



## IMPORTANT NOTICE

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

The 2019 Interim Report of the Company has been approved by the twenty-seventh meeting of the seventh session of the Board. All eleven Directors of quorum attended the meeting.

The financial statements in the 2019 Interim Report of the Company Limited have not been audited.

The 2019 Interim Report of the Company has been reviewed and approved by the audit committee of the Board.

Mr. Li Xiyong, Chairman of the Board, Mr. Zhao Qingchun, Chief Financial Officer, and Mr. Xu Jian, head of the finance management department of the Company, hereby warrant the authenticity, accuracy and completeness of the financial statements contained in this interim report.

The Board of the Company proposed a cash dividend of RMB10.00 per ten shares (tax inclusive) on the basis of 4,912,016,000 shares, which is the total share capital of the Company as at 30 June 2019.

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

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

There were no guarantees granted to external parties by the Company which are against the prescribed decision-making procedures.

The Company has disclosed the main risks faced by the Group, the influences and the countermeasures in this interim report. For details, please refer to the relevant content in "Chapter 4 Board of Directors' Report", to which the investors' attention are drawn.

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## CHAPTER 1 DEFINITION

*In this interim report, unless the context requires otherwise, the following expressions have the following meanings:*

### DEFINITIONS

“Yanzhou Coal”, “Company” or “the Company”	means	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” or “the Group”	means	The Company and its subsidiaries;
“Yankuang Group” or “the Controlling Shareholder”	means	Yankuang Group Company Limited, a company with limited liability reformed and established under the laws of the PRC in 1996, being the controlling shareholder of the Company directly and indirectly holding 51.81% of the total share capital of the Company as at the end of the reporting period;
“Yulin Neng Hua”	means	Yanzhou Coal Yulin Neng Hua Company Limited, a company with limited liability incorporated under the laws of the PRC in 2004 and a wholly-owned subsidiary of the Company which is mainly engaged in the production and operation of the methanol project in Shaanxi Province;
“Heze Neng Hua”	means	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 as at the end of the reporting period, which is mainly engaged in the development and operation of coal resources and electric power business in Juye coalfield, Heze City, Shandong Province;
“Shanxi Neng Hua”	means	Yanzhou Coal Shanxi Neng Hua Company Limited, a company with limited liability incorporated under the laws of the PRC in 2002 and a wholly-owned subsidiary of the Company, which is mainly engaged in the management of the projects invested in Shanxi Province by the Company;
“Hua Ju Energy”	means	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 as at the end of the reporting period, which is mainly engaged in the thermal power generation with gangue and coal slurry and heating supply business;
“Ordos Neng Hua”	means	Yanzhou Coal Ordos Neng Hua Company Limited, a company with limited liability incorporated under the laws of the PRC in 2009 and a wholly-owned subsidiary of the Company, which is mainly engaged in the development and operation of coal resources and coal chemical projects of the Company in the Inner Mongolia Autonomous Region;

## CHAPTER 1 DEFINITION – CONTINUED

“Haosheng Company”	means	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, as at the end of the reporting period, which is mainly engaged in the production and operation of Shilawusu coal mine in Ordos, Inner Mongolia Autonomous Region;
“Donghua Heavy Industry”	means	Yankuang Donghua Heavy Industry Company Limited, a company with limited liability incorporated under the laws of the PRC in 2013 and a wholly-owned subsidiary of the Company, which is mainly engaged in the design, manufacture, installation, repair and maintenance of mining equipment, electromechanical equipment and parts;
“Zhongyin Financial Leasing”	means	Zhongyin Financial Leasing Company Limited, a company with limited liability incorporated under the laws of the PRC in 2014 and a wholly-owned subsidiary of the Company, which is mainly engaged in the financial leasing, leasing, leasing trade consultation and guarantees, commercial factoring related to main business, etc.;
“Duanxin Beijing”	means	Duanxin Investment Holding (Beijing) Company Limited, a company with limited liability incorporated under the laws of the PRC in 2014 and a wholly-owned subsidiary of the Company, which is mainly engaged in project investment, enterprise management, investment management, enterprise management consultation, investment consultation, etc.;
“Yankuang Finance Company”	means	Yankuang Group Finance Co., Ltd., a company with limited liability incorporated under the laws of the PRC in September 2010 and a 90% owned subsidiary of the Company as at the end of the reporting period;
“Yancoal Australia”	means	Yancoal Australia Limited, a company with limited liability incorporated under the laws of Australia in 2004 and a 62.26% owned subsidiary of the Company as at the end of the reporting period, the shares of which are traded on the Australian Securities Exchange and the HKEX respectively;
“Yancoal International”	means	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”	means	Yancoal International Resources Development Company Limited, a company with limited liability incorporated under the laws of Hong Kong in 2011 and a wholly-owned subsidiary of Yancoal International;
“C&A”	means	Coal & Allied Industries Limited, a company with limited liability incorporated under the laws of Australia and a wholly-owned subsidiary of Yancoal Australia;

## CHAPTER 1 DEFINITION – CONTINUED

“Railway Assets”	means	The railway assets specifically used for coal transportation of the Company, which are located in Jining City, Shandong Province;
“H Shares”	means	Overseas listed foreign invested shares in the ordinary share capital of the Company, with nominal value of RMB1.00 each, which are traded on the HKEX;
“A Shares”	means	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;
“PRC”	means	The People’s Republic of China;
“Hong Kong”	means	The Hong Kong Special Administrative Region of the PRC;
“CASs” or “ASBEs”	means	Accounting Standards for Business Enterprises and the relevant regulations and explanations issued by the Ministry of Finance of the PRC;
“IFRS”	means	International Financial Reporting Standards issued by the International Accounting Standards Board;
“CSRC”	means	China Securities Regulatory Commission;
“Hong Kong Listing Rules”	means	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“HKEX” or “Hong Kong Stock Exchange”	means	The Stock Exchange of Hong Kong Limited;
“Shanghai Stock Exchange”	means	The Shanghai Stock Exchange;
“Company Law”	means	Company Law of the PRC;
“Securities Law”	means	Securities Law of the PRC;
“Articles”	means	The Articles of Association of the Company;
“Shareholders”	means	The shareholders of the Company;
“Directors”	means	The directors of the Company;
“Board”	means	The board of directors of the Company;
“Supervisors”	means	The supervisors of the Company;
“RMB”	means	Renminbi, the lawful currency of the PRC, unless otherwise specified;
“AUD”	means	Australian dollars, the lawful currency of Australia;
“USD”	means	United States dollars, the lawful currency of the United States;
“HKD”	means	Hong Kong dollars, the lawful currency of Hong Kong.

## CHAPTER 2 GROUP PROFILE AND MAJOR FINANCIAL INDICATORS

### I. INFORMATION OF THE COMPANY

Statutory Chinese Name:	兖州煤業股份有限公司
Abbreviation of Chinese Name:	兖州煤業
Statutory English Name:	Yanzhou Coal Mining Company Limited
Legal Representative:	Li Xiyong
Authorized Representatives of HKEX:	Zhao Qingchun, Jin Qingbin

### II. CONTACT DETAILS

	<b>Secretary to the Board/Company Secretary:</b>	<b>Representative of Shanghai Stock Exchange:</b>
Name:	Jin Qingbin	Shang Xiaoyu
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 2319
Fax:	(86 537) 538 3311	(86 537) 538 3311
E-mail:	yzc@yanzhoucoal.com.cn	xyshang.yzc@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:	<a href="http://www.yanzhoucoal.com.cn">http://www.yanzhoucoal.com.cn</a>
E-mail:	yzc@yanzhoucoal.com.cn

### IV. INFORMATION DISCLOSURE AND PLACE FOR DOCUMENT INSPECTION

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



## CHAPTER 2 GROUP PROFILE AND MAJOR FINANCIAL INDICATORS – CONTINUED

### V. CORPORATE STOCKS

Class of Shares	Place of Listing	Stock Abbreviation	Stock Code
A share	The Shanghai Stock Exchange	Yanzhou Mei Ye	600188
H share	HKEX	N/A	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 Beidajie, Dongcheng District, Beijing, PRC
Certified Public Accountants (Overseas)	Name	SHINEWING (HK) CPA Limited
	Office Address:	43/F, 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			For the year ended 31 December 2018 (RMB'000) (audited)
	2019 (RMB'000) (unaudited)	2018 (RMB'000) (unaudited)	Changes as compared with the corresponding period of the previous year (%)	
Sales income	33,237,425	32,220,096	3.16	67,447,104
Gross profit	11,936,174	12,351,566	-3.36	24,306,538
Financing expenses	(1,562,027)	(1,815,566)	–	(3,612,394)
Income before income tax	9,155,089	8,441,665	8.45	15,931,098
Net income attributable to equity holders of the Company for the reporting period	5,809,977	4,622,671	25.68	8,582,556
Earnings per share	RMB1.18	RMB0.94	25.53	RMB1.75
Dividends per share <sup>note</sup>	RMB1.00	–	–	RMB0.54

Note: The dividends per share for the first half year of 2019 was proposed to be declared and distributed.



## CHAPTER 2 GROUP PROFILE AND MAJOR FINANCIAL INDICATORS – CONTINUED

### (II) Assets and Liabilities

	30 June		31 December
	2019	2018	2018
	(RMB'000)	(RMB'000)	(RMB'000)
	(unaudited)	(unaudited)	(audited)
Current assets	<b>68,577,137</b>	63,571,796	64,830,638
Current liabilities	<b>65,984,271</b>	63,003,591	59,600,414
Total assets	<b>204,696,127</b>	196,280,582	206,003,615
Equity attributable to equity holders of the Company	<b>55,512,390</b>	48,659,547	52,077,360
Net assets per share	<b>RMB11.30</b>	RMB9.91	RMB10.60
Return on net assets (%)	<b>10.47</b>	9.50	16.48

### (III) Summary of Cash Flow Statement

	For the six months ended 30 June			
	2019	2018	Changes as compared with the corresponding period of the previous year (%)	For the year ended 31 December 2018
	(RMB'000)	(RMB'000)		(RMB'000)
	(unaudited)	(unaudited)		(audited)
Net cash flow from operating activities	<b>8,378,922</b>	7,941,801	5.50	18,243,311
Net increase (decrease) in cash and cash equivalents	<b>(4,600,233)</b>	2,556,356	-279.95	6,180,131
Net cash flow per share from operating activities	<b>RMB1.71</b>	RMB1.62	5.56	RMB3.71

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

#### (I) Main Business and Business Model

##### 1. *Coal business*

As one of the main coal producers and coal traders in China and Australia, the main products of the Company 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 East China, South China, North China, Northwest China and other regions of China as well as Japan, South Korea, Singapore, Australia, and other countries.

##### 2. *Coal chemicals business*

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

##### 3. *Mechanical and electrical equipment manufacturing business*

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

##### 4. *Power generation and heat business*

The Company owns and operates seven power plants with a total installed capacity of 482 MW. In addition to the part for satisfying the demand of the Company itself, the rest of the generated electricity are sold to end customers through local grid and the rest heat are sold to Yankuang Group.

#### (II) Industry Situation Analysis

The first half year of 2019 has witnessed a great promotion in the reduction of excess capacity and the optimization of production capacity in coal industry. Also, the supply and demand in coal market became basically balanced with a slightly tight supply, contributing to a relatively medium to high level of coal price. However, due to the fact that resource conditions, transportation constraints, seasonality and inspections of safety and environmental protection and other factors varied in different time and place, it showed that coal price would still move in a fluctuated way.

## CHAPTER 3 BUSINESS HIGHLIGHTS – CONTINUED

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

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

There was no significant changes of major assets of the Group during the reporting period.

As at the end of the reporting period, the overseas assets was RMB69.931 billion, representing 34.6% of total assets. Since 2004, the Company has set up related overseas investment management platforms (mainly Yancoal Australia and Yancoal International) through various ways, such as overseas assets or equity acquisition, company establishment, stock swap and merger etc. For the details in relation to the production and operation of Yancoal Australia and Yancoal International, please refer to relevant section in “Chapter 4 Board of Directors’ Report”.

### III. CORE COMPETITIVENESS ANALYSIS DURING THE REPORTING PERIOD

During the first half of 2019, the Group has proactively seized policy opportunities of supply-side structural reform and replacing the old growth drivers with new ones and gone a step further to optimize industrial structure and continually promote its development vitality and core competitiveness. Focusing the development of coal industry, we maintained a high level of coal production and sales volumes through accelerating the release of advantageous capacity. With the in-depth implementation of intelligent mining construction, the group realized the first routinely operational intelligent fully mechanized caving face in China. In addition, major breakthroughs in mine formalities have been achieved, including project approval of Yingpanhao coal mine. For Shilawusu coal mine, it has started joint test run. All of the abovementioned contributed to an enhanced development momentum of the Company. A continuous high rise in the sales volume due to implementation of long-term contract, direct supply for end-users and clean coal sales has ensured a stable and reliable production and efficiency gains. Yancoal Australia has seen a great improvement in business operation quality, maintained strong profitability and enhanced international competitiveness.

## CHAPTER 4 BOARD OF DIRECTORS' REPORT

### I. MANAGEMENT DISCUSSION AND ANALYSIS

#### Business Overview

		For six months ended 30 June 2019	For six months ended 30 June 2018	Increase/ Decrease	Increase/ Decrease (%)
	Unit				
1. Coal Business					
Raw coal production	kilotonne	<b>52,486</b>	53,366	-880	-1.65
Saleable coal production	kilotonne	<b>46,991</b>	48,502	-1,511	-3.12
Saleable coal sales volume	kilotonne	<b>55,288</b>	55,504	-216	-0.39
2. Railway Transportation Business					
Transportation volume	kilotonne	<b>10,394</b>	10,433	-39	-0.37
3. Coal Chemicals Business					
Methanol production	kilotonne	<b>846</b>	795	51	6.42
Methanol sales volume	kilotonne	<b>834</b>	794	40	5.04
4. Power Generation Business					
Power generation	10,000KWh	<b>132,089</b>	140,908	-8,819	-6.26
Electricity sold	10,000KWh	<b>79,327</b>	86,155	-6,828	-7.93

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

In the first half of 2019, the Group sold 55.29 million tonnes of saleable coal, including: 44.87 million tonnes of self-produced coal, accounting for 44.9% of the annual self-produced coal sales plan.

## CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

### II. MAIN BUSINESS DURING THE REPORTING PERIOD

#### (I) The Operation of Business Segments

##### 1. Coal Business

##### (1) Coal Production

During the first half year of 2019, the Group produced 52.49 million tonnes of raw coal, representing a decrease of 0.88 million tonnes or 1.7% as compared with the corresponding period of last year; produced salable coal of 46.99 million tonnes, representing a decrease of 1.51 million tonnes or 3.1% as compared with the corresponding period of last year.

The following table sets out the coal production volume of the Group for the first half year of 2019:

	For six months ended 30 June 2019 (kilotonne)	For six months ended 30 June 2018 (kilotonne)	Increase/ Decrease (kilotonne)	Increase/ Decrease (%)
I. Raw Coal Production	<b>52,486</b>	53,366	-880	-1.65
1. The Company	<b>15,662</b>	16,274	-612	-3.76
2. Shanxi Neng Hua	<b>843</b>	860	-17	-1.98
3. Heze Neng Hua	<b>1,240</b>	1,785	-545	-30.53
4. Ordos Neng Hua	<b>7,453</b>	7,890	-437	-5.54
5. Haosheng Company	<b>1,189</b>	1,871	-682	-36.45
6. Yancoal Australia	<b>22,797</b>	21,618	1,179	5.45
7. Yancoal International	<b>3,302</b>	3,068	234	7.63
II. Salable Coal Production	<b>46,991</b>	48,502	-1,511	-3.12
1. The Company	<b>15,660</b>	16,269	-609	-3.74
2. Shanxi Neng Hua	<b>839</b>	848	-9	-1.06
3. Heze Neng Hua	<b>1,235</b>	1,779	-544	-30.58
4. Ordos Neng Hua	<b>7,443</b>	7,879	-436	-5.53
5. Haosheng Company	<b>1,189</b>	1,871	-682	-36.45
6. Yancoal Australia	<b>17,849</b>	16,984	865	5.09
7. Yancoal International	<b>2,776</b>	2,872	-96	-3.34

Note:

- ① The raw coal and saleable coal production of Heze Neng Hua decreased as compared with the corresponding period of the previous year due to the fact that Zhaolou Coal Mine of Heze Neng Hua organized production in accordance with the newly approved production capacity.
- ② The raw coal and saleable coal production of Haosheng Company decreased as compared with the corresponding period of the previous year due to the production of its Shilawusu Coal Mine was constrained by safety and environmental protection policies.

## CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

### (2) Coal Prices and Sales

The Group's sales volume of coal for the first half year of 2019 was 55.29 million tonnes, representing a decrease of 0.22 million tonnes or 0.4% as compared with the corresponding period of the previous year.

The Group's sales income from the coal business in the first half of 2019 was RMB31.22 billion, representing an increase of RMB1.289 billion or 4.3% as compared with the corresponding period of the previous year.

The following table sets out the Group's coal production and sales by coal types for the first half year of 2019:

	For six months ended 30 June 2019				For six months ended 30 June 2018			
	Coal production (kilotonne)	Sales volume (kilotonne)	Sales price (RMB/tonne)	Sales income (RMB million)	Coal production (kilotonne)	Sales volume (kilotonne)	Sales price (RMB/tonne)	Sales income (RMB million)
1. The Company	15,660	16,144	655.65	10,584	16,269	16,413	590.23	9,686
No. 1 clean coal	589	599	948.30	569	332	340	874.39	298
No. 2 clean coal	4,870	5,129	902.98	4,631	4,235	4,387	825.19	3,620
No. 3 clean coal	1,403	1,494	684.95	1,023	1,290	1,275	652.59	832
Lump coal	1,223	1,310	756.32	991	1,058	1,156	706.45	816
Sub-total of clean coal	8,085	8,532	845.47	7,214	6,915	7,158	777.60	5,566
Screened raw coal	7,575	7,612	442.82	3,370	9,354	9,255	445.29	4,120
2. Shanxi Neng Hua	839	851	317.71	270	848	859	369.04	317
Screened raw coal	839	851	317.71	270	848	859	369.04	317
3. Heze Neng Hua	1,235	828	1,146.62	949	1,779	1,620	964.40	1,562
No. 2 clean coal	1,044	828	1,146.62	949	1,442	1,491	1,012.07	1,509
Screened raw coal	191	-	-	-	337	129	410.85	53
4. Ordos Neng Hua	7,443	6,522	269.18	1,756	7,879	7,443	256.29	1,908
Screened raw coal	7,443	6,522	269.18	1,756	7,879	7,443	256.29	1,908
5. Haosheng Company	1,189	1,173	329.59	387	1,871	1,881	320.38	603
Screened raw coal	1,189	1,173	329.59	387	1,871	1,881	320.38	603
6. Yancoal Australia	17,849	16,586	584.43	9,694	16,984	16,426	613.29	10,074
Semi-hard coking coal	30	28	1,035.71	29	66	64	781.25	50
Semi-soft coking coal	1,611	1,497	828.99	1,241	1,461	1,413	929.23	1,313
PCI coal	1,415	1,315	885.93	1,165	1,194	1,155	894.37	1,033
Thermal coal	14,793	13,746	528.08	7,259	14,263	13,794	556.62	7,678
7. Yancoal International	2,776	2,762	384.42	1,062	2,872	2,914	387.29	1,129
Thermal coal	2,776	2,762	384.42	1,062	2,872	2,914	387.29	1,129
8. Traded Coal	-	10,422	625.43	6,518	-	7,948	585.23	4,652
9. Total for the Group	46,991	55,288	564.68	31,220	48,502	55,504	539.25	29,931

## CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

The following table sets out the factors affecting the changes in sales income of coal.

	Impact of Changes on the Sales Volume of Coal (RMB million)	Impact of Changes on the Sales Price of Coal (RMB million)
The Company	-159	1,056
Shanxi Neng Hua	-3	-44
Heze Neng Hua	-763	151
Ordos Neng Hua	-236	84
Haosheng Company	-227	11
Yancoal Australia	99	-479
Yancoal International	-59	-8
Traded Coal	1,448	418

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

The following table sets out the Group's coal sales by geographical regions for the first half of 2019:

	For six months ended 30 June 2019		For six months ended 30 June 2018	
	Sales Volume (kilotonne)	Sales Income (RMB million)	Sales Volume (kilotonne)	Sales Income (RMB million)
1. China	<b>39,182</b>	<b>22,175</b>	39,401	20,192
East China	<b>17,302</b>	<b>11,942</b>	23,639	13,177
South China	<b>9,885</b>	<b>4,540</b>	3,266	1,815
North China	<b>4,600</b>	<b>2,961</b>	8,885	3,866
Northwest China	<b>5,922</b>	<b>1,673</b>	2,894	831
Other regions	<b>1,473</b>	<b>1,059</b>	717	503
2. Japan	<b>4,475</b>	<b>3,120</b>	2,898	2,189
3. South Korea	<b>1,641</b>	<b>1,143</b>	2,343	1,658
4. Singapore	<b>2,728</b>	<b>1,147</b>	5,151	3,436
5. Australia	<b>4,811</b>	<b>2,337</b>	5,615	2,371
6. Others	<b>2,451</b>	<b>1,298</b>	96	85
7. Total for the Group	<b>55,288</b>	<b>31,220</b>	55,504	29,931

Most of the Group's coal products were sold to industries such as power generation, metallurgy, chemicals and trade, etc.



