port services | 236,191 | – |

Expenditures for social welfare and support services (excluding medical and child care expenses) are approximately RMB105,246,000 and approximately RMB100,351,000 for each of the six months period ended 30 June 2017 and 2016. These expenses will be negotiated with and paid by the Parent Company each year.

In addition to the above, the Company participates in a retirement benefit scheme of the Parent Company in respect of retirement benefits.

As at 30 June 2017, the Company has deposited approximately RMB916,664,000 (31 December 2016: approximately RMB798,615,000) to the Company's associate, Yan Kuang Group Finance Company Limited. The interest income received during the six months ended 30 June 2017 amounted to approximately RMB3,311,000.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

21. 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:

| | Period ended 30 June | |
|-----------------|----------------------|-------------|
| | 2017 | 2016 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Trade sales | 1,259,681 | 904,468 |
| Trade purchases | 1,929,895 | 1,217,623 |

Material transactions with other state-controlled entities are as follows:

| | At 30 June | At 31 December |
|--|-------------|----------------|
| | 2017 | 2016 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (audited) |
| Amounts due to other state-controlled entities | 440,932 | 132,703 |
| Amounts due from other state-controlled entities | 677,235 | 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 period or at any time during the year.

21. RELATED PARTY BALANCES AND TRANSACTIONS – CONTINUED

Balances and transactions with a joint venture

| | At 30 June 2017 RMB'000 (unaudited) | At 31 December 2016 RMB'000 (audited) |
|--------------------------|--|--|
| Due from a joint venture | 1,682,539 | 5,626,842 |

The amount due from a joint venture is unsecured and interest is calculated at commercial rate. Interest received by the Group in the current period amounting to approximately RMB47,562,000 (2016: approximately RMB454,671,000).

Compensation of key management personnel

The remuneration of directors and other members of key management were as follows:

| | Period ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) |
| Directors' fee | 861 | 260 |
| Salaries, allowance and other benefits in kind | 739 | 3,867 |
| Retirement benefit scheme contributions | 224 | 228 |
| | 1,824 | 4,355 |

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

22. COMMITMENTS

| | At 30 June 2017 RMB'000 (unaudited) | At 31 December 2016 RMB'000 (audited) |
|--|--|--|
| Capital expenditure contracted for but not provided in the condensed consolidated financial information | | |
| (a) Acquisition of property, plant and equipment | | |
| – the Group | 5,208,314 | 4,166,882 |
| – share of joint operations | 144,724 | 693,477 |
| – others | 1,290 | 24,934 |
| (b) Intangible assets | | |
| – The Group | – | 6 |
| (c) Exploration and evaluation | | |
| – share of joint operations | 7,077 | 25 |
| | 5,361,405 | 4,885,324 |

(d) Acquisition of Coal & Allied Industries Limited

On 24 January 2017, Yancoal Australia announced it has entered into a binding agreement to acquire 100% of the shares in Coal & Allied Industries Limited (“Coal & Allied”) from wholly-owned subsidiaries of Rio Tinto Limited for USD2.35 billion. On 12 June 2017, HVO Resources Pty Ltd (“HVOR”) has accepted a tag-along offer with a price of US\$710 million from Yancoal Australia to acquire their 32.4% interest in the Hunter Valley Operations (“HVO”) joint venture, a 67.6% majority-owned joint venture of Coal & Allied. On 20 June 2017, Yancoal Australia has entered into an amendment deed with Rio Tinto Limited and consideration was increased to USD2.45 billion. The transaction is still in progress as at reporting dates. For details, please refer to the announcement of the Company dated 12 June and 21 July 2017.

As at 30 June 2017, Yancoal Australia had not secured funding for the acquisition and it was not certain that the acquisition would proceed. The tag-along offer is conditional upon completion of the acquisition such that it was also not certain that the tag-along offer would proceed. Refer to note 25 for details of events occurring after 30 June 2017 in relation to funding these transactions.

(e) Acquisition of Yankuang Group Finance Company Limited (“Yankuang Group Finance”)

On 28 April 2017, the Company and the Parent Company entered into an equity transfer agreement. Pursuant to the equity transfer agreement, the Company agreed to acquire and the Parent Company to sell its 65% equity interest in Yankuang Group Finance, a non-banking financial institution limited liability company incorporated in the PRC, agreed at a consideration of RMB1,124,227,500. The consideration shall be paid in a lump sum in cash. The transaction is still in progress as at reporting date.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

22. COMMITMENTS – CONTINUED

- (f) Pursuant to the regulations issued by the Shandong Province Finance Bureau, the Group has to pay a deposit to the relevant government authority, which secured for the environmental protection work done. As at 30 June 2017, the Group is committed to further make security deposit of RMB1,584 million (31 December 2016: RMB1,584 million).

23. OPERATING LEASE COMMITMENTS

| | At 30 June 2017 RMB'000 (unaudited) | At 31 December 2016 RMB'000 (audited) |
|--|--|--|
| Within one year | 128,649 | 188,711 |
| More than one year, but not more than five years | 431,407 | 368,407 |
| | 560,056 | 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.