## 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 2019:

	For six months ended 30 June 2019		For six months ended 30 June 2018	
	Sales Volume (kilotonne)	Sales Income (RMB million)	Sales Volume (kilotonne)	Sales Income (RMB million)
	1. Power	25,592	12,414	23,235
2. Metallurgy	3,978	3,608	3,802	3,513
3. Chemicals	4,594	3,884	4,268	3,394
4. Trade	20,850	11,153	15,695	8,077
5. Others	274	161	8,504	2,494
6. Total for the Group	55,288	31,220	55,504	29,931

### (3) The Cost of Coal Sales

The Group's cost of coal sales for the first half of 2019 was RMB18.133 billion, representing an increase of RMB1.552 billion or 9.4% as compared with the corresponding period of the previous year. The following table sets out the main sales cost of coal by business entities:

	Unit		For six	For six	Increase/ Decrease	Increase/ Decrease (%)
			months ended 30 June 2019	months ended 30 June 2018		
The Company	Total cost of sales	RMB million	4,496	4,381	115	2.62
	Cost of sales per tonne	RMB/tonne	276.66	266.17	10.49	3.94
Shanxi Neng Hua	Total cost of sales	RMB million	182	190	-8	-4.21
	Cost of sales per tonne	RMB/tonne	213.82	221.57	-7.75	-3.50
Heze Neng Hua	Total cost of sales	RMBmillion	536	763	-227	-29.75
	Cost of sales per tonne	RMB/tonne	560.62	416.99	143.63	34.44
Ordos Neng Hua	Total cost of sales	RMB million	1,060	1,346	-286	-21.25
	Cost of sales per tonne	RMB/tonne	162.56	180.80	-18.24	-10.09
Haosheng Company	Total cost of sales	RMB million	446	463	-17	-3.67
	Cost of sales per tonne	RMB/tonne	379.81	246.22	133.59	54.26
Yancoal Australia	Total cost of sales	RMB million	4,659	4,676	-17	-0.36
	Cost of sales per tonne	RMB/tonne	280.92	284.65	-3.73	-1.31
Yancoal International	Total cost of sales	RMB million	622	700	-78	-11.14
	Cost of sales per tonne	RMB/tonne	225.19	240.38	-15.19	-6.32
Traded Coal	Total cost of sales	RMB million	6,312	4,381	1,931	44.08
	Cost of sales per tonne	RMB/tonne	605.67	551.30	54.37	9.86

## CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

The main reason causing the changes in the cost of sales per tonne of Heze Neng Hua is that the decrease of the volume of the saleable coal attributed to an increase of RMB129.95 in the cost of sales per tonne as compared with the corresponding period of the previous year.

The main reasons causing the changes in the cost of sale per tonne of Haosheng Company are:  
① the decrease of the volume of saleable coal attributed to an increase of RMB101.40 in the cost of the sales per tonne as compared with the corresponding period of the previous year;  
② the relocation of the buildings on the ground of the mine for continuous production causing an increase of RMB5.72 in the cost of sale per tonne as compared with the corresponding period of the previous year; ③ the increase of repair and maintenance expenses attributed to an increase of RMB7.92 as compared with the corresponding period of the previous year.

### 2. *Railway Transportation Business*

For the first half of 2019, the transportation volume of the Group's Railway Assets was 10.39 million tonnes, representing an increase of 39 thousand tonnes or 0.4% as compared with the corresponding period of the previous year. As a result, the income from railway transportation services of the Company was RMB215 million for the first half of 2019, representing an increase of RMB3.402 million or 1.6% as compared with the corresponding period of the previous year. The cost of railway transportation business was RMB81.477 million, representing an increase of RMB10.438 million or 14.7% as compared with the corresponding period of the previous year.

## CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

### 3. Coal Chemicals Business

The following tables set out the Group's methanol business for the first half of 2019:

	Methanol Sales Volume (kilotonne)			Methanol Sales Volume (kilotonne)		
	For six	For six	Increase/ Decrease	For six	For six	Increase/ Decrease
	months	months		months	months	
	ended 30	ended 30	(%)	ended 30	ended 30	(%)
June 2019	June 2018		June 2019	June 2018		
1. Yulin Neng Hua	371	374	-0.80	373	385	-3.12
2. Ordos Neng Hua	475	421	12.83	461	409	12.71

	Sales Income (RMB'000)			Sales Cost (RMB'000)		
	For six	For six	Increase/ Decrease	For six	For six	Increase/ Decrease
	months	months		months	months	
	ended 30	ended 30	(%)	ended 30	ended 30	(%)
June 2019	June 2018		June 2019	June 2018		
1. Yulin Neng Hua	639,321	820,692	-22.10	519,728	540,328	-3.81
2. Ordos Neng Hua	774,797	852,974	-9.17	581,632	563,580	3.20

## CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

### 4. Power Generation Business

The following tables set out the operation of the Group's power business for the first half of 2019:

	Power Generation (10,000kWh)			Power Output Dispatch (10,000kWh)		
	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Increase/Decrease (%)	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Increase/Decrease (%)
1. Hua Ju Energy	39,746	43,175	-7.94	12,267	12,186	0.66
2. Yulin Neng Hua	14,806	16,215	-8.69	983	1,350	-27.19
3. Heze Neng Hua	77,537	81,518	-4.88	66,077	72,619	-9.01

	Sales Income (RMB'000)			Sales Cost (RMB'000)		
	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Increase/Decrease (%)	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Increase/Decrease (%)
1. Hua Ju Energy	49,031	50,401	-2.72	48,112	43,853	9.71
2. Yulin Neng Hua	1,870	2,524	-25.91	3,864	5,280	-26.82
3. Heze Neng Hua	232,484	243,829	-4.65	193,162	209,464	-7.78

Note: During the reporting period, the sales volume of electricity and sales income of Yulin Neng Hua decreased significantly, which is mainly because the volume of electricity power sold externally decreased as compared with the same period of the previous year.

### 5. Heat Business

Hua Ju Energy generated heat energy of 430 thousand steam tonnes and sold 110 thousand steam tonnes for the first half of 2019, realizing the sales income of RMB12.072 million, with the sales cost of RMB8.435 million.

### 6. Electrical and Mechanical Equipment Manufacturing Business

For the first half of 2019, the Group's electrical and mechanical equipment manufacturing business realized sales income of RMB93.506 million, with sales cost of RMB87.115 million.

### 7. Equity Investment Business

For the first half of 2019, the Group gained profit before tax of RMB994 million from equity investment.

## CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

### (II) Analysis of Main Business

#### 1. Analysis on changes of items in Condensed Consolidated Income Statement and Condensed Consolidated Statement of Cash Flow

Items	For the six	For the six	Increase/ Decrease (%)
	months ended 30 June 2019 (RMB million)	months ended 30 June 2018 (RMB million)	
Selling, general and administrative expenses	3,617	5,293	-31.66
Investment return from associated companies	947	713	32.82
Other incomes and gains	1,403	2,345	-40.17
Income tax expenses	1,663	2,494	-33.32
Net cash flow from operating activities	8,379	7,942	5.50
Net cash flow-out from investing activities	2,090	1,185	76.37
Net cash flow from financing activities	-10,889	-4,200	-

#### (1) Analysis on changes of items in Condensed Consolidated Income Statement

The changes in selling, general and administrative expenses are mainly due to that: in the first half of 2018, part of the Company's social insurance was included in the overall management of Jining City, a one-off social insurance premium of RMB1.016 billion, while no similar business occurred during the reporting period, which affected the selling, general and administrative expenses decreased as compared with the corresponding period of the previous year.

The changes of investment return from associated companies are mainly due to the increase of the Group's gains and losses from the associated companies on equity basis as compared with the corresponding period of the previous year.

The changes of other incomes and gains are mainly due to: ① the Group sold 16.6% equity interests it held in HVO JV and recognized the income from the asset disposal for year 2018, while there is no such kind of transactions during this reporting period, which attributed to a decrease of RMB389 million in other incomes and gains as compared with the corresponding period of the previous year; ② the Group gained and recognized income of RMB365 million from holding and disposal of its other non-current financial assets in 2018, while there is no such kind of incomes during this reporting period which attributed to a decrease in other incomes and gains as compared with the corresponding period of the previous year.

## CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

The changes of income tax expenses are mainly due to the fact that Yancoal Australia recognized the deferred tax generated from the acquisition of C&A, attributing to a decrease of RMB1.054 billion in income tax expenses as compared with the corresponding period of the previous year.

### (2) *Analysis on changes of items in Condensed Consolidated Statement of Cash Flow*

Analysis on changes of net cash flow from operating activities: The rise of coal sales price of the Group during the reporting period caused an increase in the net cash flow from operating activities as compared with the corresponding period of the previous year.

Analysis on changes of net cash flow-out from investing activities: ① the cash used for investment in associated companies decreased by RMB1.617 billion as compared with the corresponding period of the previous year; ② the cash from disposal of associated companies decreased by RMB2.704 billion as compared with the corresponding period of the previous year.

Analysis on changes of net cash flow from financing activities: ① the proceeds from the issuance of perpetual capital securities decreased by RMB5 billion as compared with the corresponding period of the previous year; ② the proceeds from the issuance of guarantee notes decreased by RMB1.646 billion as compared with the corresponding period of the previous year.

## 2. *Others*

### (1) *Elaboration on significant changes in the profit structure or source of profit of the Company*

Not applicable.

### (2) *Source and use of fund*

For the first half of 2019, the Group's source of fund was mainly operating cash income, issuing various types of bonds and bank loans. The fund was mainly used for business expenditure, purchase or procurement of properties, machinery and equipment, repayment of interest-bearing liabilities and corresponding interests.

## (III) **Elaboration of Significant Changes of Profit Due to Non-core Business**

Not applicable.

## CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

### (IV) Assets and Liabilities

#### 1. Analysis on changes of items in Condensed Consolidated Balance Statement

Unit: RMB million

Items	Closing balance as at 30 June 2019	Percentage to the total assets as at 30 June 2019 (%)	Closing balance as at 30 June 2018	Percentage to the total assets as at 30 June 2018 (%)	Percentage of increase/ decrease in closing balance (%)	Notes
Prepayments and other receivables	23,732	11.59	16,873	8.19	40.65	1. Ordos Neng Hua prepaid the prospecting rights of the Yingpanhao Coal Mine with the amount of RMB1.117 billion. 2. Haosheng Coal prepaid the mining rights of the Shilawusu Coal Mine, with the amount of RMB1.06 billion. 3. The prepaid trade of Qingdao Vast Lucky International Trade Co., Ltd. increased by RMB1.559 billion compared with the opening balance of 2019. 4. The prepaid trade of Intelligent Logistics Company increased by RMB1.793 billion compared with the opening balance of 2019.
Other payables and accrued expenses	26,519	12.96	20,679	10.04	28.24	1. The Group's dividend payable increased by RMB2.069 billion as compared with the opening balance of 2019. 2. The deposit received from customers for financing activities increased by RMB2.840 billion as compared with the opening balance of 2019.
Contract liabilities	4,692	2.25	2,208	1.07	112.50	1. The advance payment of Intelligent Logistics Company for trade increased by RMB1.886 billion compared with the opening balance of 2019. 2. The advance payment of Qingdao Vast Lucky International trade Co., Ltd. for trade increased by RMB516 million compared the opening balance of 2019.



## CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

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

(Relevant data are prepared under CASs)

As at 30 June 2019, the Group's asset subject to restriction was RMB58.945 billion, mainly including monetary funds and receivable notes subject to restricted use and pledged assets for facilities. For details, please refer to the Note "Notes to the Consolidated Financial Statements – Assets Subject to Restriction on Ownership or Right of Use" to the financial statements prepared under CASs.

### 3. Other information

#### (1) Debt to equity ratio

As at 30 June 2019, the equity attributable to the Shareholders of the Company and the borrowings amounted to RMB55.512 billion and RMB60.840 billion respectively, representing a debt to equity ratio of 109.6%. For detailed information on borrowings, please refer to the Note "Borrowings" to the financial statements prepared under the IFRS.

#### (2) Contingent liabilities

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

#### (3) Pledge of assets

For details of pledge of assets, please refer to Note "Notes to the Consolidated Financial Statements Assets Subject to Restriction on Ownership or Right of Use" to the financial statements prepared under the CASs.

## (V) Analysis of Investment

(Financial data in this section are all prepared under CASs)

Analysis on the Group's external equity investment

Not applicable.

#### 1. Significant equity investment

Not applicable.

#### 2. Major non-equity investment

Not applicable.

## CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

### 3. *Financial assets measured at fair value*

As at the end of the reporting period, the financial assets measured at fair value and its change of value which were recorded into current profits and losses of the Group were mainly special royalty and equity investment of Middlemount Coal Mine and etc. Of which, the initial investment was RMB1,960 million, and the balance at the end of the reporting period was RMB1,135 million; the financial liability measured at fair value and its change of value which were recorded into current profits and losses of the Group were mainly royalties paid to Rio Tinto Limited, and the closing balance of the liabilities as at the end of the reporting period was RMB124 million.

As at the end of the reporting period, the financial assets measured at fair value and its change of value which were recorded into other comprehensive income of the Group were mainly investment by means of equity instruments, the initial investment was RMB5.393 million, and the balance at the end of the reporting period was RMB5.401 million.

For the detail of the financial assets measured at fair value and its change, please refer to the Notes "Transactional Financial Assets", "Other Equity Instrument Investment", and "Other Non-current Financial Assets" to the consolidated financial statements prepared under CASs.

### (VI) Disposal of Material Assets and Equity

Not applicable.

### (VII) Analysis on Major Controlled Companies and Joint Stock Companies

(Financial data in this section are all prepared under CASs)

#### 1. *Major controlled companies*

For the first half of 2019, the controlled companies having relatively significant impacts on the net profit attributable to the listed company are as follows.

Unit: RMB million

Name of company	Registered capital	30 June 2019		Net profit for the first half of 2019
		Total assets	Net assets	
Yancoal Australia	AUD3,106 million	51,722	28,535	2,746

Note: For detailed information on the main business and main financial indicators of the Group's major controlled subsidiaries, please refer to Note "Interests in Other Entities-Interests in Subsidiaries" to the financial statements prepared under CASs.

## CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

The holding companies with significant fluctuations in operating results in the first half of 2019 are as follows:

### **Heze Neng Hua**

In the first half of 2019, Heze Neng Hua achieved a net profit of RMB278 million, representing a decrease of RMB360 million or by 56.4% compared with the same period of 2018. The main reason was the decline in coal sales compared with the same period of 2018.

### **Haosheng Company**

In the first half of 2019, Haosheng Company achieved a net loss of RMB187 million, a net profit of RMB40 million in the same period of last year; mainly due to the decline in coal sales compared with the same period of 2018.

### **Yancoal Australia**

In the first half of 2019, Yancoal Australia realized net profit of RMB2.746 billion, representing an increase of RMB924 million or 50.7% as compared with the corresponding period of the previous year, which is mainly due to the fact that the deferred tax caused by the acquisition of C&A and recognized by Yancoal Australia contributed to a decrease of RMB1,054 million of income taxes.

### **Yancoal International**

In the first half of 2019, Yancoal International realized a net profit of RMB335 million, representing a decrease of RMB297 million or by 47.0% compared with the same period of 2018. The main reason is that the shares of Zheshang Bank held by Yancoal International were converted into equity method accounting, with a one-time confirmation of investment income of RMB217 million in the same period of 2018.

For more information on the operation of Heze Neng Hua, Haosheng Company, Yancoal Australia, Yancoal International, please refer to the section headed “Main Business during the Reporting Period” herein this Chapter.

## *2. Major joint stock companies*

For detailed information on the main business and main financial indicators of the Group's joint stock companies, please refer to Note “Interests in Other Entities-Interests in Joint Venture or Associated Companies” to the financial statements prepared under CASs.

## CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

### 3. The operation of Yankuang Finance Company

As at the end of this reporting period, the Company held 90% equity interest in Yankuang Finance Company.

#### (1) The balance of bank deposit and bank loan by Yankuang Finance Company during the reporting period

Unit: RMB million

	<b>The closing balance of the reporting period</b>	The opening balance of the reporting period	Increase/ decrease (%)
Bank deposit	<b>17,597</b>	21,623	-18.62
Bank loan	<b>9,070</b>	7,551	20.12

#### (2) The main operating indicators of Yankuang Finance Company during the reporting period

Unit: RMB million

	<b>The balance of the reporting period</b>	The balance of the same period of the previous year	Increase/ decrease (%)
Operating income	<b>170</b>	175	-2.86
Net profit	<b>94</b>	85	10.59

	<b>The closing amount of the reporting period</b>	The opening amount of the reporting period	Increase/ decrease (%)
Net asset	<b>1,582</b>	1,488	6.32
Total asset	<b>19,204</b>	23,146	-17.03

### (VIII) Entities Controlled by the Company

Watagan Mining Company Pty Ltd is a special purpose vehicle incorporated by Yancoal Australia for purpose of implementing asset securitization offshore. It made 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 2015 Annual Report of the Company.

## CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

### III. DISCLOSURE ON OTHER EVENTS

(I) **Warning and Elaboration on Estimated Losses or Significant Changes in Aggregate Net Profit from the Beginning of 2019 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**

1. *Risks arising from safety management*

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

Counter measures: The Company will proactively promote an integrated mechanism of safety risks management and control by levels and hidden dangers inspection and prevention, giving priority to dynamic management over major systematic risks and occasional accidental risks; adhere to develop the risk dual pre-control system platform, and realize risks identification modelized management, enclosed treatment of risks and hidden dangers as well as pre-alarming of risks and hidden dangers; proactively respond to the safety inspections by safety supervision and management authorities, and make analysis and implement countermeasures to rectify the problem raised by the authorities; strengthen assessment and accountability system construction, implementing stringent grid safety supervision, improving the effectiveness of safety inspection and enhancing safety accountability and safety performance assessment.

2. *Risks arising from trade*

As the Company's trade business is affected by national macro-policy adjustment, market price fluctuation, customer integrity and financial strength, internal control and management of the Company, etc. If internal control is not in place, and the partner breaches the contract, etc., it will cause great loss to the Company and have a negative impact on the Company's reputation.

Countermeasures: The Company will optimize mode of trade business, increase the proportion of modern logistics and trade, and further expand business modes of combination of futures trading and spot trading, supply chain financing and etc.; Given the premise of risks under control, gradually develop trade business focusing on coal, coking coal, steel and construction industries, and facilitates synergy with the main business of the Company; improve customer evaluation mechanism, promote tracking and maintaining relationship with creditable customers, know about the dynamic production and operation of the customers and establish customer filing and rating system for long-term customers; strengthen the supervision and inspection of key links such as contract signing, contract performance, strengthen the dynamic tracking of contract performance, enhance risks prevention and control during the trade process; improve the capability of the trade staff by proactively employing talented people and enhancing staff training.

## CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

### 3. *Risks arising from exchange rate*

The pace of cross-border development of the Company has been significantly accelerated in recent years, and the proportion of foreign exchange assets has significantly increased. The Company's overseas financing, overseas investment, international trade and other business are all affected by exchange rate fluctuations, which bring many uncertainties on the Company's economic benefits and strategic development.

Counter measures: The Company will strengthen foreign exchange staff training, introduce external personnel proficient in foreign exchange management, improve the Company's foreign exchange management capabilities; will explore to establish cooperation mechanisms with professional institutions to strengthen the ability to predict and give early warning of exchange rate fluctuations; will use multiple financial platforms and derivative financial instruments to deal with the exchange rate fluctuations within the settlement time difference and reduce risks arising from exchange rate fluctuations.

### 4. *Risks arising from environmental protection*

In recent years, new laws, regulations and policies related to environmental protection have been continuously introduced, and the requirements for environmental protection have been more and more stringent, which in turn further increased the risks from environmental protection. In the event of an environmental incident, the Company may undergo production interruption and will also face severe penalties such as fines, suspension of production for rectification, and even criminal accountability, which will have a negative impact on the Company's reputation.

Counter measures: The Company will formulate an environmental target responsibility system, that is, to clarify roles responsibilities, strictly implement various tasks, sign a letter of responsibility at each level, and strengthen supervision and evaluation. The Company will accurately understand environmental protection laws, regulations and policies, investigate in advance and collect relevant technical solutions, and actively promote facility upgrades to ensure compliance with legal and regulatory standards. The Company will strengthen the tracking, scheduling and summarization of environmental protection work, carefully analyze the causes of the problems and formulate solutions in a timely manner. The Company will strengthen the construction of existing environmental protection talents, and continuously optimize the personnel structure. The Company will pragmatically carry out environmental protection business training and improve the staff's business level.



## CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

### (III) Other Disclosures

(All financial data in this section are prepared in accordance with the CASs)

#### 1. Capital Expenditure Plan

The capital expenditure for the first half of 2019 and the capital expenditure plan of 2019 of the Group are set out in the following table:

Unit: RMB10 thousand

	The first half of year 2019	Year 2019 (planned)
The Company	3,290	237,888
Ordos Neng Hua	106,468	263,272
Yulin Neng Hua	21,376	97,563
Heze Neng Hua	15,619	64,754
Hua Ju Energy	96	3,030
Haosheng Company	1,709	34,531
Donghua Heavy Industry	8,599	27,712
Shanxi Neng Hua	0	5,039
Yancoal Australia	49,402	141,329
Yancoal International	11,523	26,471
Other subsidiaries	616	821
Total	218,698	902,410

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

#### 2. Coal exploration, development and mining during the reporting period

For the first half of 2019, the Group's coal exploration expenditure was approximately RMB38.644 million, mainly including Warkworth Mount underground mine exploration project and Moolarben new underground mine exploration expenses of Yancoal Australia; the relevant capital expenditure for coal development and mining was about RMB1,793 million, mainly including investment in fixed assets of existing mines and other mining expenditure in existing coal mines, as well as the development and mining expenditure by Wanfu coal mine and the coal mines of Yancoal Australia and Yancoal International.



## CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

### 3. *Operation strategy of the second half of 2019*

In the second half of 2019, the macro economy environment is expected to be more complex and severe, the US-China trade frictions will exert continuous impact, and Chinese economy is facing increasing downward pressure. Chinese coal industry is confronted with even more stringent environmental protection inspections from relevant authorities, and regional coal market will become more competitive. The Group will proactively seize the opportunities brought by the replacement of the old growth drivers with new ones, adapt itself to the changes and meet the challenges, and continuously optimize operation strategy, to make the main coal business a premium and big one, expedite the release of the advanced production and implement in-depth lean management. The Group endeavors to realize the full-year business objectives in the process of economic structural adjustment and industry transformation and reorganization, and promote quality development.

**Focus on coal business with clear strategic positioning.** Seize the economic development opportunities, strengthen resources integration, optimize industry structure; unswervingly focus on the coal business, and continue to enhance the efficiency of resource allocation and profitability of the coal business, so as to enhance the Group's core competitiveness and maintain long-term sustainable development capacities.

**Strengthen intensive efficiency to ensure production increase and efficiency improvement. The Headquarter base** will further implement “three reductions and three improvements” and the integration of automation, informationization and intelligentization, accelerate the construction of intelligent workforce and transportation system, and thus to secure balanced and stable production by means of well-planned and precise mining; **The Inner Mongolia base**, centering on the strategic positioning of ten million tonnes of mine industry cluster, is expected to accelerate the project construction and the relevant license approvals so as to release the advantageous production capacity of its three coal mines with productivity of ten million tonnes per annum each. **The Australia base** will optimize the increments and fulfill reduction while maintain the good momentum of development, so as to improve the overall operation efficiency.

**Optimize product structure to achieve quality and efficiency improvement.** Give priority to efficiency, fully tap the potentials of the added value of the products and comprehensively enhance our market competitiveness and marketing profitability. **Adhere to clean coal strategy:** strictly implement 100% raw coal washing and increase technical support for clean coal production and coal preparation so as to increase the productive rate of quality clean coal; develop and expand high-price clean coal market while maintaining traditional clean coal market share to improve the overall profitability of clean coal. **Adhere to coal blending strategy.** Coordinate self-produced and out-sourced coal resources and all types of coal products as a whole, fully strengthen coal blending work so as to maximize synergy efficiency. **Adhere to coal slurry reduction strategy.** Optimize the coal slurry drying technology, adopt measures to reduce coal slurry at the source and enhance internal allocation for utilization so as to “squeeze the last profit and tap every potential to improve efficiency”.

## CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

**Strengthen cost control to reduce cost and increase efficiency.** Strengthen target cost management, decompose cost control objectives of the whole process, formulate and implement precise control measures, and strive to maintain the cost of main products at a stable level. **Reduce cost by tapping potentials:** continue to implement the “three benchmarking” activities of unit consumption of materials, equipment energy consumption, equipment utilization rate and idle rate; intensify efforts to clear warehouses and improve the turnover rate of equipment, so as to realize the synergetic sharing and efficient utilization of the materials. **Reduce cost by saving expenses:** give full play to the rigid control function of financial sharing platform, and effectively reduce controllable expenses; further optimize the debt structure and minimize financial expenses to the largest extent. **Reduce cost by streamlining:** continue to optimize the allocation of human resources, reduce posts by automation, improve efficiency by informatization and replace labor by intelligentization, improve the efficiency of posts allocation and management, so as to release the new vitality of streamlining and fitness.

**Focus on synergy and integration to promote inherent strength.** Prudently carry out the “Double Hundred Initiatives” of state-owned enterprises reform, and stimulate the vitality of micro business bodies and the internal impetus of the Company; improve the corporate governance system of the subsidiaries of the Company in an orderly manner to improve the level of standard operation; comprehensively promote the fully market-based development, sufficiently unleash the full potential of the market, and improve the economic efficiency and operation quality of the Company; continue to promote clean and efficient use of coal, build high-standard demonstration projects for ecological restoration in coal mine subsidence areas, and create a new name card of “safe, efficient, clean and green”.

#### 4. *The Impact of Exchange Rate Changes*

*The exchange rate changes mainly impact:*

- (1) The overseas coal sales income, as the overseas coal sales of the Group are denominated in USD and AUD, respectively;
- (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 book exchange gain of RMB37.695 million during the reporting period.

To manage foreign currency risks arising from the expected sales revenue, Yancoal Australia has entered into foreign exchange hedging contracts with the bank.

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 hedge the exchange rate between RMB and foreign currencies during the reporting period.

## CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

### 5. *Taxation*

For the first half year of 2019, except that some subsidiaries incorporated in PRC enjoyed favorable income tax rate of 10% or 15% on their taxable profits, the Company and the remaining subsidiaries incorporated in the PRC were subject to an income tax rate of 25% on their taxable profits. Yancoal Australia was subject to a tax rate of 30% on its taxable profits, and Yancoal International was subject to a tax rate of 16.5% on its taxable profits.

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

## CHAPTER 5 SIGNIFICANT EVENTS

### I. INFORMATION ON GENERAL MEETINGS OF SHAREHOLDERS

Session of meeting	Date of meeting	Query index of the designated websites for publishing resolutions	Date of disclosure of resolutions
The 2019 First Extraordinary General Meeting	12 February 2019		12 February 2019
The 2019 First Class Meeting of the Holders of A Shares	12 February 2019	The website of Shanghai Stock Exchange	12 February 2019
The 2019 First Class Meeting of the Holders of H Shares	12 February 2019	( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) The website of Hong Kong Stock Exchange	12 February 2019
The 2019 Annual General Meeting of Shareholders	24 May 2019	( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> ) The Company's website	24 May 2019
The 2019 Second Class Meeting of the Holders of A Shares	24 May 2019	( <a href="http://www.yanzhoucoal.com.cn">http://www.yanzhoucoal.com.cn</a> )	24 May 2019
The 2019 Second Class Meeting of the Holders of H shares	24 May 2019		24 May 2019

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

#### Explanations on Shareholders General Meeting

Not applicable.

### 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 2019

Whether distributed or transferred	Yes
Number of bonus shares issued per 10 shares (shares)	0
Dividends per 10 shares (RMB) (including tax)	10.00
For every 10 shares transferred (shares)	0

#### Explanation of Profit Distribution or Capital Reserve Transfer Plan

According to the "Articles of Association", the Company can distribute interim cash dividends after review and approval by the Board of Directors and the General Meeting.

In return for the Shareholders' long-term support to the Company, the Board of Directors proposed the distribution of 2019 interim cash dividends of RMB4,912 million (including tax), that is, a cash dividend of RMB10.00 (tax included) for every 10 shares. The dividend distribution plan will be submitted to the 2019 Second Extraordinary General Meeting for consideration and will be paid to the Shareholders within two months (if passed) after approval by the General Meeting.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

### III. PERFORMANCE OF UNDERTAKINGS

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

Background	Type	Undertaker	Undertakings	Date of Undertaking and Performance Deadline	With Performance Deadline or Not	Perform Timely and Strictly or Not	Reasons for Failure of Performance Timely	Measures in Case of Failure of Performance Timely
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	In performance	No
Other undertakings	Other	Yankuang Group and Yankuang Group (Hong Kong) Limited, the person acting in concert	Undertaking made as to increase shareholding of the H shares of the Company; Except that the exchangeable corporate bonds issued by Yankuang Group may affect the Yankuang Group's shareholding of the Company, undertook not to decrease shareholding of the Company on its own accord before the announcement in relation to completing the increase of shareholding or relevant statutory period.	From 11 July 2018 to 11 January 2019	Yes	Yes	Completed	No

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Background	Type	Undertaker	Undertakings	Date of Undertaking and Performance Deadline	With Performance Deadline or Not	Perform Timely and Strictly or Not	Reasons for Failure of Performance Timely	Measures in Case of Failure of Performance Timely
	Other	Yankuang Group	<p>Yankuang Group and Yankuang Finance Company have made undertakings in relation to finance business as follows.</p> <p>1. In view of the independence of Yanzhou Coal in assets, business, personnel, finance, organizations and other aspects from Yankuang Group, Yankuang Group will continue to maintain the independence of Yanzhou Coal and fully respect its right of management; while Yanzhou Coal and its subsidiary Yankuang Finance Company will decide the financial business between Yankuang Finance Company and Yankuang Group on its own based on the requirements of business development in compliance with relevant supervisory regulations and the rules of procedures for decision-making as stipulated in the Articles and the Articles of Yankuang Group Finance Company Limited.</p>	27 July 2018 Long-term effective	None	Yes	Under normal performance	None

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Background	Type	Undertaker	Undertakings	Date of Undertaking and Performance Deadline	With Performance Deadline or Not	Perform Timely and Strictly or Not	Reasons for Failure of Performance Timely	Measures in Case of Failure of Performance Timely
			<p>2. To ensure the safety of the Company's fund managed by Yankuang Finance Company, Yankuang Group and its controlled companies undertake to carry out financial business with Yankuang Finance Company in accordance with relevant rules and regulations, and will not appropriate the Company's fund through Yankuang Finance Company in any other forms.</p> <p>3. In case Yankuang Group or its controlled companies employed any capital fund of Yanzhou Coal through Yankuang Finance Company and caused any loss, Yankuang Group and its controlled companies will make full amount compensation in cash.</p>					



## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Background	Type	Undertaker	Undertakings	Date of Undertaking and Performance Deadline	With Performance Deadline or Not	Perform Timely and Strictly or Not	Reasons for Failure of Performance Timely	Measures in Case of Failure of Performance Timely
			<p>4. Yankuang Group undertakes to strictly abide by the relevant rules and regulations of CSRC, Shanghai Stock Exchange and the Articles, exercise the shareholder's rights and perform the shareholder's obligations as equally as other shareholders, and neither seek unfair interest by use of the position of controlling shareholder, nor impair the legal interests of Yanzhou Coal and other public shareholders.</p>					
Other undertakings	Other	Yankuang Group and Yanzhou Coal	<p>The Company made the following undertakings to the HKEX in relation to sale or pledge of its equity shares in Yancoal Australia within twelve months commencing the listing of Yancoal Australia in HKEX:</p> <ol style="list-style-type: none"> <li>not to sell or pledge its equity shares in Yancoal Australia stipulated in the listing documents in any form unless the specific prerequisites are satisfied.</li> <li>Yanzhou Coal shall instantly inform Yancoal Australia in cases that Yanzhou Coal pledged its equity shares in Yancoal Australia to any institute confirmed by HKEX, or the sale of the pledged shares by the person with pledging rights.</li> </ol>	From 6 December 2018 to 6 December 2019	Yes	Yes	Under normal performance	None

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Background	Type	Undertaker	Undertakings	Date of Undertaking and Performance Deadline	With Performance Deadline or Not	Perform Timely and Strictly or Not	Reasons for Failure of Performance Timely	Measures in Case of Failure of Performance Timely
	other	Yankuang Group and Yankuang Group (Hong Kong) Limited, the person acting in concert	Undertaking made as to increase shareholding of the H shares of the Company; Except that the exchangeable corporate bonds issued by Yankuang Group may affect the Yankuang Group's shareholding of the Company, undertook not to decrease shareholding of the Company on its own accord before the announcement in relation to completing the increase of shareholding or relevant statutory period.	30 July 2019 to 30 January 2020	Yes	Yes	Under normal performance	None

### IV. APPOINTMENT AND DISMISSAL OF ACCOUNTANTS

#### The explanation on the appointment and dismissal of accountants

As reviewed and approved by the 2018 annual general meeting held on 24 May 2019, the Company engaged Shine Wing Certified Public Accountants (special general partnership) and SHINEWING (HK) CPA Limited as its domestic and overseas accountants, respectively, with an engagement term from the conclusion date of the 2018 annual general meeting to the conclusion date of the 2019 annual general meeting, which is responsible for the financial statements auditing, examination and internal control audit evaluation of the Company for the year 2019.

The Company shall pay RMB8.6 million for the domestic and overseas audit services of 2019, including RMB6.6 million for domestic service to Shine Wing Certified Public Accountants (special general partnership) and RMB2 million for overseas service to SHINEWING (HK) CPA Limited. The Company is responsible for accountants' on-site accommodation and meal expenses, but not for any other related expenses such as travelling expenses. The Board was authorized to decide the payment for increased follow-up audit, internal control audit and other services due to the Company's new subsidiaries or changes of regulations.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

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

### **The explanation on the change of accountants during the auditing period**

Not applicable.

### **The Company's explanation on the nonstandard audit report issued by the accountants**

Not applicable.

### **The Company's explanation on the nonstandard audit report issued by the CPA to the financial report in the 2018 annual report**

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><b>Contract dispute between Xiamen Xinda Co., LTD. (“Xiamen Xinda”) and Yanzhou Coal, Zhongyin Logistics Co., LTD. (“Zhongyin Logistics”)</b></p> <p>In March 2017, citing the contract dispute, Xiamen Xinda appealed in three cases against the Company and Zhongyin Logistics to Xiamen Intermediate People’s Court (“Xiamen Intermediate Court”), requiring Zhongyin Logistics to return principal of goods payment RMB164 million and its corresponding interest and requiring the Company to bear joint liability.</p> <p>In June 2017, the Company lodged an appeal to Fujian High People’s Court (“Fujian High Court”) for objection to jurisdiction, Fujian High Court ruled that two of the three cases were merged into one (with total amount of RMB102.5 million) to be heard by Fujian High Court, and the remaining one case and others in relation to Xiamen Xinda’s appeal against Yanzhou Coal and Zhongyin Logistics for contract disputes shall be heard by Xiamen Intermediate Court.</p> <p>In July 2018, at the first trial by Fujian High Court, both parties jointly applied to the court for postponement of the trial. The court agreed to adjourn the hearing until further notice. As for the case to be heard by Xiamen Intermediate Court, Xiamen Intermediate Court organized the litigants to participate in a pre-trial cross-examination of the case, and then suspended the trial after cross-examination.</p> <p>In accordance with the investigation and verification of the Company, among the relevant evidences provided by the plaintiff, the seals of the Company and Zhongyin Logistics were forged, the third party and the relevant persons in charge were suspected to forge seals and carry out contract fraud. Yanzhou Coal has reported and filed a case in public security organs. Now the criminal case involved in this case is under processing.</p> <p>Due to the case is performing the procedure of the first instance, the Company is unable to estimate the impact of the litigation on the current profit and future profit.</p>	<p>For details, please refer to the lawsuit announcement involving Yanzhou Coal dated 25 April 2017. The above announcement was also posted on the websites of the Shanghai Stock Exchange, the HKEX and the Company and/or China Securities Journal and Shanghai Securities News.</p>

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

### Item Overview

### Query Index

#### **Arbitration involving Inner Mongolia New Changjiang Mining & Investment Co., Ltd. (“New Changjiang”) and Yanzhou coal**

In April 2018, New Changjiang submitted an arbitration application to China International Economic and Trade Arbitration Commission (“CIETAC”) for the violation of the relevant equity transfer agreements by Yanzhou Coal and requested Yanzhou Coal to pay a total of approximately RMB1.435 billion, comprising the consideration for the equity transfer of RMB749 million, the corresponding compensation for breach of agreement of RMB656 million, and the legal fees, arbitration fees and preservation fees involved in this case.

CIETAC made two hearings on the case in October 2018 and December 2018, respectively, and no ruling is given yet.

In April 2019, New Changjiang requested to change the arbitration claims to relieving the equity transfer agreement, and permission was given by CIETAC. No ruling is given by CIETAC till now.

As the case is in the progress of arbitration procedure, the Company is unable to estimate the impact of the arbitration on the current profit and future profit.

For details, please refer to the arbitration announcement involving Yanzhou Coal dated 9 April 2018. The above announcement was also posted on the websites of the Shanghai Stock Exchange, the HKEX and the Company and/or China Securities Journal, Shanghai Securities News and Securities Times.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

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

Unit: RMB

During the reporting period:

Plaintiff (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgment and impact	Judgment execution
Shanxi Neng Hua	Shanxi Jinhui Coking Chemical Co., Ltd. ("Shanxi Jinhui")	No	Arbitration	<p>As Shanxi Jinhui unilaterally terminated to fulfill the Raw and Auxiliary Material Supply Agreement and suspended the gas supply, Shanxi Tianhao Chemicals Co., Ltd. ("Tianhao Chemicals"), a controlled company of Shanxi Neng Hua, ceased full production of methanol in April 2012.</p> <p>In September 2013, Shanxi Neng Hua submitted the arbitration to Beijing Arbitration Commission, requesting Shanxi Jinhui to make compensation for the loss in accordance with the contracts.</p> <p>After full consideration, Shanxi Neng Hua applied to Beijing Arbitration Commission for withdrawal of the request for arbitration in August 2015 and got approval. The Company made provision for impairment of assets for Tianhao Chemicals in 2012.</p> <p>The Company decided to restart the arbitration procedure to safeguard the interests of the Company and the shareholders in July 2017. Shanxi Neng Hua and Tianhao Chemicals jointly lodged arbitration to Beijing Arbitration Commission, requiring Shanxi Jinhui to make compensation of RMB341 million in total to Shanxi Neng Hua and Tianhao Chemicals.</p>	RMB341 million	No	Execution procedure	As the case is in the progress of execution procedure, the Company is unable to estimate the impact of the litigation on the current profit and future profit.	Implementing

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Plaintiff (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgment and impact	Judgment execution
				<p>In April 2019, Beijing Arbitration Commission ruled that Shanxi Jinhui make the compensation of RMB72.664 million in total to Shanxi Neng Hua and Tianhao Chemicals.</p> <p>In June 2019, Shanxi Neng Hua applied to Lvliang Intermediate People's Court in Shanxi province ("Lvliang Intermediate Court") for compulsory execution.</p>					
Jinan Railway Coal Trade Group Co., LTD. ("Jinan Railway Trade")	Yanzhou Coal	No	Litigation	<p>In October 2015, citing the sales contract dispute, Jinan Railway Trade appealed against Yanzhou Coal to Jinan Railway Transportation Court, requiring Yanzhou Coal to repay goods payment of RMB19.9498 million.</p> <p>According to the investigation and verification of the Company, the Company never signed sales contract involved in the case with Jinan Railway Trade. The Company was disputed on reasons of appeal of Jinan Railway Trade.</p> <p>In October 2017, the Company lost the lawsuit at the first instance and Jinan Railway Transportation Court ruled that the Company shall bear responsibility of compensation.</p> <p>In November 2017, the Company lodged an appeal to Jinan Railway Transportation Intermediate Court ("Railway Intermediate Court"), which ruled the Company should bear responsibility of compensation at the second instance in March 2019.</p> <p>In June 2019, the Company lodged a retrial appeal to Shandong High People's Court ("Shandong High Court"), and no case has been filed yet.</p>	RMB19.9498 million	No	Applying for retrial.	The Company has paid the involved amount to Jinan Railway Trade in accordance with the Court's judgment.	-



## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Plaintiff (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgment and impact	Judgment execution
Weihai Commercial Bank Co., Ltd ("Weihai Commercial Bank")	Yanzhou Coal	Shandong Hengfeng Power Fuel Co., Ltd. ("Hengfeng Company") and other 7 persons with joint and several liabilities	Litigation	<p>In October 2015, citing the financial loan contract dispute, Weihai Commercial Bank appealed to Jining Intermediate People's Court ("Jining Intermediate Court") against 8 defendants including Hengfeng and Yanzhou Coal, requiring Hengfeng Company to repay the loan principal of RMB99.119 million and corresponding interest. Because Hengfeng Company made a pledge to the plaintiff through its account receivables of RMB103.42 million by Yanzhou Coal (suspect of counterfeit), Weihai Commercial Bank required Yanzhou Coal bear the liability of repayment within the amount of the account receivables.</p> <p>In October 2018, the Company received the first-instance judgment and lost the case. And the Company lodged an appeal to Shandong High Court.</p> <p>In May 2019, it was the ruling of the second instance of the Shandong High Court that the case shall be reheard to Jining Intermediate Court for re-trial.</p> <p>Jining Intermediate Court has made no ruling yet.</p>	RMB99.1190 million	No	Retrial of the first instance	Since the case in the progress of the retrial of the first instance, it's unable for the Company to estimate the impact of the litigation on its current profit and future profit currently.	–

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Plaintiff (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgment and impact	Judgment execution
Zhonghui Xintong Business Factoring Co., LTD. ("Zhonghui Xintong")	Yanzhou Coal	Hengfeng Company	Litigation	<p>In November 2015, citing the factoring business contract dispute, Zhonghui Xintong appealed to Beijing No.3 Intermediate People's Court ("Beijing No.3 Intermediate Court") against Hengfeng Company and the Company, requiring Hengfeng Company to repay factorage financing of RMB159.9770 million and related interests.</p> <p>As Hengfeng Company had transferred its accounts receivable of RMB145 million by Yanzhou Coal (counterfeited) to Zhonghui Xintong, Zhonghui Xintong required the Company to bear the liability of repayment within the amount of the accounts receivable. The Company applied for judicial authentication of the seals and signatures of the relevant evidence by Beijing No.3 Intermediate Court. The judicial authentication verified the seals and signatures were all forged.</p> <p>In November 2018, Beijing No.3 Intermediate Court hold a hearing on the case, Zhonghui Xintong withdrew the lawsuit at the court.</p> <p>In February 2019, the Company received the judgment given by Beijing No.3 Intermediate Court, which ruling that Yanzhou Coal was exempted from the liability.</p>	RMB145 million	No	Settled	Zhonghui Xintong withdrew the lawsuit and the Company was exempted from the liability. The lawsuit will not make any impact on the current profit and future profit of the Company.	–

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Plaintiff (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgment and impact	Judgment execution
China Construction Bank Jining Dongcheng Sub-branch ("CCB Jining Dongcheng Sub-branch")	Yanzhou Coal	Chai Tao and other 4 persons with several and joint liability	Litigation	<p>In November 2015, CCB Jining Dongcheng Sub-branch sued 7 defendants, including Hengfeng Company and Yanzhou Coal, to Jining Intermediate Court on the grounds of financial loan contract disputes, requesting Hengfeng to repay the loan principal of RMB59.669 million and corresponding interest.</p> <p>As Hengfeng pledged its account receivables by Yanzhou Coal of RMB79.1312 million (suspected for counterfeiting) to CCB Jining Dongcheng Sub-branch, CCB Jining Dongcheng Sub-branch requested Yanzhou Coal to repay as per the pledged accounts receivable of RMB79.1312 million.</p> <p>In April 2018, Jining Intermediate Court ruled that Yanzhou Coal should bear the priority liability of repayment in an amount within the pledged accounts receivable of RMB79.1312 million. Yanzhou Coal lodged an appeal to Shandong High Court.</p> <p>In December 2018, Shandong High Court ruled at the second instance that the case shall be reheard by Jining Intermediate Court.</p> <p>In May 2019, Jining Intermediate Court heard the case and no ruling is given yet.</p>	RMB59.669 million	No	In the retrial Procedure at the first instance	The case is currently in the progress of retrial procedure at the first instance, and it's unable for the Company to estimate the impact of the suit on its current profit and future profit.	—