24. CONTINGENT LIABILITIES

(i) Guarantees

| | At 30 June 2017 RMB'000 (unaudited) | At 31 December 2016 RMB'000 (audited) |
|--|--|--|
| (a) The Group | | |
| Performance guarantees provided to daily operations | 475,552 | 416,974 |
| Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute | 402,190 | 364,971 |
| Guarantees provided in respect of land acquisition | 104,198 | 94,552 |
| (b) Joint operations | | |
| Performance guarantees provided to external parties | 511,018 | 304,930 |
| (c) Related parties | | |
| Performance guarantees provided to external parties | 550,397 | 528,546 |
| Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute | 272,444 | 246,781 |
| | 2,315,799 | 1,956,754 |

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

24. CONTINGENT LIABILITIES – CONTINUED

(i) Guarantees – continued

- (i) 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.
- (ii) 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.

25. SUBSEQUENT EVENTS

Issuance of the 2017 fourth, fifth, sixth and seventh tranche of super-short-term bonds

On 20 July, 28 July, 1 August and 8 August 2017 the Company successfully issued the 2017 fourth, fifth, sixth and seventh tranche of super-short-term bonds respectively. The amounts of the respective issuance are RMB3.0 billion, RMB1.5 billion, RMB1.5 billion and RMB1.5 billion and the Company has received such amounts by 21 July, 31 July, 2 August and 9 August 2017 respectively. For details, please refer to the announcements of the Company dated 21 July, 4 August, 4 August and 15 August 2017 respectively.

Possible disposal of Hunter Valley Operation

On 27 July 2017, Yancoal Australia and Glencore Coal Pty Ltd (“Glencore”) entered into an implementation deed (“Implementation Deed”) to establish a joint venture following the Glencore’s acquisition of the participating Interest from HVOR and 16.6% interest in HVO from Yancoal Australia after the completion of joint venture establishment, after which Yancoal Australia and Glencore will hold the interest in the Joint Venture as to 51% and 49%, respectively. The Implementation Deed was executed as a deed and no cash consideration is payable by either party on execution of the deed.

25. SUBSEQUENT EVENTS – CONTINUED

Under the Implementation Deed stated in the announcement dated 27 July, 2017, subject to the conditions precedent, Glencore and Yancoal Australia are subject to a binding obligation to enter into a transaction immediately following Completion pursuant to which, Coal & Allied Operations Pty Ltd (“CAOP”) agrees to sell and Anotero Pty Limited, a independent third party fully owned by Glencore, agrees to buy 16.6% interest of HVO. The transaction is still in progress as at reporting dates. For details, please refer to the announcement of the Company dated 27 July 2017.

Deemed disposal of Yancoal Australia

On 1 August 2017, the Company signed a subscription commitment letter and entered into the SCN Conversion Letter with Yancoal Australia, upon which the Company’s interest in Yancoal Australia will be diluted approximately from 78% to as low as 65.5%. Yancoal Australia will continue to be accounted for as a subsidiary of the Company. For details, please refer to the announcement of the Company dated 1 August 2017.

SUPPLEMENTAL INFORMATION

I. SUMMARY OF DIFFERENCES BETWEEN CONDENSED CONSOLIDATED FINANCIAL INFORMATION 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 condensed consolidated financial information in accordance with relevant accounting principles and regulations applicable to PRC enterprises.

The condensed consolidated financial information 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.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

I. SUMMARY OF DIFFERENCES BETWEEN CONDENSED CONSOLIDATED FINANCIAL INFORMATION PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) AND THOSE UNDER THE PRC ACCOUNTING RULES AND REGULATIONS (“PRC GAAP”) – CONTINUED

(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 and Donghua 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 are required to be included in the condensed 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 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

I. SUMMARY OF DIFFERENCES BETWEEN CONDENSED CONSOLIDATED FINANCIAL INFORMATION 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 table summarises the differences between condensed consolidated financial information prepared under IFRS and those under PRC GAAP:

| | Net income attributable to equity holders of the Company For the six months ended 30 June 2017 RMB'000 (unaudited) | Net assets attributable to equity holders of the Company As at 30 June 2017 RMB'000 (unaudited) |
|--|--|--|
| As per condensed consolidated financial information prepared under IFRS | 3,451,199 | 42,180,663 |
| Impact of IFRS adjustments in respect of: | | |
| – future development fund charged to income before income taxes | (429,812) | – |
| – reversal of provision of work safety cost | 64,800 | (203,457) |
| – fair value adjustment and amortisation | 5,000 | (255,052) |
| – goodwill arising from acquisition of Jining II, Railway Assets, Heze, Shanxi Group, Hua Ju Energy, Beisu and Yangcun | – | (899,403) |
| – acquisition of Donghua | 1,021 | (425,780) |
| – deferred tax | 90,547 | (28,593) |
| – perpetual capital security | – | 10,036,753 |
| – reversal of impairment loss on intangible assets in Yancoal Australia | 6,389 | (444,138) |
| – others | – | 646,370 |
| As per condensed consolidated financial information prepared under PRC GAAP | 3,189,144 | 50,607,363 |

CHAPTER 10 DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection in the office of the secretary to the Board at 298 Fushan Road South, Zoucheng, Shandong Province, the PRC:

- Financial statements sealed and signed by the persons in charge of the Company, the accounting work and the accounting department, respectively;
- Original copies of all documents and announcements published during the reporting period in websites designated by the CSRC;
- The full text of the Interim Report released in other securities markets.

On behalf of the Board

Li Xiyong

Chairman

Yanzhou Coal Mining Company Limited

25 August 2017