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Plaintiff (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgment and impact	Judgment execution
Yanzhou Coal	Jinan Railway Trade	No	Litigation	<p>In April 2016, the Company, as the plaintiff, brought a civil litigation against Jinan Railway Trade at Jining Intermediate Court, suing Jinan Railway Trade to refund a goods loan of RMB80 million and related interests accrued to the Company.</p> <p>In July 2017, Jining Intermediate Court ruled that Jinan Railway Trade repay the loan of RMB80 million and related interests accrued to the Company. Jinan Railway Trade lodged an appeal against the first judgment at Shandong High Court.</p> <p>In February 2018, Shandong High Court ruled at the second instance of the case to be reheard by Jining Intermediate Court.</p> <p>In March 2019, Jining Intermediate Court ruled that the Company's appeal was rejected and the Company has lodged an appeal to Shandong High Court and no ruling is given yet.</p>	RMB 80 million	No	In the retrial Procedure at the second instance	The case is currently in the progress of retrial procedure at the second instance, and it's unable for the Company to estimate the impact of the suit on its current profit and future profit.	–

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Plaintiff (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgment and impact	Judgment execution
Yanzhou Coal	Rizhao Shanneng International Logistics Co., Ltd. ("Shanneng International")	No	Litigation	<p>In November 2016, citing Shanneng International breaching the Coal Sales Contract, the Company appealed to Rizhao Intermediate Court, requesting Shanneng International repay RMB80 million to the Company as goods payment and corresponding interest.</p> <p>In November 2018, the Company received the judgment of Rizhao Intermediate Court at the first trial that Yanzhou Coal won the suit. Shanneng International lodged an appeal at Shandong High Court</p> <p>In June 2019, it was the judgment of Shandong High Court at the second instance that the case shall be reheard to Rizhao Intermediate Court for retrial.</p> <p>No ruling is given by Rizhao Intermediate Court.</p>	RMB80 million	No	In the retrial procedure at the first instance.	As the case is in the retrial procedure at the first instance, it's unable for the Company to estimate the impact of the litigation on its current profit and future profit currently.	–
Shandong Yanmei Rizhao Port Coal Storage and Blending Co., Ltd. (Rizhao Coal Storage and Blending)	Wuxi City Shengluda Power Fuel Co., Ltd. ("Wuxi Shengluda")	Wuxi City Xinan Fuel Co., Ltd. and 5 natural persons with joint and several liabilities	Litigation	<p>In November 2016, citing the coal mines sales contract dispute, Rizhao Coal Storage and Blending sued Rizhao Intermediate Court against Wuxi Shengluda, requiring Wuxi Shengluda to repay RMB27.8274 million of goods payment and corresponding interest.</p> <p>In February 2019, Rizhao Intermediate Court ruled at the first instance that Rizhao Coal Storage and Blending won the suit.</p> <p>In April 2019, Rizhao Coal Storage and Blending applied to Rizhao Intermediate Court for compulsory execution.</p>	RMB27.8274 million	No	In the execution procedure.	As the case is in the execution procedure, it's unable for the Company to estimate the impact of the litigation on its current profit and future profit currently.	Implementing

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Plaintiff (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgment and impact	Judgment execution
Rizhao Coal Storage and Blending	Rizhao Tengtu Investment Company Limited ("Tengtu Company")	Shandong Yabin Energy Co., Ltd. and other 8 joint guarantors with joint and several liability	Litigation	<p>In February 2017, citing the sales contract dispute, Rizhao Coal Storage and Blending, as the plaintiff, brought a civil litigation against Tengtu Company and other 8 joint guarantors including Shandong Yabin Energy Co., Ltd. at Rizhao Intermediate Court, requesting Tengtu Company to repay a goods payment of RMB37.4251 million and the related interests, and 9 joint guarantors to bear the joint and several liabilities.</p> <p>In December 2018, Rizhao Coal and Storage Blending received the judgment at the first trial and Rizhao Coal Storage and Blending won the suit. Tengtu Company lodged an appeal at Shandong High Court.</p> <p>In May 2019, Shandong High Court made the judgment that Rizhao Coal Storage and Blending won the case.</p> <p>In July 2019, Rizhao Coal Storage and Blending applied to Rizhao Intermediate Court for compulsory execution.</p>	RMB37.4251 million	No	In the execution procedure.	As the case is in the execution procedure, it's unable for the Company to estimate the impact of the litigation on its current profit and future profit currently.	Implementing

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Plaintiff (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgment and impact	Judgment execution
China Construction Bank Jining Guhuailu Branch ("CCB Jining Guhuailu Branch")	Yanzhou Coal	Jining Liaoyuan Trade Co., Ltd. ("Jining Liaoyuan") and other 6 persons with joint and several liability	Litigation	<p>In June 2017, citing the financial loan contract dispute, CCB Jining Guhuailu Branch, as the plaintiff, sued against 8 defendants including Jining Liaoyuan and Yanzhou Coal to Jining Intermediate Court, requiring Jining Liaoyuan to repay loan principal of RMB95.8596 million and corresponding interest. Since Jining Liaoyuan pledged accounts receivables of RMB90.52 million by Yanzhou Coal (suspect of counterfeit) to CCB Jining Guhuailu Branch, CCB Jining Guhuailu Branch requiring the Company to make repayment within scope of the accounts receivable.</p> <p>In January 2018, Jining Intermediate Court heard the case. The Company applied for judicial authentication of the seals and signatures in relevant evidences at the court. The judicial authentication verified that the signatures are real and the seals are forged.</p> <p>In November 2018, the Company lost the suit at the first trial and the Company lodged an appeal to Shandong High Court.</p> <p>In May 2019, Shandong High Court heard the case at the second instance and no ruling has been given yet.</p>	RMB90.52 million	No	In the second trial	As the case is in the second trial, it's unable for the Company to estimate the impact of the litigation on its current profit and future profit currently.	—



## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Plaintiff (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgment and impact	Judgment execution
Xiamen Xinda	Zhongyin Logistics	Yanzhou Coal	Litigation	<p>In June 2017, citing the sales contract dispute, Xiamen Xinda appealed against Zhongyin Logistics and the Company to Xiamen Municipal Hui District People's Court in three cases, legally requiring Zhongyin Logistics to return goods principal of RMB31.7116 million and corresponding interest and requiring the Company to bear joint liability.</p> <p>The Company made objection to the jurisdiction, and the court ruled that the three cases together with another relevant case (a sales contract dispute between Xiamen Xinda and Zhongyin Logistics) were merged into one and transferred to Xiamen Intermediate Court for trial, with total amount of principal of RMB91.1 million.</p> <p>In July 2018, Xiamen Intermediate Court heard the case, and no ruling has been given yet.</p> <p>In accordance with the investigation and verification of the Company, among the relevant evidences provided by the plaintiff, the seals of the Company and Zhongyin Logistics were forged. The third party and related persons involving the case were suspected to forge seals to carry out contract fraud. The Company has reported to public security organs while responding to the court and public security organ has implemented criminal procedures to related suspects.</p>	RMB91.10 million	No	In the first trial	Since the case in the first trial, it's unable for the Company to estimate the impact of the litigation on its current profit and future profit currently.	–

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Plaintiff (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgment and impact	Judgment execution
Luxing Property Co., LTD. ("Luxing Property")	Yanzhou Coal	Hengfeng Company and relate companies	Litigation	<p>In July 2017, citing the equity transfer agreement dispute, Luxing Property appealed 7 cases against Hengfeng Company and related companies to Jining Intermediate Court (4 cases) and Jining Rencheng District People's Court ("Rencheng District Court") (3 cases), alleging Hengfeng Company and its related companies repay principle of RMB277.09 million and related interests.</p> <p>In view that Hengfeng Company and its related companies transferred accounts receivable of RMB352.78 million payable by Yanzhou Coal (suspect of counterfeit) to Luxing Property, Luxing Property required the Company to bear the liability of payment within the amount of the accounts receivable and related interests.</p> <p>The Company applied to Jining Intermediate Court for judicial authentication of the seals of the relevant evidence. And the authentication verified that the seals are forged.</p> <p>In November 2018, the Company received the first-instance judgment from Jining Intermediate Court in relation to the 4 cases, Yanzhou Coal won the suits.</p> <p>In March 2019, the Company received the first-instance judgment from Rencheng District Court in relation to the 3 cases, Yanzhou Coal won the suits.</p>	RMB277.09 million	No	The Company won the suit in the first trial.	Since the Company won the suit in the first trial, it's unable for the Company to estimate the impact of the litigation on its current profit and future profit currently.	—

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Plaintiff (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgment and impact	Judgment execution
Qingdao YanmeiDongqi Energy Co., Ltd. ("YanmeiDongqi")	Shanghai Greenland Linggang Power Fuel Co., Ltd. ("Greenland Linggang")	Zhenjiang Tianyun Trade Co., Ltd ("Zhenjiang Tianyun") and Jiangsu Jicao Biological Science Co., Ltd ("Jiangsu Jicao")	Litigation	In August 2017, YanmeiDongqi, a wholly-owned subsidiary of Fuzhao Coal Storage and Blending (a controlled subsidiary of the Company), as the plaintiff, brought a civil litigation against Greenland Linggang, Zhenjiang Tianyun and Jiangsu Jicao to Shanghai Municipal No.1 Intermediate People's Court ("Shanghai Intermediate Court"), requiring Greenland Linggang to repay goods payment of RMB82.2062 million and related interest, and Zhenjiang Tianyun and Jiangsu Jicao shall bear joint and several liabilities.	RMB 82.2062 million	No	In the retrial procedure	As the case is in the retrial procedure, it's unable for the Company to estimate the impact of the litigation on its current profit and future profit currently.	–
				In June 2018, Shanghai Intermediate Court gave the first-instance judgment that YanmeiDongqi won the case. In view that the judgment did not satisfy the purpose of the lawsuit, YanmeiDongqi lodged an appeal to Shanghai High People's Court.					
				In December 2018, YanmeiDongqi received the second-instance judgment from Shanghai High People's Court, which rejected YanmeiDongqi's appeal. YanmeiDongqi made an appeal to Shanghai Supreme People's Court ("Shanghai Supreme Court") for retrial.					
				In April 2019, Yanmei Dongqi made an appeal again to Supreme People's Court for retrial. Currently, the case has not been filed yet.					

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Plaintiff (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgment and impact	Judgment execution
Rizhao Coal Storage and Blending	Zoucheng City Pengxiang Industry and Trade Co., Ltd ("Zoucheng Pengxiang")	Zoucheng City Wangsheng Real Estate Development Co., Ltd	Litigation	In November 2018, alleging coal sales contract dispute, Rizhao Coal Storage and Blending sued against Zoucheng Pengxiang at Rizhao Intermediate Court, requiring Zoucheng Pengxiang refund RMB35.15 million of good payment and related interests.  In May 2019, both parties signed Repayment Agreement and the case was settled through reconciliation.	RMB35.15 million	No	Settled through reconciliation	Since the case was settled through reconciliation, it won't have impact on the Company's current and future profit.	—
Yanzhou Coal	Shandong Changjinhao Coal Mining Co., Ltd. ("Changjinhao")	Wang Fuen and other 2 persons with joint and several liabilities	Litigation	In December 2018, citing the coal sales contract dispute, the Company appealed to Jining Intermediate Court against Changhaojin, alleging Changjinhao pay RMB56.3893 million of goods payment and related interests, while Wang Fuen, Ji Jianyong and Wu Zhaobin shall bear joint and several liabilities.  The case was heard in Jining Intermediate Court twice both in May 2019 and June 2019. No judgment has been given yet.	RMB56.3893 million	No	In the first trial	Since the case is in the first trial, it's unable for the Company to estimate the impact of the litigation on its current profit and future profit currently.	—
Shanghai Jaorun International Trade Co., Ltd ("Shanghai Jaorun")	Qingdao Zhongyan Trading Co., Ltd. ("Qingdao Zhongyan")	ZhongyuanHuijin International Logistics (Tianjin) Co., Ltd ("Zhongyuan Huijin") with joint and several liabilities	Litigation	In December 2018, alleging coal sales contract dispute, Shanghai Jaorun brought a lawsuit to Qingdao Intermediate People's Court ("Qingdao Intermediate Court") against Qingdao Zhongyan, a wholly-owned subsidiary of the Company and ZhongyuanHuijin, who was requested to bear joint and several responsibilities, requiring Qingdao Zhongyan and ZhongyuanHuijin refund RMB80 million of goods payment, contract breach fines and related losses accrued.  In January 2019, Qingdao Intermediate Court held a hearing on the case, and no ruling is given currently.	RMB80 million	No	In the first trial	Since the case is in the first trial, it's unable for the Company to estimate the impact of the litigation on its current profit and future profit currently.	—

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Plaintiff (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgment and impact	Judgment execution
Yanzhou Coal	Bill debtors including BaotaShenghua Trading including Bata Group Co., Ltd, Inner Mongolia Yanmeng Coal Transportation and Co., Ltd. Sales Co. Ltd.	Bill debtors Petrochemical Group Finance ("Baota Finance Company"), Bata Petrochemical Group Co., Ltd.	Litigation	<p>In January 2019, citing the bills dispute, the Company appealed in 89 cases against related bills debtors to Liangshan People's Court, requiring the Company exercise its rights of recourse to the bills.</p> <p>The Company holds 150 pieces of acceptance bills made by Baota Finance Company as the payer, with a total amount of RMB272.1 million. As Baota Finance Company cannot meet the due payment, the Company exercises the right of recourse to safeguard the legitimate rights and interests.</p> <p>Currently, the Company has recovered RMB1 million in one case, which was settled; the remaining 88 cases have been transferred to Yinchuan Intermediate Court and no judgment is given yet.</p>	RMB272.1 million	No	In the first trial	Since the case is in the first trial, it's unable for the Company to estimate the impact of the litigation on its current profit and future profit currently.	-
CRRC Shijiazhuang Vehicle Co., Ltd., Shijiazhuang Gongbei Heavy Machinery Co., Ltd. and other holders	Yanzhou Coal	Beijing Baota International Economic and Technical Cooperation Co., Ltd., Baota Finance Co., Ltd. and other debtors of commercial instrument	Litigation	<p>In 2019, citing the bill dispute, the holders of the acceptance bill of exchange of Baota Finance Company sued Yanzhou Coal in 26 cases, demanding to exercise the right of recourse for bills, involving a total amount of RMB23.9 million.</p> <p>Up to present, the Company has lost three cases and paid RMB2.5 million. Other cases are still under trial and no judgement has yet been given.</p>	RMB23.9 million	No	In the first trial	<p>The Company had paid RMB2.5 million in pursuant to the judgement.</p> <p>It's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently.</p>	-

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Plaintiff (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgment and impact	Judgment execution
Shandong Zikuang Coal Transport and Marketing Co., Ltd. ("Zikuang Transport and Marketing Company")	Yanzhou Coal	No	Litigation	In May 2019, citing the sales contract dispute, Zikuang Transport and Marketing Company sued against Yanzhou Coal to Jining Intermediate Court, requiring Yanzhou Coal to repay RMB25.478 million of coal prepayment, RMB7.042 million of interest loss, RMB0.936 million of the loss of anticipated benefits and RMB0.5 million of realization of the expense of credit, adding up to RMB33.956 million.  In July 2019, Jining Intermediate Court holds a trial on this case, and no judgement has been given yet.	RMB33.956 million	No	In the first trial	As the case is in the first trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently.	–
Shanxi Jinhui	TianhaoHuagong	No	Litigation	In May 2019, Shanxi Jinhui, as the plaintiff, citing the sales contract dispute, brought a lawsuit to Lvliang Intermediate Court against Tianhao Chemicals, requiring Tianhao Chemicals to pay RMB136.278 million as the compensation of breaching the contract, RMB6.5918 million for the gas and electricity fees, adding up to a total of RMB142.8698 million.  Up to present, Lvliang Intermediate Court holds a trial on this case, and no judgement has been given yet.	RMB142.8698 million	No	In the first trial	Since the case is in its first trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently.	–

### (III) Other Explanation

Not applicable.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

### VII. PUNISHMENT AND RECTIFICATION ON THE LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER, ACTUAL CONTROLLERS AND THE BUYERS

During the reporting period, the Company and its directors, supervisors, senior management, controlling shareholder and actual controllers were not subject to investigation by competent authorities or transferred to judicial organs or being given criminal sanctions. None of compulsory measures were taken by judicial discipline inspection departments. There are no circumstances such as being inspected by CSRC, being given administrative penalties imposed by CSRC, being prohibited from entry into the securities market, being given a notice of criticism, being identified as inappropriate candidates, being given major administrative penalties by other administrative departments and being condemned by stock exchanges publicly.

### VIII. THE EXPLANATION ON THE CREDIT CONDITIONS OF THE COMPANY, CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLERS

During the reporting period, the Company, its Controlling Shareholder and the actual controllers do not have any dishonest behaviors, such as failure to perform the effective judgment of the court and the large amount of debt due but unliquidated.

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

#### (I) Share Option Scheme Disclosed in Extraordinary Announcement with No Progress or Changes

Overview	Inquiry Index
<p>As reviewed and approved at the 2019 first extraordinary general meeting, the 2019 first class meeting of holders of A shares and the 2019 first class meeting of holders of H shares held on 12 February 2019, the Company implemented the 2018 A Share Option Incentive Scheme. On the same day, as reviewed and approved at the twenty-third meeting of the seventh session of the Board, the Company adjusted the Participants under the 2018 A Share Option Scheme and granted 46.32 million options to eligible 499 qualified participants. On 21 February 2019, the Company completed the registration granting of the share options for the Share Incentive Scheme.</p>	<p>For details, please refer to the announcements in relation to resolutions passed at the 2019 first extraordinary general meeting, the 2019 first class meeting of holders of A shares, the 2019 first class meeting of holders of H shares of the Company and the twenty-third meeting of the seventh session of the Board dated on 12 February 2019, the announcement in relation to the adjustment and granting of the share options incentive scheme and the announcement in relation to the completion of the granting registration on 2018 A Share Option Incentive Scheme on 21 February 2019. The above announcements were also posted on the websites of the Shanghai Stock Exchange, the HKEX and the Company and/or China Securities Journal, Shanghai Securities News and Securities Times.</p>

***Abstract of the 2018 A Share Option Scheme of the Company (the “Share Option Scheme”)***



## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

1. *The purpose of the Share Option Scheme*

The Share Option Scheme is to further establish and improve the long-term incentive mechanism of the Company, attract and retain talents, fully motivate the Directors, senior management, mid-level management and core employees of the Company, effectively align the interests of Shareholders, the interests of the Company and the personal interests of the management, and enable all parties to take interest in the long-term development of the Company.

2. *The scope of eligible participants*

The scope of eligible participants includes Directors, senior management, mid-level management and core employees of the Company, excluding external Directors (including independent directors), supervisors, shareholders or actual controllers that individually or jointly hold 5% or above shares of the Company and their spouses, parents and children.

3. *The number of underlying shares to be granted under the Share Option Scheme*

The number of A Share Options to be granted under the Share Option Scheme is 46.68 million, representing approximately 0.95% of the total issued share capital of 4,912.016 million shares of the Company. Then the Board of the Company adjusted share options to 46.32 million shares, representing approximately 0.94% of the total share capital of the Company as at the date of this report.

4. *The cap amount of share options for each eligible participant under the Share Option Scheme*

The aggregate number of A Shares to be issued under the Share Option Scheme may not exceed 1% of the Company's total share capital as at the date of consideration and approval of the Scheme at the EGM, and shall not exceed 1% of the Company's total number of A Shares in issue on the same day.

5. *The vesting period of the share options granted under the Share Option Scheme*

The vesting period will be the period between the date of grant and the exercise date of the share options. The share options will have vesting periods of 24 months, 36 months and 48 months commencing from the date of grant respectively.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

### 6. *The date of exercise under the Share Option Scheme*

The share options granted under the Share Option Scheme, can be exercised on any trading day, except during the following periods, upon expiry of the 24 months from the date of grant.

- (I) Within thirty (30) days before the announcement of periodic report, or from thirty (30) days before the scheduled date of announcement of periodic report to the day before actual date of periodic report in case of postponed announcement due to certain reasons;
- (II) Within ten (10) days before the announcement of the Company's results forecast and performance news;
- (III) A period commencing from the date of significant events occurred or proposed from review and approval, which may have severe impacts on the trading price of the shares and its derivatives of the Company, till two (2) trading days after the announcement disclosed in pursuant to relevant laws;
- (IV) Any other period as stipulated by CSRC and Shanghai Stock Exchange.

The "significant events" are transactions or other significant events shall be disclosed in accordance with Rules Governing the Listing of Stocks of the Shanghai Stock Exchange.

The exercise period of the options granted under the Share Option Scheme and its arrangement are shown in the following table.

<b>Arrangement for the exercise</b>	<b>Exercise Period</b>	<b>Proportion of exercisable Share Options to the total number of granted Share Options</b>
First Exercise Period	Commencing from the first trading day after the expiry of the 24th month from the date of grant, and ending on the last trading day of the 36th month from the date of grant.	33%
Second Exercise Period	Commencing from the first trading day after the expiry of the 36th month from the date of grant, and ending on the last trading day of the 48th month from the date of grant.	33%
Third Exercise Period	Commencing from the first trading day after the expiry of the 48th month period from the date of grant, and ending on the last trading day of the 60th month period from the date of grant.	34%

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

The eligible participants must complete option exercising within each effective exercise period. If preconditions for exercising were not satisfied, the options of the corresponding period shall not be exercised. The options satisfying preconditions for exercising but not exercised during the corresponding period shall be cancelled by the Company.

7. *The Exercise Price of the share options granted under the Share Option Scheme*

The exercise price of each option granted under the Share Option Scheme is RMB9.64. During the period commencing from the date of announcement of the Share Option Scheme to the expiry of the exercise period of the participants, the exercise price shall be subject to adjustment in the event of capital reserve converted into share capital, bonus issue, subdivision or consolidation of shares, rights issue or dividend distribution of the Company.

8. *The basis of determination of exercise price the share options granted under the Share Option Scheme*

The Exercise Price shall not be less than the nominal value of the Company's A Shares or the higher of:

- (1) The average trading price of the A Shares on the trading day immediately preceding the date of announcement of the Scheme, being RMB8.92 per A Share;
- (2) The average trading price of the A Shares for the 20 trading days immediately preceding the date of announcement of the Scheme, being RMB9.58 per A Share;
- (3) The closing price of the A Shares on the trading day immediately preceding the date of announcement of the Scheme, being RMB8.75 per A Share; and
- (4) The average closing price of the A Shares for the 30 trading days immediately preceding the date of announcement of the Scheme, being RMB9.64 per A Share.

9. *The validity period of the Share Option Scheme*

The Share Option Scheme come into effect since approval by the general meeting of shareholders. The validity period of the share options granted under the Share Option Scheme is no more than 60 months commencing from the date of grant.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

### 10. *The grant, exercise and cancellation of the Share Option Scheme during the reporting period*

On 21 February 2019, the Company completed the registration of the share options granted under the Share Option Scheme, granting a total of 46.32 million share options. The list of registrants and the number of share options granted are consistent with the approval of the twenty-third meeting of the seventh session of the Board of the Company. All the share options granted in the Scheme have not entered into the exercise period.

Detailed information can be found in Yanzhou Coal Mining Co., Ltd.'s announcement on the Granting of Share Options to qualified participants under the 2018 A Share Option Incentive Scheme and Yanzhou Coal Mining Co., Ltd.'s List of Qualified Participants of the 2018 A Share Option Incentive Scheme (granting date) on 12 February 2019. The above announcements were also available on the websites of the Shanghai Stock Exchange, the HKEX and the Company and/or China Securities Journal, Shanghai Securities News and Securities Times.

### **Long-term Incentive Scheme of Yancoal Australia**

In order to attract and retain the talents, combined the remuneration of the management with the shareholders' interests to ensure that employees focus on creating the middle and long-term goals of Yancoal Australia, as approved at the Yancoal Australia 2018 annual general meeting, Yancoal Australia implemented a long-term incentive scheme in 2018.

For further details, please refer to the resolution announcement of Yancoal Australia 2018 Annual General Meeting dated 30 May 2018, the sections of Yancoal Australia Prospectus dated 26 November 2018 on share option incentive scheme, and the announcement of the rights to issuing performance shares dated 4 March 2019 and 28 June 2019. The above announcements were also posted on the websites of Yancoal Australia, the ASX and/or the HKEX.

## **(II) Share option incentives not disclosed in Extraordinary Announcements or with Subsequent Progress**

### **Share Option Incentive Schemes**

Not applicable.

### **Other Explanation**

Not applicable.

### **Employee Shareholding Scheme**

Not applicable.

### **Other Incentive Schemes**

Not applicable.

### X. MAJOR CONNECTED/RELATED TRANSACTIONS

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

The Group's connected/related transactions were mainly continuing connected/related transactions entered into with the Controlling Shareholder of the Company, i.e., Yankuang Group and its subsidiaries except the Group, Qingdao Century Ruifeng Group Co., Ltd. ("Century Ruifeng"), Glencore Coal Pty Ltd ("Glencore") and its subsidiaries, Sojitz Corporation ("Sojitz") and its subsidiaries.

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

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

Summary of Matters	Query Index
<p><b>Continuing connected/related transactions of financial services</b></p> <p>As reviewed and approved at the twenty-seventh meeting of the seventh session of the Board dated 30 August 2019, Yankuang Finance Co., Ltd. and Yankuang Group renewed the Financial Service Agreement, in pursuant to which Yankuang Finance Company shall provide deposit service, comprehensive credit facility service and other miscellaneous financial services to Yankuang Group from 2020 to 2022 within annual cap for the transaction. The original Financial Service Agreement between Yankuang Finance Co., Ltd. and Yankuang Group was signed in 2017 and would expire on 31 December 2019. The matter needs to implement the procedure to get the approval of the general meeting of Shareholders.</p>	<p>For details, please refer to the announcement in relation to continuing connected/related transactions passed at the twenty-seventh meeting of the seventh session of the Board dated 30 August 2019, which were posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company's website and/or China Securities Journal and Shanghai Securities News and Securities Times in the PRC.</p>

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

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

#### (1) **Approval and execution of continuing connected/related transactions entered into with Yankuang Group during the reporting period**

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

As approved at the 2018 first extraordinary general meeting of the Company held on 26 January 2018, five continuing connected/related transaction agreements were entered into by the Company and Yankuang Group, namely, the “Provision of Material Supply Agreement”, “Mutual Provision of Labor and Services Agreement”, “Provision of Insurance Fund Administrative Services Agreements”, “Provision of Products, Materials and Equipment Leasing Agreement” and “Bulk Commodities Sales and Purchase Agreement”, each of which defines the annual cap of transaction within a period from 2018 to 2020.

Except “Provision of Insurance Fund Administrative Services Agreement”, the pricing of the transactions was mainly determined on basis of state price, market price, as well as the actual cost. The transaction expenses can be settled in one lump sum or by instalments. The payment payable to the other party or receivable from the other party due in a calendar month shall be written down on the last business day of the calendar month. The continuing connected/related transactions made in a calendar month shall be settled in the following month, except for incomplete transactions or where the transaction amounts are in dispute.

For the first half of 2019, the sales of goods and provision of services by the Group to its Controlling Shareholder amounted to RMB1.968 billion, while the goods and services provided by the Controlling Shareholder to the Group amounted to RMB688 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 2019:

	First half of 2019		First half of 2018		Increase/ decrease of connected/ related Transactions (%)
	Amount (RMB'000)	Percentage of operating revenue	Amount (RMB'000)	Percentage of operating revenue	
		(%)		(%)	
Sales of goods and provision of services by the Group to its Controlling Shareholder	1,967,987	1.86	1,046,944	1.37	87.97
Sales of goods and provision of services by the Controlling Shareholder to the Group	688,478	0.65	1,037,120	1.36	-33.62

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 2019:

	Sales income (RMB'000)	Sales cost (RMB'000)	Gross profit (RMB'000)
Coal sold to the Controlling Shareholder	1,546,929	844,623	702,306

Pursuant to the Provision of Insurance Fund Administrative Services Agreement, the Controlling Shareholder shall provide free management and transferring services for the Group employees' basic pension insurance fund, basic medical insurance fund, supplementary medical insurance fund, unemployment insurance fund, maternity insurance fund and industrial injury fund (the "Insurance Fund"). The actual amount of the Insurance Fund paid by the Group for the first half of 2019 was RMB464 million.

### ② Continuing connected/related transaction of financial services

As approved at the 2016 annual general meeting held on 29 June 2017, Yankuang Finance Company entered into Financial Services Agreement with Yankuang Group, in pursuant to which Yankuang Finance Company shall provide deposit service, comprehensive credit facility service and other miscellaneous financial services to Yankuang Group from 2017 to 2019 within annual caps for the transaction.



## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

As at 30 June 2019, the balance of principal and interest of deposit of Yankuang Group in Yankuang Finance Company was RMB10.488 billion, the comprehensive credit balance was RMB7.255 billion, and the financial service fee occurred in the first half of 2019 was RMB455 thousand.

③ Continuing connected/related transaction of entrusted management of coal chemical projects

As reviewed and approved at 2018 first extraordinary general meeting held on 26 January 2018, the Company entered into Entrusted Management Agreement of Chemical Projects with Yankuang Group for a period from 2018 to 2020, which defines the annual transaction cap and the price is mainly determined and based on the actual cost.

Pursuant to the Chemicals Projects Entrusted Management Agreement, Yankuang Group should provide Chemicals project entrusted management service and sales agency services to the Group, while the payment of the chemical entrusted management fee is made after the annual assessment.

The Group has not paid any entrusted management fee to Yankuang Group in the first half of 2019.

④ Continuing connected/related transaction of commissioned management of the subordinate of Yankuang Group

As reviewed and approved at the twentieth meeting of the seventh session of the Board held on 5 December 2018, the Company entered into Entrusted Management Agreement with Yankuang Group, which sets the annual cap for 2019 to 2020. The transaction pricing adopts cost plus reasonable profit.

In pursuant to the Commissioned Management Agreement, the Group will provide professional management to 8 subordinates of Yankuang Group. Yankuang Group will pay commissioned management fee of RMB7.3 million to Yanzhou Coal within one month since the audited annual reports of the 8 companies above were issued.

Until the end of the reporting period, payment conditions have not yet been met.

The following table sets out the details of the annual transaction caps for 2019 and actual transaction amounts for the first half of 2019 for the above continuing connected/related transactions.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

No.	Type of connected/ related transaction	Agreement	Annual Transaction Cap for the Year 2019 (RMB'000)	Actual Transaction Amount for the first half of 2019 (RMB'000)
1	Material and facilities provided by Yankuang Group	Provision of Materials Supply Agreement	300,000	53,118
2	Labor and services provided by Yankuang Group	Mutual Provision of Labor and Services Agreement	2,830,700	635,361
3	Labor and services provided to Yankuang Group		179,100	39,691
4	Insurance fund management and payment services provided by Yankuang Group (free of charge) for the Group's staff	Provision of Insurance Fund Administrative Services Agreement	1,517,340	463,959
5	Sale of products, material and equipment lease provided to Yankuang Group	Provision of Products, Material and Equipment Leasing Agreement	4,495,800	1,928,296
6	Procurement of bulk commodities from Yankuang Group	Bulk Commodities Sales and Purchase Agreement	4,700,000	0
	Sale of bulk commodities to Yankuang Group		3,841,000	0
7	Financial services to Yankuang Group	Financial Services Agreement	10,700,000	10,488,426
	Deposit Comprehensive Credit		8,000,000	7,255,391
	Financial service fee		4,000	455
8	Commissioned management service of chemical projects by Yankuang Group	Chemical Projects Entrusted Management Agreement	5,500	0
	Marketing and sales agent service by Yankuang Group		19,500	0
9	Entrusted management services provided to Yankuang Group	Commissioned Management Agreement	7,300	0

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

### (2) Approval and execution of continuing connected/related transactions with Century Ruifeng during the reporting period

At the 2018 first extraordinary general meeting of the Company held on 26 January 2018, “Bulk Commodities Mutual Supply Agreement” between the Company and Century Ruifeng (Century Ruifeng is a substantial shareholder of the Company’s subsidiary and connected person of the Company), together with the annual caps for such transactions for a period from 2018 to 2020 were approved. The transaction price for commodities is determined based on the market price. The charge for transaction can be settled in one lump sum or by instalments. The continuing connected/related transaction payable to another party or that of receivable from another party due in the current month shall be recognized on the last business day of each corresponding calendar month. The continuing connected/related transactions 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 2019 annual cap for sales of commodities by the Group to Century Ruifeng is RMB2.195 billion and that of by Century Ruifeng to the Group is RMB1.1 billion.

There were no commodities sold by the Group to Century Ruifeng in the first half of 2019. The aggregate amount of commodities sold by Century Ruifeng to the Group was RMB6.2739 million in the first half of 2019, representing 0.01% of the total purchase of the Group of the first half of 2019.

### (3) Approval and execution of continuing connected/related transactions with Glencore during the reporting period

#### ① Continuing connected/related transaction of coal sales

At the fifteenth meeting of the seventh session of the Board of the Company held on 29 June 2018, Coal Sales Framework Agreement (“this Agreement”) between Yancoal Australia and Glencore (Glencore is a substantial shareholder of the Company’s certain subsidiaries and a connected person of the Company), together with the annual caps for such transaction for a period from 2018 to 2020 were approved. The way to determine transaction price is based on the market price, together with adjustment according to related industry benchmarks and indexes. The payment time for transaction shall be determined by both parties in accordance with international practices and applicable laws and regulations in this agreement and be specified in details in the specific coal sales agreement.

The 2019 annual cap for coal sales of the Group to Glencore and its subsidiaries is USD350 million. In the first half of 2019, the Group has sold coal to Glencore and its subsidiaries amounting approximately USD34 million, representing 0.22% of operating revenue of the Group of the first half of 2019.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

### ② Continuing connected/related transaction of coal purchase

At the 2018 second extraordinary general meeting of the Company held on 24 August 2018, HVO Sales Contract between Yancoal Australia and Glencore, together with the estimated maximum annual transaction amounts for such transaction from 2018 to 2020 had been approved. It is stipulated in HVO Sales Contract: HVO Coal Sales Pty Ltd, a subsidiary of Yancoal Australia, shall pay the corresponding transaction amount to Yancoal Australia and Glencore respectively according to the total amount and corresponding product quota collected in each sales agreement with the client and HVO Coal Sales Pty Ltd shall pay the transaction amount to Yancoal Australia and Glencore no later than 3 business days after receiving payment from clients.

The 2019 annual transaction cap for coal purchase (on equity basis) of the Group from Glencore under HVO Sales Contract is USD750 million. In the first half of 2019, the Group purchased coal from Glencore amounting around USD337 million, representing 2.99% of total purchase amount of the Group of the first half of 2019.

At the 2018 second extraordinary general meeting of the Company held on 24 August 2018, Glencore Coal Purchase Agreement between Yancoal Australia and Glencore, together with the annual caps for such transaction for the years of 2018 to 2020 were approved. The final transaction price adopted under the Coal Purchase Framework Agreement for the purchase of coal will be finally determined on the basis of fair negotiation, in accordance with normal commercial terms and with reference to the market price of relevant type of coal at the time. The payment time for transaction shall be determined by both parties in accordance with international practices and applicable laws and regulations in this agreement and be specified in details in the specific coal sales agreement.

The 2019 annual cap for coal purchase of the Group from Glencore and its subsidiaries under the Glencore Coal Purchase Agreement is USD350 million. In the first half of 2019, the Group has purchased coal from Glencore Coal Pty Ltd and its subsidiaries amounting about USD35 million, representing 0.31% of total purchase amount of the Group of the first half of 2019.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

### ③ Continuing connected/related transaction of coal sales service

At the 2018 second extraordinary general meeting of the Company held on 24 August 2018, HVO Services Agreement between Yancoal Australia and Glencore, together with the estimated maximum annual transaction amounts for such transaction for the years of 2018 to 2020 were approved. According to this agreement, HV Operations Pty Ltd, a controlled subsidiary of Yancoal Australia, shall pay the follows to Glencore: (1) all costs, charges and expenses incurred in providing services to HVO Joint Venture or HVO Coal Sales Pty Ltd; (2) all off-site costs, charges and expenses (“general expenses”) incurred by Glencore in providing services. The determination of general expenses is based on the principle of fairness and reasonableness and with reference to all costs, charges and expenses incurred by Glencore in providing similar services without particular sites. Both parties agreed that Glencore provide monthly invoice to HV Operations Pty Ltd and HV Operations Pty Ltd shall finish the payment within 5 business days after receiving such invoice.

The 2019 maximum annual transaction cap for service purchase of the Group from Glencore is USD18 million. In the first half of 2019, this connected/related transaction involved approximately USD6.17 million.

### (4) Approval and execution of continuing connected/related transactions with Sojitz for the reporting period

At the 2018 second extraordinary general meeting of the Company held on 24 August 2018, it was reviewed and approved: ① : Coal Sales Framework Agreement between Yancoal Australia and Sojitz, (Sojitz is a substantial shareholder of the Company’s subsidiary and a connected person of the Company) together with the annual caps for such transaction for the years of 2018 to 2020. ②: Coal Sales Agreement between Syntech Holding Pty Ltd (“Syntech”), a wholly-owned subsidiary of the Company, and Sojitz, together with the annual caps for such transaction for the years of 2018 to 2020. The final transaction prices for the above two agreements will be finally determined on the basis of fair negotiation, in accordance with normal commercial terms and with reference to the market price of relevant type of coal at the time. The payment time for transaction shall be determined by both parties in accordance with international practices and applicable laws and regulations in this agreement and be specified in details in the specific coal sales agreement.

The annual caps for the above-mentioned two transactions for the coming year is USD100 million and USD150 million, respectively, totalling USD250 million. In the first half of 2019, the Group has sold coal to Sojitz and its subsidiaries amounting approximately USD60 million, representing 0.39% of operating revenue of the Group of the first half of 2019.

### 3. Undisclosed events in extraordinary announcements

Not applicable.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

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

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

Not applicable.

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

#### **Connected/related transactions of acquiring the transfer of 100 percent share of subsidiaries of Yankuang Group**

As discussed and approved at the twenty-fourth meeting of the seventh session of the Board of the Company held on 29 March 2019, Share Transfer Agreement was signed between Zhongyin Financial Leasing and Shanghai Zhouhai Real Estate Development Co., Ltd. ("Zhouhai Company"), a wholly-owned subsidiary of Yankuang Group. Shanghai Dongjiang Real Estate Development Co., Ltd., a wholly-owned subsidiary of Zhouhai Company, was agreed to be transferred to Zhongyin Financial Leasing for its 100% shares at a transaction price of RMB185.3709 million.

Up to the disclosure date of this report, Zhongyin Financial Leasing and Zhouhai Company have completed the procedures of the delivery of transferred equities and business change of Shanghai Dongjiang Real Estate Development Co., Ltd.

Detailed information can be found in the Company's announcement on the Connected/Related Transaction on Acquisition of shares of Shanghai Dongjiang Real Estate Development Co., Ltd. dated 29 March 2019. The above announcement was also available on the websites of the Shanghai Stock Exchange, the HKEX and the Company and/or China Securities Journal, Shanghai Securities News and Securities Times.

3. *Matters not disclosed in extraordinary announcement*

Not applicable.

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

Not applicable



## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

### (III) Significant Connected/related Transactions of Cooperative External Investment

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

#### **Yankuang Finance Company Increased Registered Capital**

As discussed and approved at the twenty-seventh meeting of the seventh session of the Board of the Company held on 30 August 2019, the Capital Increase Agreement between the Company, Yankuang Group and Yankuang Finance Company was signed, and the Company and Yankuang Group increased their capital contribution of RMB1.5 billion to Yankuang Finance Company according to their respective shareholding interest, of which, the Company contributing RMB1.425 billion and Yankuang Group contributing RMB75 million.

For details, please refer to the announcement in relation to resolution passed at the twenty-seventh meeting of the seventh session of the Board dated 30 August 2019, and the announcement of the connected/related transactions concerning the increase of registered capital of Yankuang Group Finance Co., Ltd.. Such information can be found on the websites of the Shanghai Stock Exchange, the HKEX, the Company's website and/or China Securities Journal and Shanghai Securities News and Securities Times.

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

Not applicable.



## 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 with subsequent progress or changes in the implementation*

Not applicable.

3. *Events not disclosed in extraordinary announcements*

*Unit: RMB'100 million*

Connected parties	Relationship	Fund provided to connected parties Balance			Fund provided to the Company Balance		
		at the beginning	Amount occurred	Closing balance	at the beginning	Amount occurred	Closing balance
Yankuang Group	Controlling shareholder	72.23	58.08	72.87	123.26	56.19	117.03
Century Ruifeng	Other related party	0	0	0	0.14	2.04	2.41
Glencore and its subsidiaries	Other related party	0	2.34	0	0	25.75	0
Sotjiz and its subsidiaries	Other related party	0.39	4.11	0	0	0	0
Total		72.62	64.53	72.87	123.40	83.98	119.44

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

Impact on the operating result and financial conditions of the Company by credit and debt obligation      No significant impact

### (V) Other Significant Connected/related Transactions

Not applicable.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

### (VI) Others

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

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

## XI. MATERIAL CONTRACTS AND PERFORMANCE

### (I) Trusteeship, Contract or Lease

Not applicable.

### (II) Guarantees

*Unit: RMB100 million*

Total amount of guarantee arising during the reporting period (excluding guarantees to the subsidiaries)	0
Total guarantee balance by the end of the reporting period (A) (excluding guarantees to the subsidiaries)	0
<b>Guarantees to subsidiaries by the Company</b>	
Total amount of guarantee to subsidiaries during the reporting period	57.23
Total balance of guarantee to subsidiaries by the end of the reporting period (B)	315.66
<b>Total guarantees (including guarantees to subsidiaries)</b>	
Total amount of guarantees (A+B)	315.66
Percentage of total amount of guarantee in the net assets of the Company (%)	48.87
Of which:	
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)	66.92
Total amount of guarantee exceeding 50% of net assets (E)	0

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Total amount of the above 3 categories guarantees (C+D+E)	66.92
Explanation on unexpired guarantee that may be subject to joint and several liability	–
Guarantee explanations	

**1. The external guarantee occurred during the previous periods and extended to the reporting period.**

As reviewed and approved at the 2011 annual general meeting, Yancoal Australia took a bank loan of USD3.04 billion for acquisition of equity interests in Felix Resources Limited. As at 30 June 2019, the balance of the above bank loan was USD1.401 billion. The Company provided the guarantees of USD920 million and RMB3.31 billion to Yancoal Australia.

As reviewed and approved at the 2012 second extraordinary general meeting, the Company provided guarantees to its wholly-owned subsidiary, Yancoal International Resources, for issuing USD1 billion corporate bonds in the overseas market. As at 30 June 2019, the balance of the above guarantee was USD104 million.

As reviewed and approved at the 2016 annual general meeting, the Company provided guarantees to its wholly-owned subsidiary, Yancoal International Resources, for issuing USD500 million corporate bonds. As at 30 June 2019, the balance of the above guarantee was USD500 million.

As reviewed and approved at the 2016 annual general meeting, the Company provided guarantee in the amount of RMB600 million to its holding subsidiary, Qingdao Vast Lucky International Trade Co., Ltd. (“Qingdao Vast Lucky”). As at 30 June 2019, the balance of the above guarantee was RMB600 million.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

As reviewed and approved at the 2016 annual general meeting, the Company provided guarantee of RMB1.779 billion and USD33 million to Zhongyin Financial Leasing. As at 30 June 2019, the balance of the above guarantee was RMB1.779 billion and USD33 million, respectively.

As approved at the 2017 annual general meeting, the Company provided guarantee of USD190 million to Yancoal International. As at 30 June 2019, the balance of the above guarantee was USD190 million.

As reviewed and approved at the 2017 annual general meeting, the Company provided guarantees to Yancoal International Resources, for issuing USD335 million corporate bonds. As at 30 June 2019, the balance of the above guarantee was USD335 million.

As reviewed and approved at the 2017 annual general meeting, the Company provided guarantee of RMB1.2 billion to Qingdao Vast Lucky. As at 30 June 2019, the balance of the above guarantee was RMB1.2 billion.

As reviewed and approved at the 2017 annual general meeting, the Company provided guarantee of RMB30 million to Zhongyin Financial Leasing. As at 30 June 2019, the balance of the above guarantee was RMB30 million.

As reviewed and approved at the 2017 annual general meeting, the Company provided guarantee to its wholly-owned subsidiary, Qingdao Bonded Zone Zhongyan Trade Co., Ltd. (“Qingdao Zhongyan”), in the amount of RMB400 million. As at 30 June 2019, the balance of the above guarantee was RMB400 million.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

As of 30 June 2019, Yancoal Australia and its subsidiaries produced performance deposits and performance guarantees totalling AUD875 million due to operational necessity.

### **2. Guarantees arising during the reporting period**

As reviewed and approved at the 2017 annual general meeting of the Company, the Company has provided guarantees to Yancoal International (Singapore) Pte. Ltd., a wholly-owned subsidiary of the Company, Qingdao Vast Lucky, Zhongyin Financial Leasing, Qingdao Zhongyan, Duanxin Supply Chain Management (Shenzhen) Co., Ltd., a wholly-owned subsidiary of the Company, and Duanxin Commercial Factoring (Shenzhen) Co., Ltd., a wholly-owned subsidiary of the Company, of USD30 million, RMB600 million, RMB1.766 billion, RMB1 billion, RMB30 million and RMB50 million respectively during the reporting period.

As reviewed and approved at the 2018 annual general meeting of the Company, the Company has provided guarantees to its wholly-owned subsidiary, Duanxin Supply Chain Management (Shenzhen) Co., Ltd of RMB100 million, and Qingdao Zhongyan of RMB1.25 billion and Shandong Zhongyin International Trade Co., Ltd. of RMB600 million during the reporting period.

As reviewed and approved at the 2017 annual general meeting of the Company, Yancoal Australia and its subsidiaries provided a guarantee in an amount not exceeding AUD1.2 billion per year to its subsidiaries for their daily operation. During the reporting period, Yancoal Australia and its subsidiaries produced performance deposits and performance guarantees totalling AUD25 million due to operational necessity.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Note:

The table above was prepared in accordance with the CASs and calculated at USD/RMB exchange rate of 6.8747 and AUD/RMB exchange rate of 4.8156.

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

### (III) Other Major Contracts

Not applicable.

### (IV) Other Significant Events

#### 1. *Termination of Non-public Issuance of A Shares*

As considered and approved at the second extraordinary general meeting of 2017, the third class meeting of the holders of A Shares and the third class meeting of the holders of H Shares of 2017 held on 25 August 2017, the Company was authorized to implement non-public issuance of A Shares in an amount not exceeding 647 million shares (inclusive) to specific investors, with proceeds to be raised not exceeding RMB7 billion (inclusive) (“the Non-Public Issuance of A Shares”), and the net proceeds after deduction of financing expenses will be used for the purchase of 100% equity of C&A.

According to the regulatory requirements of regulatory authorities, taking into account of the trend of exchange rate of USD and market expectation, the twelfth meeting of the seventh session of the Board of the Company held on 24 April 2018 considered and approved that the proceeds to be raised was changed to be an amount not exceeding RMB6.35 billion.

The validity period of the resolution relating to the Non-Public Issuance of A Shares and the validity period of the authorization are both twelve months from the passing of the relevant resolutions at the aforesaid general meetings (i.e., the validity period would expire on 24 August 2018). Given the application for Non-Public Issuance of A Shares being reviewed by the CSRC, in order to deliver a smooth issuance, as approved at the second extraordinary general meeting of 2018 of the Company, the second class meeting of the holders of A Shares and the second class meeting of the holders of H Shares of 2018 on 24 August 2018, it was considered and approved to extend the validity of the resolution of the Non-Public Issuance of A Shares to 24 August 2019. As approved at the second extraordinary general meeting of 2018 of the Company on 24 August 2018, the validity of the authorization to the Board to deal with matters relating to the Non-Public Issuance of A Shares was extended to 24 August 2019.



## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

In view of the changes in the capital market conditions, financing opportunities and other factors, and in order to protect the interests of the investors, through communication with parties, comprehensive consideration of various internal and external factors, and as reviewed at the twenty-sixth meeting of the seventh session of the Board dated 16 August 2019, the Company was approved to terminate the Non-Public Issuance of A Shares and withdraw the application documents.

For details, please refer to the announcements dated 31 March 2017, 28 April 2017, 29 June 2017, 25 August 2017 and 15 December 2017 in relation to the non-public issuance of A Shares, respectively, the announcement in relation to “Notice of Acceptance of the Application for Administration Permission” issued by the CSRC dated 27 December 2017, the announcement in relation to “Receipt of CSRC Notice of the First Feedback on the Review of Administrative Item” dated 9 February 2018 and related announcements dated 24 April 2018, 29 June 2018, 24 August 2018 and 16 August 2019, which were posted on the websites of the Shanghai Stock Exchange, the HKEX, the Company’s website and/or China Securities Journal, Shanghai Securities News and Securities Times in the PRC.

### 2. *Sale of shares the Company held in Dongguan Haichang Industry Co., Ltd. (“Haichang Company”)*

As considered and approved at the general manager work meeting of the Company held on 7 January 2019 and in accordance with relevant provisions specified in the Capital Increase Agreement, Supplementary Agreement and Shares Repurchase Agreement between the Company and Dongguan Guantai Industry Co., Ltd. (“Guantai Industry”), the Company sold 20.89% of equity interest in Haichang Company held by the Company for a consideration of RMB784 million to Guantai Industry. As at the disclosure date of this report, the Company has received payment of RMB550 million. The Company will start to handle the change of business registration procedure upon receipt of the remaining transaction payment.

### 3. *Election of Director of the Company*

As reviewed and approved at the twenty-fourth meeting of the seventh session of the Board held on 29 March 2019, Mr. Liu Jian was nominated as a candidate for non-independent Director of the seventh session of the Board of the Company, and this proposal was presented to the 2018 annual general meeting for consideration.

As reviewed and approved at the 2018 annual general meeting held on 24 May 2019, Mr. Liu Jian was elected a non-independent Director of the seventh session of the Board of the Company from the conclusion of the 2018 annual general meeting till the conclusion of the general meeting where the Directors of the eighth session of the Board are elected. And since 24 May 2019, Mr. Wu Yuxiang no longer served as a Director of the Company.

For details, please refer to the announcement in relation to the resolutions passed at the twenty-fourth meeting of the seventh session of the Board and the announcement in relation to the proposed change of the Director dated 29 March 2019, and the announcement in relation to the resolutions passed at the 2018 annual general meeting dated 24 May 2019, which were published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company and/or China Securities Journal, Shanghai Securities News and Securities Times in the PRC.



## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

### 4. *Sale of 4.5% Shares the Company held in Zoucheng Zhongyin Fudeng Rural Bank*

As reviewed and approved at the general manager work meeting held on 15 April 2019, the Company adopted a public listing method to sell 4.5% of the equity interest the Company held in Zoucheng Zhongyin Fudeng Rural Bank. Currently, the matter is going through the listing transfer procedure.

### 5. *Purchase of 5% Shares of Yankuang Finance Company held by China Credit Trust Co., Ltd.*

As reviewed and approved at the general manager office meeting held on 22 April 2019, the Company delisted and purchased 5% equity shares of Yankuang Finance Company held by China Credit Trust Co., Ltd. at the Beijing Property Rights Exchange Center at a price not higher than the evaluation value. At present, the procedures for equity transfer and business registration change have been completed.

### 6. *Adjustments in the Company's Department and Organization*

As reviewed and approved at the twenty-fifth meeting of the seventh session of the Board held on 26 April 2019, the Company set up the Coal Burst Prevention and Control Research Center, which is mainly responsible for organizing anti-burst technology research, anti-burst equipment research and development, evaluation, anti-burst system and technical standard formulation, monitoring operation, mine diagnosis, technology promotion and transformation, talent training and technical exchange to guide the coal mines to do the coal burst prevention.

As reviewed and approved at the twenty-sixth meeting of the seventh session of the Board held on 16 August 2019, the Company cancelled the Coal Burst Prevention and Control Research Center and established the Coal Burst Prevention Office which is mainly in charge of prevention management and daily monitoring of coal burst, and performance of professional management and assessment responsibilities. The Company established the Ecological Restoration Comprehensive Management Office, which is mainly responsible for the construction of the ecological restoration comprehensive treatment demonstration parks, the promotion of the "Green Heart" Project in the urban areas and the construction of ecological management projects. The Company established and managed the Subsidence Remediation Development Fund, and carried out all-round strategic cooperation with relevant parties to realize the coordinated development of coal resource development and ecological civilization construction in mining areas.

For details, please refer to the announcement in relation to the resolutions passed at the twenty-fifth meeting of the seventh session of the Board dated 26 April 2019 and the announcement in relation to the resolutions passed at the twenty-sixth meeting of the seventh session of the Board dated 16 August 2019, which were published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company and/or China Securities Journal, Shanghai Securities News and Securities Times in the PRC.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

7. *Established the Blue Gold Shipping Industry Investment Fund*

As reviewed and approved at the general manager work meeting held on 15 July 2019, the Company jointly established the Blue Gold Shipping Industry Investment Fund (“Blue Gold Fund”) with Shandong Shipping Asset Management Co., Ltd. (“Shandong Shipping Asset Management”) through Yancoal International. The Blue Gold Fund operates in a partnership-based business model with a total size of USD60 million. Yancoal International has invested USD50 million as a limited partner with priority, and Shandong Shipping Asset Management has invested USD10 million as a limited partner with inferiority. At present, the matter is going through the state-owned assets supervision procedures.

8. *Increase of Registered Capital in Ordos Neng Hua and Ordos Yingpanhao Company Limited (Yingpanhao Company)*

As reviewed and approved at the twenty-seventh meeting of the seventh session of the Board dated 30 August 2019, the Company increased its capital contribution to the registered capital of Ordos Neng Hua in cash in an amount of RMB2.7 billion, and Ordos Neng Hua increased its capital contribution to the registered capital of Yingpanhao Company in cash in an amount of RMB2.7 billion (“the capital increase”). After the completion of the capital increase, the registered capital of Ordos Neng Hua increased from RMB8.1 billion to RMB10.8 billion, and the registered capital of Yingpanhao Company increased from RMB300 million to RMB3 billion.

For details, please refer to the announcement in relation to the resolutions passed at the twenty-seventh meeting of the seventh session of the Board dated 30 August 2019 and the announcement in relation to “Registered Capital Increase in Ordos Neng Hua and Yingpanhao Company”, which were published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company and/or China Securities Journal, Shanghai Securities News and Securities Times in the PRC.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

### XII. PERFORMANCE OF POVERTY ALLEVIATION BY THE COMPANY

#### 1. Accurate poverty alleviation plan

Pursuant to relevant accurate poverty alleviation policies issued by the government and based on actual conditions of the Company, the Group undertook the social responsibilities in an active manner, carried out accurate poverty alleviation works from materials, politics, industry, culture, education and other aspects, cooperated with local community to facilitate its development and contributed to social harmony so as to make contributions to poverty alleviation campaign.

#### 2. Summary of accurate poverty alleviation for the reporting period

In the first half of 2019, the Group fully implemented the poverty alleviation strategy, proactively undertook social responsibilities in all manners and carried out various kinds of accurate poverty alleviation works. The Company accredited three persons to serve as chief secretaries targeted to help three poverty-stricken villages in respect of party construction, infrastructure construction, industry development to carry out the fourth-round poverty alleviation assistance in Huangdian Town, Dingtao District, Heze City. Subsidiaries of Ordos Neng Hua actively participated in the local government's action "100 enterprises to help hundreds of villages". They helped 5 villages in Yijinhualuoqi one-on-one with poverty alleviation amount of RMB3.45 million. At the same time, they continued to increase industrial poverty alleviation efforts and supported the Yijinhualuoqi in its fruit production project, food deep processing project with the amount of RMB1.95 million invested in poverty alleviation. The Company actively responded to the call of the local government to carry out various social welfare donation activities, and donated a total of RMB2.7 million to establish a good brand image and achieve win-win development between the Company and the local community. The Company insisted on safeguarding and improving people's livelihood during development, and provided 77,000 tons of coal for winter heating to Yijinhualuoqi of Erdos City and Yuncheng County of Heze City. At the same time, the Company insisted on carrying out accurate assistance and heart-warming activities internally, allocating RMB3.89 million to 3,479 employees totally as difficulties relief,. The Company provided medical assistance to 142 employees with financial difficulties, and education assistance to 200 children of employees with difficulties. There were 459 pairs of one-on-one assistance with employees.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

### 3. Achievement on accurate poverty alleviation

Unit: RMB0'000

Indicators	Amount of Investment and Implementation
I. Overview	1,125
including, 1. Poverty alleviation fund	974
2. Material equivalent in RMB	151
II. Investment by items	
1. Social poverty alleviation	565
including, 1.1 Investment amount for poverty alleviation coordination in eastern and western areas	345
1.2 Poverty alleviation charitable fund	220
2. Other projects	409
including, 2.1 Number of projects	5
2.2 Amount of investment	409
2.3 Explanation on other projects	Provide coal to poverty-stricken areas at fair price, help workers and families with livelihood difficulties as well as unsupported members of the deceased, help old CPC members with livelihood problems, education assistance for the children of employees with difficulties.

### 4. Periodic progress in performing social responsibility on accurate poverty alleviation

In the first half of 2019, the Company conscientiously implemented the strategic deployment of the superiors on poverty alleviation, based on the situation of the poverty-stricken area, giving full play to the advantages of enterprises, focusing on fixed-point poverty alleviation, industrial poverty alleviation, and financial poverty alleviation as the main poverty alleviation path, with precise efforts and comprehensive measures. The Company accredited three chief secretaries targeted to help poverty-stricken villages, newly invested in 2 poverty alleviation projects, with the amount of RMB7.66 million in poverty alleviation funds to help 8 poverty-stricken villages inside and outside Shandong Province. The Company achieved positive results in fulfilling its social responsibility for poverty alleviation.

### 5. Subsequent targeted poverty alleviation plan

Yanzhou Coal has always taken targeted poverty alleviation as an effective way to perform its social responsibilities. In the second half of 2019, the Company will continue to implement the deployment requirements of the state and local governments on poverty alleviation, proactively fulfill its responsibilities in poverty alleviation, and take higher standards, stricter requirements and more practical measures to promote the targeted poverty alleviation so as to achieve tangible results.

## XIII.CONVERTIBLE CORPORATE BONDS

Not applicable.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

### XIV. ENVIRONMENTAL PROTECTION INFORMATION

#### (I) Explanation on Environmental Protection Practices of the Company and its Major Subsidiaries in the List of Key Pollutant Discharging Entities Released by the Environmental Protection Authorities

##### 1. *Pollutant discharging*

During the reporting period, no significant environment pollution incidents occur within the Group, who has not received any punishment due to significant violation of environment protection laws from environmental protection regulators. The Group has strictly abided by the laws and regulations, including Environmental Protection Law of the People's Republic of China, Prevention and Control of Atmospheric Pollution Law of the People's Republic of China, Water Pollution Prevention and Control Law of the People's Republic of China (second revision), The Environmental Impact Assessment Law of the People's Republic of China, etc. The Group actively engaged in pollution control to meet standards and criteria stipulated by relevant regulations, including Emission Standard of Air Pollutants for Thermal Power Plants (GB13223-2011), Emission Standard of Air Pollutants for Boiler (GB13271-2014), Emission Standard for Pollutants from Coal Industry (GB20426-2006) and National Comprehensive Working Plan for Energy Conservation and Emission Reduction for the Thirteenth Five-Year Plan Period.

In the first half of 2019, the coal mines affiliated to the Group were equipped with sound facilities for sewage process and dust control at coal stockyards, which operated in a stable manner, and the discharge of main pollutants, such as COD, ammonia nitrogen, PM10 etc. meet all discharging standards. The power plants affiliated to the Group were equipped with sound facilities for boiler exhaust gas management, which operated in a stable manner, and the discharge of main pollutants, such as smoke dust, SO<sub>2</sub>, nitrogen oxide etc. meet all discharging standards. The chemical plants affiliated to the Group were equipped with sound facilities for industrial sewage processing and boiler fuel gas management, which operated in a stable manner, and the discharge of main pollutants, such as COD, ammonia nitrogen, smoke dust, SO<sub>2</sub>, nitrogen oxide etc. meet all discharging standards. Meanwhile, the Group has been constantly improving its environmental protection management system, standardizing its management processes and working procedures for energy conservation and environmental protection, so as to prevent environmental pollution and ecological damage at the source and to strive to build itself into a resource-saving and environment friendly company.

All of the key pollutant discharging entities in the Group have applied for pollutant discharging certificates, and discharged pollutants accordingly and within the total permitted discharging volume, which meets relevant environment protection requirements. The information of key pollutant discharging entities within the Group released by the environmental protection authorities are as follows.



## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

No.	Key pollutant discharging entities	Types of pollutant	Main pollutants	Discharging method	Discharging standard	Annual pollutant discharging permission volume	Actual discharging volume in for the six months ended 30 June 2019
1	Nantun Coal Mine (Key pollutant discharging entity in Shandong Province)	Industrial wastewater				292 tons of COD, 29 tonnes of ammonia nitrogen	3.7 tonnes of COD and 0.03 tonnes of ammonia nitrogen
2	Baodian Coal Mine (Key pollutant discharging entity in Shandong Province)				Pollutant Discharging Standard for Coal Industry (GB20426-2006), Shandong Province Comprehensive Discharging Standard for Water	103.81 tonnes of COD, 5.4 tonnes of ammonia nitrogen	19.4 tonnes of COD and 0.6 tonnes of ammonia nitrogen
3	Yangcun Coal Mine (Key pollutant discharging entity in Shandong Province)				Pollutant along the route of water transmission project from the South to the North (DB37/599-2006)	33.19 tonnes of COD, 1.66 tonnes of ammonia nitrogen	13.9 tonnes of COD and 0.61 tonnes of ammonia nitrogen
4	Heze Neng Hua Zhaolou Coal Mine (Key pollutant discharging entity in Shandong Province)	Industrial wastewater, sanitary wastewater	Chemical oxygen demand (COD), ammonia nitrogen	Discharging to receiving water body after processing in sewage treatment station		95.42 tonnes of COD, 5.89 tonnes of ammonia nitrogen	11.9 tonnes of COD and 1.6 tonnes of ammonia nitrogen
5	Xinglongzhuang Coal Mine (Key industrial wastewater discharging entity in Shandong Province, National key pollutant discharging entity of sanitary waste water)					109 tonnes of COD, 5.5 tonnes of ammonia nitrogen	1.4 tonnes of COD, 0.6 tonnes of ammonia nitrogen
6	Dongtan Coal Mine (Key industrial wastewater discharging entity in Shandong Province, National key pollutant discharging entity of sanitary waste water)				Pollutant Discharging Standard for Coal Industry (GB20426-2006), Shandong Province Comprehensive Discharging Standard for Water	9.78 tonnes of COD, 0.4 tonnes of ammonia nitrogen	2.7 tonnes of COD, 0.1 tonnes of ammonia nitrogen
7	Jining No.2 Coal Mine (Key pollutant discharging entity in Shandong Province)		Chemical oxygen demand (COD)		Pollutant along the route of water transmission project from the South to the North (DB37/599-2006), Pollutant Discharging Standard for	32.4 tonnes of COD	5.2 tonnes of COD
8	Jining No.3 Coal Mine (Key pollutant discharging entity in Shandong Province)				Urban Sewage Water Treatment Plant (GB18918-2002)	40.48 tonnes of COD	7.2 tonnes of COD
9	Yanzhou Coal Mine Engineering Company Limited (Key pollutant discharging entity in Shandong Province)					12.53 tonnes of COD	1.9 tonnes of COD

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

No.	Key pollutant discharging entities	Types of pollutant	Main pollutants	Discharging method	Discharging standard	Annual pollutant discharging permission volume	Actual discharging volume in for the six months ended 30 June 2019
10	Power Generation Plants of Hua Ju Energy (National key pollutant discharging entity)	boiler smoke and gas	PM (particulate matter), SO <sub>2</sub> , NO <sub>x</sub>	Discharged to the air after purification	Shandong Province Air Pollutants Discharge Standards for Coal-burned Power Plant (DB37/664-2013)	PM182.12 tonnes, SO <sub>2</sub> 880.81 tonnes, NO <sub>x</sub> 2,145 tonnes	PM17.3 tonnes, SO <sub>2</sub> 60.3 tonnes, NO <sub>x</sub> 619 tonnes
11	Tianchi Coal Mine of Shanxi Neng Hua (Key pollutant discharging entity of Jinzhong City)		SO <sub>2</sub> , NO <sub>x</sub> , COD		Air Pollutants Discharge Standards for Boilers (GB13271-2014), Pollutant Discharging Standard for Coal Industry (GB20426-2006)	SO <sub>2</sub> 46.82 tonnes, NO <sub>x</sub> 46.82 tonnes, COD 25 tonnes	SO <sub>2</sub> 1.2 tonnes, NO <sub>x</sub> 2 tonnes, COD 2.7 tonnes
12	Methanol Plant of Yulin Neng Hua (National key pollutant discharging entity)			Smoke and gas discharged to the air after purification,		PM 143 tonnes, SO <sub>2</sub> 946.6 tonnes, NO <sub>x</sub> 473.3 tonnes, COD 129.2 tonnes, ammonia nitrogen 31.1 tonnes	PM 23.7 tonnes, SO <sub>2</sub> 249.5 tonnes, NO <sub>x</sub> 167.2 tonnes, COD 17.7 tonnes, ammonia nitrogen 1.6 tonnes
13	Rongxin Chemicals of Ordos Neng Hua (National key air pollutant discharging entity)	boiler smoke and gas, industrial waste water, sanitary waste water	PM (particulate matter), SO <sub>2</sub> , NO <sub>x</sub> , COD, ammonia nitrogen	and the waste water recycled for reutilization after treatment in waste water treatment station and not discharged at all	Air Pollutants Discharge Standards for Boilers (GB13271-2014), Comprehensive Waste Water Discharging Standard (GB 8978-1996)	PM 325.12 tonnes, SO <sub>2</sub> 1,003.8 tonnes, NO <sub>x</sub> 950 tonnes, COD 80 tonnes, ammonia nitrogen 14.4 tonnes	PM 18.3 tonnes, SO <sub>2</sub> 48.5 tonnes, NO <sub>x</sub> 131.2 tonnes, COD 0 tonne, ammonia nitrogen 0 tonne
14	Zhuanlongwan Coal Mine of Ordos Neng Hua (Ordos City key pollutant discharging entity)		SO <sub>2</sub> , NO <sub>x</sub> , COD		Air Pollutants Discharge Standards for Boilers (GB13271-2014)	SO <sub>2</sub> 94.07 tonnes, NO <sub>x</sub> 81.16 tonnes	SO <sub>2</sub> 7.1 tonnes, NO <sub>x</sub> 40.2 tonnes, COD 0 tonne



## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

### 2. Construction and operation of pollution control facilities

The coal mine enterprises affiliated to the Group have built mine water and domestic sewage treatment facilities. The Group finished the complete closure of the coal yard and coal gangue yard and the construction of silos, closed coal sheds and closed material sheds. The power plant boilers have all completed ultra-low emission renovation. Chemical enterprises have built industrial sewage treatment plants, and boilers have undergone ultra-low emission modification as required. Currently, VOCs are being treated. The pollution control facilities operate in parallel with the production system to ensure that pollutants are discharged according to relevant standards.

No. Key pollutant discharging entities	Construction and operation of pollution control facilities
1 Nantun Coal Mine	
2 Baodian Coal Mine	A mine water treatment station and a domestic sewage treatment station have been established as required, which are all in normal operation. Closed coal sheds and closed material sheds have been built.
3 Jining No.2 Coal Mine	
4 Yangcun Coal Mine	
5 Heze Neng Hua Zhaolou Coal Mine	
6 Xinglongzhuang Coal Mine	A mine water treatment station and a domestic sewage treatment station have been established as required, which are all in normal operation. Silos and closed material sheds have been built.
7 Dongtan Coal Mine	
8 Jining No.3 Coal Mine	A mine water treatment station, a domestic sewage treatment station and an industrial wastewater treatment station have been established as required, which are all in normal operation. Silos and closed material sheds have been built.
9 Yanzhou Coal Mine Engineering Company Limited	A domestic sewage treatment station has been established as required, which is in normal operation.
10 Power Generation Plants of Hua Ju Energy	18 boilers of 3,375 steam tons in total equipped with de-dusting, desulfurization and de-nitration facilities, which have completed ultra-low emission retrofit and are in normal operation.
11 Shanxi Neng Hua Tianchi Coal Mine	A mine water treatment station and a domestic sewage treatment station have been established as required, which are all in normal operation. Moreover, the coal mine has a boiler house and 3 boilers (1 boiler of 15 steam tons and 2 boilers of 6 steam tons), which are equipped with de-dusting, desulfurization and de-nitration facilities and are in normal operation. At present, the coal mine is building a natural gas boiler, and after completion, the existing coal-fired boiler will be shut down.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

No. Key pollutant discharging entities	Construction and operation of pollution control facilities
12 Methanol Plant of Yulin Neng Hua	An industrial wastewater treatment station which is in normal operation and 3 coal fines boilers of 260 steam tons have been established as required, which are all equipped with de-dusting, desulfurization and de-nitration facilities and are in normal running. At present, ultra-low emission renovations are being carried out.
13 Rongxin Chemicals of Ordos Neng Hua	A mine water treatment station and a domestic sewage treatment station have been established as required, which are all in normal operation. Moreover, three units of 220 steam tons circulating fluidized bed boilers, which are all equipped with de-dusting, desulfurization and de-nitration facilities and are in normal running. At present, ultra-low emission renovations are being carried out.
14 Zhuanlongwan Coal Mine of Ordos Neng Hua	A mine water treatment station and a domestic sewage treatment station have been established as required, which are all in normal operation. Moreover, the coal mine has 3 boilers (two units of 20-steam-ton boilers and one 6-steam-ton boiler), which are all equipped with de-dusting, desulfurization and de-nitration facilities and are in normal running.

3. *Environmental impact assessment on constructive projects and other administrative licenses for environmental protection*

The Group has carried out environmental impact assessment before commencement of projects construction. The pollution control & ecological preservation projects and the main construction project are designed, constructed and put into use at the same time according to requirements for environmental impact assessment and reply. After the test run is completed, the environmental protection for acceptance will be applied as required. Once obtaining the approval of acceptance, the Group can put into operation and use.

4. *Emergency plan for emergency environmental incidents*

Each production unit of the Group has, on its own or authorized qualified units to prepare contingency plans for environmental emergencies, which are assessed by the competent environmental protection administration department of the government and relevant experts for the record. At the same time, we have strengthened emergency facilities, carried out regular emergency drills to improve our capacity of preventing and controlling environmental pollution incidents so as to fully meet relevant requirements.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

### 5. *Environmental self-monitoring program*

The coal mine enterprises affiliated to the Group are all equipped with sewage online monitoring systems and PM10 coal field online monitoring facilities. The boilers of power plants are all equipped with exhaust gas online monitoring facilities. The chemical enterprises are all equipped with industrial waste water and boiler exhaust online monitoring facilities. All these online monitoring facilities are connected to the monitoring platform of the government to realize real-time supervision. All production on units have prepared self-monitoring plans, carried out self-monitoring regularly, and disclosed monitoring information of key pollution sources to the public as required. The main methods of monitoring are online monitoring and entrusted monitoring.

#### (1) On-line monitoring

##### ① Mine water

On-line monitoring of COD in the discharge water from the coal mine is carried out by a third party as required with monitoring frequency of every 2 hours and monitoring data connected to government monitoring platform in real time.

##### ② Domestic sewage

On-line monitoring of COD, ammonia nitrogen, TP and TN in the discharge water is carried out by a third party as required with monitoring frequency of every 2 hours and monitoring data connected to government monitoring platform in real time.

##### ③ Industrial wastewater

On-line monitoring of COD, ammonia nitrogen, TP and TN in the discharge water is carried out by a third party as required with monitoring frequency of every 2 hours and monitoring data connected to government monitoring platform in real time.

##### ④ Boiler smoke

On-line monitoring of SO<sub>2</sub>, NO<sub>x</sub>, smoke and dust is carried out by a third party as required once an hour and monitoring data are connected to government monitoring platform in real time.

##### ⑤ Online monitoring of PM10 in coal yard

On-line monitoring of PM10 in coal yard exit is carried out by a third party as required once an hour and monitoring data are connected to Jining Municipal Coal Bureau monitoring platform in real time.

## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

### (2) Entrusted monitoring

- ① Monitoring of pollutants in the discharge water is carried out by a third party as required once a month and the monitoring objectives shall refer to the Standard for the Discharge of Pollutants in Urban Sewage Treatment Plant.
- ② The Group has entrusted a third party to implement manual monitoring of ringelman emittance, smoke and dust, SO<sub>2</sub> and NO<sub>x</sub> quarterly.
- ③ The Group has entrusted the third party to implement plant boundary noise monitoring quarterly.
- ④ The monitoring of radioactive sources (if any) has been conducted by a third party as required yearly.

### 6. *Other environmental information that should be disclosed*

Not applicable.

### **(II) Environmental Protection Statement for Companies Other Than the Key Pollutant Discharging Entities**

Not applicable.

### **(III) Explanation of Reasons for Non-disclosure of Environmental Information by Companies Other Than Key Pollutant Discharging Entities**

In accordance with the principles of source prevention, process control and end management, the Group implements clean production, conducts pollution prevention and control, and minimizes the impact of production on the environment. At the same time, the Group actively carried out soil and water conservation, subsidence area treatment, reclamation and greening, and ecological construction to protect and improve the local ecological environment. The companies other than the key pollutant discharging entities have built pollution control facilities in accordance with the environmental approval requirements, and they operate normally without excessive discharge. The total pollutant discharging volume of all pollutants met the total discharging volume approved by the superior competent authorities.

### **(IV) Description of the Follow-up Progress or Changes in the Disclosure of Environmental Information during the Reporting Period**

Not applicable.

### 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**

During the reporting period, the Group has added the new International Financial Reporting Standards and its revisions issued by the Inter-national Accounting Standards Board. For daintily please refer to the “significant Accounting Policies” in the notes to the financial statements propelled in accordance with IFRS.

**(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*

Mandate granted by the general meeting to issue additional H Shares and repurchase H Shares

At the 2018 annual general meeting dated 24 May 2019, 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 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 annual general meeting of 2018, the second class meeting of holders of A shares and the second class meeting of holders of H shares of 2019 dated 24 May 2019, the Board was granted a general mandate respectively . 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 award system with annual remuneration, risk control and special contribution 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 paid after the completion of the audit assessment in the following year.

The Group adopts a performance salary system for employees other than Directors, Supervisors and senior management based on the duty of the posts and quantified evaluation results. 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 "Appointment and Dismissal of Auditors" in this chapter.



### XVI. CORPORATE GOVERNANCE

#### (I) Corporate Governance

(Prepared according to the listing rules in PRC)

The Company has closely monitored the securities market standards and legal regulations, and has actively improved its corporate governance structure. During the reporting period, the Company further improved corporate governance. In accordance with the latest requirements of the regulatory rules for domestic and overseas listings, in conjunction with the revision of the PRC Corporate Law and the actual operational needs of the Company and its subsidiaries, the Company made amendments to terms in relation to the Share Repurchase in the Articles of the Company. In accordance with the revision of the Articles of the Company, the Rules of Procedure for the General Meeting of Shareholders, the Rules of Procedure for the Board of Directors, the Rules of Procedure for the Supervisory Committee were revised accordingly.

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.

#### (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 Group has established the reporting system to all Directors, to ensure all Directors are informed of the Company's business. The Group believes that the periodical Board meetings can provide an effective communication channel for the non-executive directors, thus enabling the non-executive Directors to discuss fully and openly on the Group's business. The Board regularly reviews corporate governance practices to ensure the Company's operation is in compliance with the laws, regulations and supervisory rules of places where the shares of the Company are traded, and consistently endeavors to implement a high standard of corporate governance.



## CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

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, Management System of the Company's Shares Held by the Board of Directors, the Board of Supervisors, Senior Management and Internal Information Insiders, 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 six months ended 30 June 2019 ended 30 June 2019, 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. The corporate governance practices of the Group comply with the requirements of the Code.

During the reporting period, the Company has strictly complied with the above corporate governance documents and the Code without any deviation.

For details, please refer to the Report on Corporate Governance of the Company included in 2018 annual report of the Company.

Having made specific enquiries with all the Directors and Supervisors, the Company believed that the Directors and Supervisors have strictly complied with Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") set out in Appendix X of Hong Kong Listing Rules headed and the Management System of the Company's Shares Held by the Board of Directors, the Board of Supervisors, Senior Management and Internal Information Insiders and the Code for Securities Transactions of the 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 perfecting the system 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 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 onsite visits as well as many other means such as making full use of "SSE E-interactive Platform", hotlines, faxes and e-mails. The Company has had 380 contacts with analysts, fund managers and investors.

## CHAPTER 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

### I. CHANGES IN ORDINARY SHARES

#### (I) Table of Changes in Ordinary Shares

1. *Table of Changes in Ordinary Shares*

There was no changes in total number of ordinary shares and shareholders' structure during the reporting period.

2. *Explanation on changes in ordinary shares*

Not applicable

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

Not applicable

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

According to the information publicly available to the Company and within the knowledge of the Directors, the Directors believe that during the reporting period, the public float of the Company is more than 25% of the Company's total issued shares, which is in compliance with the requirement of the Hong Kong Listing Rules.

#### (II) Changes in Shares with Restricted Moratorium

Not applicable

## CHAPTER 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS – CONTINUED

### II. SHAREHOLDERS

#### (I) Total Number of the Shareholders

Total number of shareholders as to the end of the reporting period	69,681
Total number of preferred shareholders with resumed voting right as to the end of the reporting period	0

#### (II) Top Ten Shareholders and Top Ten Shareholders Holding Tradable Shares of The Company \or Shares Not Subject to Trading Moratorium) As At The End of The Reporting Period

*Unit: share*

Name of shareholders (Full Name)	Increase/ decrease during the reporting period	Shareholdings of the top ten Shareholders			Pledged or locked Status of shares	Number of shares	Type of shareholders
		Number of shares held at the end of the reporting period	Percentage (%)	Number of shares held with trading moratorium			
Yankuang Group Co., LTD.	0	2,267,169,423	46.16	0	No	0	State-owned legal person
Hong Kong Securities Clearing Company (Nominees) Limited	-3,017,146	1,945,591,353	39.61	0	Unknown	-	Overseas legal person
Hong Kong Securities Clearing Company Limited	24,835,655	28,491,652	0.58	0	No	0	Overseas legal person
New China Life Insurance Co., Ltd.- Dividend-Individual dividend- 018L-FH002Shanghai	20,712,597	21,957,897	0.45	0	No	0	Others
China Life Insurance Co., Ltd.- Dividend-Individual dividend- 005L-FH002Shanghai	14,076,933	21,341,502	0.43	0	No	0	Others
Agricultural Bank of China Co., Ltd.-Jingshun Great Wall Shanghai-Shenzheng 300 Index Enhanced Securities Investment Fund	20,304,429	20,304,429	0.41	0	No	0	Others

## CHAPTER 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS – CONTINUED

Name of shareholders (Full Name)	Increase/ decrease during the reporting period	Shareholdings of the top ten Shareholders			Pledged or locked		Type of shareholders
		Number of shares held at the end of the reporting period	Percentage (%)	Number of shares held with trading moratorium	Status of shares	Number of shares	
Central Huijin Assets Management Co., Ltd.	0	19,355,100	0.39	0	No	0	State-owned legal person
Abu Dhabi Investment Authority	30,138	18,840,704	0.38	0	No	0	Others
National Social Security Fund 412 Combination	10,374,568	14,216,382	0.29	0	No	0	Others
New China Life Insurance Co., Ltd.-Dividend-Group dividend-018L-FH001Shanghai	1,632,129	13,893,607	0.28	0	No	0	Others

### Top ten Shareholders holding tradable shares not subject to trading moratorium

Name of Shareholders	Number of tradable shares not subject to trading moratorium	Class and number of shares held	
		Class of shares	Number of shares
Yankuang Group Co., LTD.	2,267,169,423	A Shares	2,267,169,423
Hong Kong Securities Clearing Company (Nominees) Limited	1,945,591,353	H Shares	1,945,591,353
Hong Kong Securities Clearing Company Limited	28,491,652	A Shares	28,491,652
New China Life Insurance Co., Ltd.-Dividend-Individual dividend-018L-FH002Shanghai	21,957,897	A Shares	21,957,897
China Life Insurance Co., Ltd.-Dividend-Individual dividend-005L-FH002Shanghai	21,341,502	A Shares	21,341,502
Agricultural Bank of China Co., Ltd.-Jingshun Great Wall Shanghai-Shenzhen 300 Index Enhanced Securities Investment Fund	20,304,429	A Shares	20,304,429
Central Huijin Assets Management Co., Ltd.	19,355,100	A Shares	19,355,100
Abu Dhabi Investment Authority	18,840,704	A Shares	18,840,704
National Social Security Fund 412 Combination	14,216,382	A Shares	14,216,382
New China Life Insurance Co.,Ltd.-Dividend-Group dividend-018L-FH001Shanghai	13,893,607	A Shares	13,893,607

## 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 not subject to trading moratorium	Class and number of shares held	
		Class of shares	Number of shares
Explanation on connected relationship or actions in concert among the above Shareholders	The subsidiary of Yankuang Group incorporated in Hong Kong held 278,000,000 H shares through HKSCC (Nominees) Limited. New China Life Insurance Co., Ltd.-Dividend-Individual dividend-018L-FH002Shanghai and New China Life Insurance Co., Ltd.-Dividend-Group dividend-018L-FH001Shanghai are managed by the same fund manager. Apart from the disclosure above, 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 restored voting rights and number of shares held by them	Not applicable.		

#### Notes:

1. All the information above including "Total number of Shareholders" and "Top ten Shareholders and the top ten Shareholders holding tradable shares of the Company which are not subject to trading moratorium (or unrestricted shareholders)" is prepared in accordance with the registers of the Shareholders provided by China Securities Depository and Clearing Co., Ltd. Shanghai Branch and Hong Kong Central Securities Registration Company 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 Stock Connect Program.
3. As at 30 June 2019, Yankuang Group held a total of 2,267,169,423 A shares of the Company, including 1,875,662,151 A shares held by its own account, and 391,507,272 A shares held by the guarantees and trust account opened by CITIC Securities Co., Ltd. and itself. The aforementioned guarantees and trust account provide guarantees for the exchangeable corporate bonds issued by Yankuang Group; Yankuang Group, via its wholly-owned subsidiary, Yankuang Group (Hong Kong) Co., Ltd, held 2,77,989,000 H shares of the Company. Yankuang Group held 51.81% (directly and indirectly) of the total share capital of the Company.
4. On 30 July 2019, Yankuang Group, via its wholly-owned subsidiary, Yankuang Group (Hong Kong) Co., Ltd, increased its holding of 97,000,000 H shares of the Company. Yankuang Group held 53.79% (directly and indirectly) of the total share capital of the Company after this increased of holding.

### The number of shares and restricted conditions of top ten Shareholders holding tradable shares subject to 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/or Underlying Shares of the Company

As far as the Directors are aware, save as disclosed below, as at 30 June 2019, 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 Securities and Futures Ordinance (“SFO”); (ii) be recorded in the register to be kept pursuant to Section 336 of the SFO; or (iii) notify the Company and the Hong Kong Stock Exchange in other ways.

Name of Substantial Shareholders	Class of Shares	Capacity	Number of Shares Held (shares)	Nature of Interests	Percentage in the 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	2,267,169,423	Long position	–	46.16%
		Beneficial owner	391,507,272	Short position	–	7.97%
Yankuang Group <sup>(Note 1)</sup>	H Shares	Interest of controlled corporations	277,989,000	Long position	14.24%	5.66%
BNP Paribas Investment Partners SA	H Shares	Investment manager	117,641,207	Long position	6.03%	2.39%
Cao Lei	H Shares	Beneficial owner	24,334,000	Long position	1.25%	0.50%
		Interest of controlled corporations	37,812,000	Long position	1.94%	0.77%
Zhang Xiaolei	H Shares	Spouse's rights	53,172,000	Long position	2.72%	1.08%
		Beneficial owner	30,000	Long position	–	–
		Interest of controlled corporations	53,142,000	Long position	2.72%	1.08%
BlackRock, Inc.	H Shares	Spouse's rights	62,146,000	Long position	3.18%	1.27%
		Interest of controlled corporations	108,167,018 190,000	Long position Short position	5.54% 0.01%	2.20% –

Notes:

1. Yankuang Group's controlled subsidiary incorporated in Hong Kong holds such H Shares in the capacity of beneficial owner.
2. The percentage figures above have been rounded off to the nearest second decimal place.
3. Information disclosed herein is based on the information available on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and information provided by China Securities Depository and Clearing Corporation Limited Shanghai Branch.

### III. CHANGES IN CONTROLLED SHAREHOLDERS OR ACTUAL CONTROLLER

Not applicable.



## CHAPTER 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

### I. CHANGES IN SHAREHOLDING

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

As at the date of the report, except as disclosed below, none of the Directors, Supervisors and Senior Management of the Company have an interest in the shares, or any of its associated body corporate (definition referred to Part XV of the Securities and Futures Ordinance), the interests and short position in relevant shares and bonds. These interests and short position (i) are in accordance with the Section 352 of the Securities and Futures Ordinance, which should be recorded in the register to be kept, or (ii) in accordance with the provisions of the Model Code, shall notice the listed issuers and the Stock Exchange of Hong Kong (The relevant provisions shall be deemed to apply equally to the supervisors of the Company to the same extent as the directors of the Company).

#### Shareholding of the Company:

The shareholding (A share) by current and resigned Directors, Supervisors and Senior Management of the Company hold the interests during the reporting period is as follows:

*Unit: share*

Name	Title	Number of Shares Held at the Beginning of the Reporting Period	Number of Shares Held at the End of the Reporting Period	Increase/Decrease of Shareholding 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
Liu Jian	Director	0	0	0
Guo Dechun	Director	0	0	0
Zhao Qingchun	Director	0	0	0
Guo Jun	Director	10,000	10,000	0
Wu Yuxiang	Director (Resigned)	30,000	30,000	0
Kong Xiangguo	Independent Director	0	0	0
Cai Chang	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
Zheng Kai	Supervisor	0	0	0
Wang Fuqi	Senior Management	10,000	10,000	0
Zhao Honggang	Senior Management	10,000	10,000	0
He Jing	Senior Management	0	0	0
Gong Zhijie	Senior Management	0	0	0
Jin Qingbin	Senior Management	0	0	0



## CHAPTER 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT – CONTINUED

At the end of the reporting period, the current and resigned Directors, Supervisors and Senior Management together held 110,000 A Shares, representing 0.0022% of the Company's total issued share.

### Other explanations

Not applicable.

### (II) Share Options Granted to the Directors, Supervisors and Senior Management during the Reporting Period

Name	Title	Number of share options held at the beginning of the reporting period	Number of share options new granted during the reporting period	Number share of options exercisable during the reporting period	Number share of options exercised during the reporting period	Number of share options held at the end of the reporting period
Wu Xiangqian	Director	0	320,000	0	0	320,000
Liu Jian	Director	0	260,000	0	0	260,000
Zhao Qingchun	Director	0	260,000	0	0	260,000
Zhao Honggang	Senior Management	0	260,000	0	0	260,000
He Jing	Senior Management	0	260,000	0	0	260,000
Gong Zhijie	Senior Management	0	260,000	0	0	260,000
Jin Qingbin	Senior Management	0	260,000	0	0	260,000
Total	/	0	1,880,000	0	0	1,880,000

## II. CHANGES OF MEMBERS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

Name	Title	Changes
Wu Yuxiang	Director	Resigned
Liu Jian	Director	Appointed

Note: For details, please refer to the Significant Events in Chapter 05.

### Explanations of changes of members of directors, supervisors, senior management

Not applicable.

## CHAPTER 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT – CONTINUED

### III. OTHER EXPLANATIONS

Changes in the current positions of the Company's directors, supervisors and senior management in the Company's subsidiaries (Prepared in accordance with the Hong Kong Listing Rules)

Title in the Company	Name	Before Changes	After Changes	Time of Changes
Director, General Manager	Wu Xiangqian	Chairman of Duanxin Investment Holding (Shenzhen) Co., Ltd.	–	23 January 2019
Director, Chief Financial Officer	Zhao Qingchun	Chairman of Qingdao Vast Lucky International Trade Co., Ltd.	–	23 January 2019
		Director of Duanxin Investment Holding (Shenzhen) Co., Ltd.	–	23 January 2019
Deputy General Manager	He Jing	–	Chairman of Duanxin Investment Holding (Shenzhen) Co., Ltd.	23 January 2019
		–	Chairman of Qingdao Vast Lucky International Trade Co., Ltd.	23 January 2019
		Chairman of Shandong Zhongyin International Trade Co. Ltd.	–	31 July 2019

## CHAPTER 8 CORPORATE BONDS

(All financial information contained in this Chapter is prepared and listed 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 capital and interest	Trade place
2012 Corporate Bond of Yanzhou Coal (first tranche)	12 Yanzhou Coal	122168	23/7/2012	23/7/2022	40	4.95	Interest paid once a year, the entire principal repaid at one time at maturity, the final interest paid together with the principal	Shanghai Stock Exchange
2012 Corporate Bond of Yanzhou Coal (second tranche)	12 Yanzhou Coal	122272	3/3/2014	3/3/2024	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
2017 Renewable Corporate Bond of Yanzhou Coal (first tranche)	17 Yanzhou Coal	143916	17/8/2017	17/8/2020	50	5.70	If the Company does not exercise the right of deferred payment of interest, the interest will be paid once a year	Shanghai Stock Exchange
2018 Renewable Corporate Bond of Yanzhou Coal (first tranche)	18 Yanzhou Coal	143959	26/3/2018	26/3/2021	50	6.00	If the Company does not exercise the right of deferred payment of interest, the interest will be paid once a year	Shanghai Stock Exchange

## CHAPTER 8 CORPORATE BONDS – CONTINUED

(All financial information contained in this Chapter is prepared and listed in accordance with the CASs)

Note: For 2017 Renewable Corporate Bond of Yanzhou Coal (first tranche) and 2018 Renewable Corporate Bond of Yanzhou Coal (first tranche), every three interest-bearing years are regarded as one cycle. At the end of each cycle, the Company has the right to choose to extend the term of the current bond by one cycle (that is, by three years) or to repay the principal and interest of the current bond due at maturity in full at the end of the cycle.

### Principal and interest payment of corporate bonds

During the reporting period, the Company paid the interest of the relevant bonds on schedule without the default.

### Other explanation of corporate bond issues

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
Bond trustee	Name	Ping An Securities Co.,Ltd. (“Ping An Securities”)
	Office address	(16-20)/F, Rongchao Building No. 4036 Jintian Road, Futian District, Shenzhen, PRC
	Contact person	Zhou Ziyuan
	Contact number	010-66299579
Credit rating agency	Name	Dagong Global Credit Rating Co., Ltd.
	Office address	29/F, A Tower, Eagle Run Plaza, No. 26 Xiaoyun Road, Chaoyang District, Beijing, China
Credit rating agency	Name	China Chengxin Securities Rating Co., Ltd.
	Office address	21/F, An Ji Plaza, No. 760 Xizang South Road, Shanghai, China

Other explanation:

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

The bond trustee for the 2017 Renewable Corporate Bond of Yanzhou Coal (first tranche) and the 2018 Renewable Corporate Bond of Yanzhou Coal (first tranche) is Ping An Securities, and the credit rating agency is China Chengxin Securities Rating Co., Ltd.

## CHAPTER 8 CORPORATE BONDS – CONTINUED

(All financial information contained in this Chapter is prepared and listed in accordance with the CASs)

### III. USE OF PROCEEDS FROM CORPORATE BONDS

The 12 Yanzhou Coal 02 and the 12 Yanzhou Coal 04 raised proceeds of RMB4 billion and RMB3.05 billion (before deducting issuing expenses), respectively, with RMB7.05 billion funds raised in total. The whole proceeds were used to replenish working capital mainly including technical improvement for old mines, construction on new mines, coal mining, procurement and repair for preparation equipment, and the continuous input to ensure the safe production of coal mines. The actual use of the proceeds during the reporting period is consistent with the utilization and use plan of the prospectus.

The bond balance of 12 Yanzhou Coal 02 was RMB4 billion. The bond balance of 12 Yanzhou Coal 04 was RMB3.05 billion.

17 Yanzhou Coal Y1 and 18 Yanzhou Coal Y1 issued proceeds of RMB5 billion (before deducting issuing expenses), respectively, with RMB10 billion funds raised in total. The whole proceeds were used to repay the debts due, replenish working capital including technical improvement for old mines, construction on new mines, coal mining, procurement and repair for preparation equipment, and the continuous input to ensure the safe production of coal mines. The actual use of the proceeds during the reporting period is consistent with the utilization and use plan of the prospectus.

The bond balance of 17 Yanzhou Coal Y1 was RMB5 billion. The bond balance of 18 Yanzhou Coal Y1 was RMB5 billion.

### IV. CREDIT RATINGS OF CORPORATE BONDS

1. On 24 April 2019, the track ratings made by Dagong Global Credit Rating Co., Ltd. based on the conditions of the Company during the reporting period were as follows: the long-term credit rating to the Company remains AAA and the rating is expected to remain stable; the credit ratings to 12 Yanzhou Coal 02 and 12 Yanzhou Coal 04 remain AAA. The relevant information was published on the website of the Shanghai Stock Exchange and the website of the Company on 26 April 2019 respectively. The credit ratings remain unchanged, which indicates that the risk of failure to repay at maturity is very small.
2. On 28 May 2019, China Chengxin Securities Rating Co., Ltd. issued the following track ratings for 2017 Renewable Corporate Bond of Yanzhou Coal (first tranche) and 2018 Renewable Corporate Bond of Yanzhou Coal (first tranche) according to the Company's situation: the main credit rating to the Company remains AAA and the rating is expected to remain stable; the credit ratings to 17 Yanzhou Coal Y1 and 18 Yanzhou Coal Y1 remain AAA. The relevant information was published on the website of the Shanghai Stock Exchange and the website of the Company on 30 May 2019 respectively. The credit ratings remain unchanged, which indicates that the risk of failure to repay at maturity is very small.

## CHAPTER 8 CORPORATE BONDS – CONTINUED

(All financial information contained in this Chapter is prepared and listed in accordance with the CASs)

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

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

#### 1. Guarantee

On 2 January 2012, the board of directors of Yankuang Group approved Yankuang Group, to provide an irrevocable and unconditional guarantee with joint liability for the full amount of 2012 Corporate Bond of Yanzhou Coal (first tranche) and 2012 Corporate Bond of Yanzhou Coal (second tranche).

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

*Unit: RMB 10 thousand*

	<b>30 June 2019</b>	31 December 2018
Net assets	<b>8,982,304</b>	9,063,951
Liability to asset ratio	<b>70.94%</b>	70.53%
Return rate on net assets	<b>4.06%</b>	6.30%
Current ratio	<b>1.12</b>	1.05
Liquidity ratio	<b>0.84</b>	0.80
Credit status of guarantor	<b>AAA</b>	AAA
Accumulative balance of external guarantee	<b>112,150</b>	112,150
Accumulative balance of external guarantee to net assets ratio	<b>1.25%</b>	1.24%

Note: The “Accumulative balance of external guarantee” in the above table does not include the guarantee amount of Yankuang Group provided to its holding subsidiaries.

As at the end of the reporting period, the other main assets owned by Yankuang Group other than the equity of Yanzhou Coal are: (1) 100% equity interest in Yankuang Lunan Chemicals Co., Ltd. (2) 50% equity interest in Shaanxi Future Energy Chemical Co., Ltd. (3) 51.37% equity interest in Yankuang Guizhou Neng Hua Co., Ltd. (4) 99.67% equity interest in Yankuang Xinjiang Neng Hua Co., Ltd. and (5) 100% equity interest in Zhongyin Estate Co., Ltd.



## CHAPTER 8 CORPORATE BONDS – CONTINUED

(All financial information contained in this Chapter is prepared and listed in accordance with the CASs)

### 2. Debt repayment scheme

The value date of 12 Yanzhou Coal 02 is on 23 July 2012. Bond interest will be paid once a year within the duration from the value date. The payment date of 12 Yanzhou Coal 02 for the previous interest year from 2013 to 2022 is on 23 July (extended accordingly to the next trading day when it is official holiday or rest day). The maturity date of 12 Yanzhou Coal 02 is on 23 July 2022. The principal and the interest for the final tranche should be paid on the maturity date.

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

The payment of principal and interest for 12 Yanzhou Coal 02 and 12 Yanzhou Coal 04 will be conducted by bond registration and depository institution and relevant organizations. The payment details will be explained in the announcement issued by the Company through the media designated by CSRC according to relevant requirements.

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

The value date of 18 Yanzhou Coal Y1 is on 26 March 2018. If the Company does not exercise deferred payment of interest, the bond pays interest once a year for the duration of the bond, and 26 March of each year during the duration (extended accordingly to the next trading day when it is official holiday or rest day) is the interest payment date of the last interest-bearing year; if the Company chooses to extend the term of the bond during the renewal option exercise year, the term of the bond is extended from the interest payment date of the year for one cycle; if the Company chooses to pay the bond in full during the renewal option exercise year, the interest payment date of the interest-bearing year is the date on which the bond is redeemed.



## CHAPTER 8 CORPORATE BONDS – CONTINUED

(All financial information contained in this Chapter is prepared and listed in accordance with the CASs)

### 3. Debt repayment supporting plan

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

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

### 4. Special account for debt payment

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

## VI. BONDHOLDERS' MEETING

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

## VII. PERFORMANCE OF DUTIES BY BOND TRUSTEE

1. The Company and BOC International entered into the Agreement on Bond Entrusted Management in January 2012, according to which, BOC International was appointed as the trustee of the 2012 Corporate Bond (first tranche) and 2012 Corporate Bond (second tranche) issued by the Company. The BOC International 2018 Entrusted Management Report has been disclosed and posted on the website of the Shanghai Stock Exchange.
2. The Company and Ping An Securities entered into the Agreement on Bond Entrusted Management in August 2017, according to which, Ping An Securities was appointed as the trustee of the 2017 Renewable Corporate Bond (first tranche). The Ping An Securities 2018 Entrusted Management Report has been disclosed and posted on the website of the Shanghai Stock Exchange.
3. The Company and Ping An Securities entered into the Agreement on Bond Entrusted Management in August 2017, according to which, Ping An Securities was appointed as the trustee of the 2018 Renewable Corporate Bond (first tranche). The Ping An Securities 2018 Entrusted Management Report has been disclosed and posted on the website of the Shanghai Stock Exchange.

## CHAPTER 8 CORPORATE BONDS – CONTINUED

(All financial information contained in this Chapter is prepared and listed in accordance with the CASs)

### VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS AS AT THE END OF THE REPORTING PERIOD AND THE END OF PREVIOUS YEAR (OR DURING THE REPORTING PERIOD AND THE SAME PERIOD OF PREVIOUS YEAR)

RMB'000

Main indicators	As at the end	As at the end	Increase/decrease at
	of the reporting period	of previous year	the end of the reporting period as compared with the end of previous year (%)
Current ratio	1.10	1.12	-1.79
Liquidity ratio	0.85	0.97	-12.37
Liability to asset ratio (%)	58.02	58.29	decreased by 0.27 percentage points
Loan repayment rate (%)	100	100	0

	During the	The same	Increase/decrease
	Reporting Period (Jan-June)	period of the previous year	during the Reporting Period as compared with the same period of the previous year (%)
EBITDA Interest cover ratio	8.89	5.16	72.29
Interest coverage (%)	100	100	0

### IX. EXPLANATION ON OVERDUE DEBTS

During the reporting period, the Company did not have an overdue debt.

### X. PRINCIPAL AND INTEREST PAYMENT OF OTHER BONDS AND FINANCING INSTRUMENTS OF THE COMPANY

The Company paid the principal and interest of the USD bonds for a term of 10 years issued in 2012, the USD perpetual bonds issued in 2017, the medium term note issued in 2018 and the USD bonds for a term of 3 years issued in 2018 in the reporting period on schedule without default.

## **CHAPTER 8 CORPORATE BONDS – CONTINUED**

(All financial information contained in this Chapter is prepared and listed in accordance with the CASs)

### **XI. BANK CREDIT STATUS OF THE GROUP DURING THE REPORTING PERIOD**

As at 30 June 2019, the Group's total credit facility in the banks were RMB122.894 billion, of which RMB56.464 billion was used and RMB66.430 billion was not used. In the first half of 2019, the Company repaid the bank loan principal and interest of RMB19.026 billion million on schedule. Except as disclosed above, there were no extension, reductions or exemption and defaults during the reporting period.

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

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

### **XIII. SIGNIFICANT EVENTS AND THEIR IMPACTS ON OPERATIONS AND DEBT REPAYMENT ABILITY OF THE COMPANY**

For the information on significant events and latest progress of the Company, please refer to “Chapter 5 Significant Events” in this report.

The abovementioned significant events had no major impacts on the Company's operation and didn't influence the Company's debt payment ability to investors as the Company maintains stable operation and sufficient financing sources.

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	Six months ended 30 June	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Gross sales of coal		31,219,590	29,930,796
Railway transportation service income		214,754	211,352
Gross sales of electricity power		283,385	296,754
Gross sales of methanol		1,414,118	1,673,666
Gross sales of heat supply		12,072	15,787
Gross sales of equipment manufacturing		93,506	91,741
<b>Total revenue</b>		<b>33,237,425</b>	<b>32,220,096</b>
Transportation costs of coal		(1,620,036)	(1,738,039)
Cost of sales and service provided		(18,239,166)	(16,681,646)
Cost of electricity of power		(245,139)	(258,597)
Cost of methanol		(1,101,360)	(1,103,909)
Cost of heat supply		(8,435)	(7,321)
Cost of equipment manufacturing		(87,115)	(79,018)
<b>Total cost of sales</b>		<b>(21,301,251)</b>	<b>(19,868,530)</b>
<b>Gross profit</b>		<b>11,936,174</b>	<b>12,351,566</b>
Selling, general and administrative expenses		(3,616,512)	(5,292,649)
Share of profits of associates		947,282	712,987
Share of profits of joint ventures		47,040	140,537
Other income and gains		1,403,132	2,344,790
Finance costs	6	(1,562,027)	(1,815,566)
<b>Profit before tax</b>	7	<b>9,155,089</b>	<b>8,441,665</b>
Income taxes expenses	8	(1,662,712)	(2,494,079)
<b>Profit for the period</b>		<b>7,492,377</b>	<b>5,947,586</b>
Attributable to:			
Equity holders of the Company		5,809,977	4,622,671
Owners of perpetual capital securities		299,153	302,984
Non-controlling interests			
– Perpetual capital securities		99,391	82,579
– Other		1,283,856	939,352
		<b>7,492,377</b>	<b>5,947,586</b>

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

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

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	Six months ended 30 June	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Earnings per share, basic and diluted	10	<b>RMB1.18</b>	RMB0.94
Earnings per American Depositary Shares ("ADS", one ADS represents 10 H shares), basic and diluted	10	<b>RMB11.83</b>	RMB9.41
Profit for the period		<b>7,492,377</b>	5,947,586
Other comprehensive income (expense) (after income tax)			
<b>Items that will not reclassified subsequently to profit or loss:</b>			
Fair value change on equity investments at fair value through other comprehensive income ("FVTOCI")		<b>154</b>	–
Income tax relating to item that will not be reclassified subsequently		<b>(39)</b>	–
		<b>115</b>	–
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Cash flow hedges:			
Cash flow hedge reserve recognised in other comprehensive income		<b>(252,070)</b>	(960,124)
Reclassification adjustments for amounts transferred to income statement (included in revenue)		<b>247,398</b>	607,210
Deferred taxes		<b>81,945</b>	105,874
		<b>77,273</b>	(247,040)
Share of other comprehensive income of associates		<b>51,339</b>	79,658
Exchange difference arising on translation of foreign operations		<b>199,169</b>	(1,390,520)
		<b>7,820,273</b>	4,389,684
Total comprehensive income for the period		<b>7,820,273</b>	4,389,684
Attributable to:			
Equity holders of the Company		<b>6,087,519</b>	3,545,108
Owners of perpetual capital securities		<b>299,153</b>	302,984
Non-controlling interests			
– Perpetual capital securities		<b>99,391</b>	82,579
– Other		<b>1,334,210</b>	459,013
		<b>7,820,273</b>	4,389,684

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	NOTES	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
<b>Current assets</b>			
Bank balances and cash	11	22,777,432	27,372,942
Pledged term deposits	11	210,000	1,913,231
Restricted cash	11	4,387,114	3,436,572
Bills and accounts receivables	12	10,554,869	9,157,262
Long term receivables – due within one year		1,422,189	1,571,284
Royalty receivable		124,518	134,544
Inventories		5,154,364	4,068,995
Prepayments and other receivables	13	23,732,068	16,873,188
Prepaid lease payments		–	29,718
		<b>68,362,554</b>	64,557,736
Assets classified as held for sale		<b>214,583</b>	272,902
		<b>68,577,137</b>	64,830,638
<b>Non-current assets</b>			
Intangible assets		47,908,494	47,868,989
Prepaid lease payments		–	1,275,029
Property, plant and equipment	14	42,832,043	45,296,120
Right-of-use assets	14	1,758,708	–
Construction in progress		12,895,587	10,896,287
Prepayment for property, plant and equipment		900,868	1,224,943
Goodwill		1,650,596	1,651,211
Investments in securities		158,575	162,086
Interests in associates		16,314,259	16,023,709
Interests in joint ventures		693,876	660,221
Long term receivables – due after one year		8,085,241	8,654,642
Royalty receivable		816,309	796,712
Deposits made on investments		117,926	117,926
Deferred tax assets		1,986,508	6,545,102
		<b>136,118,990</b>	141,172,977
<b>Total assets</b>		<b>204,696,127</b>	206,003,615



## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED

AS AT 30 JUNE 2019

	NOTES	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
<b>Current liabilities</b>			
Bills and accounts payables	15	15,630,177	12,514,298
Other payables and accrued expenses		26,518,611	20,679,288
Contract liabilities		4,692,136	2,207,641
Provision for land subsidence, restoration, rehabilitation and environmental costs	16	2,141,218	2,327,177
Amounts due to Parent Company and its subsidiary		923,636	929,654
Borrowings – due within one year	17	15,521,495	20,069,685
Long term payables – due within one year		–	122,388
Provision		169,564	135,876
Derivative financial instruments		58,921	1,254
Lease liabilities		155,373	–
Tax payable		173,140	613,153
		<b>65,984,271</b>	<b>59,600,414</b>
<b>Non-current liabilities</b>			
Borrowings – due after one year	17	45,318,909	48,608,238
Deferred tax liabilities		3,350,646	8,008,106
Provision for land subsidence, restoration, rehabilitation and environmental costs	16	1,616,923	1,425,053
Provision		1,081,842	1,187,229
Lease liabilities		385,624	–
Long term payables – due after one year		65,083	129,586
		<b>51,819,027</b>	<b>59,358,212</b>
<b>Total liabilities</b>		<b>117,803,298</b>	<b>118,958,626</b>



## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED

AS AT 30 JUNE 2019

	NOTES	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
<b>Capital reserves</b>			
Share capital	18	4,912,016	4,912,016
Reserves	18	50,600,374	47,165,344
Equity attributable to equity holders of the Company		55,512,390	52,077,360
Owners of perpetual capital security	19	10,315,597	10,316,444
Non-controlling interests			
– Perpetual capital securities	19	3,417,351	3,417,351
– Others		17,647,491	21,233,834
		86,892,829	87,044,989
<b>Total liabilities and equity</b>		<b>204,696,127</b>	206,003,615

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	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	Total	Perpetual Capital Securities issued by the Company and a subsidiary	Perpetual Capital Securities issued by a subsidiary	Subordinated Capital Notes	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 18)			(note 18)					(note 18)		(note 19)	(note 19)			
As at 1 January 2018	4,912,016	514,668	2,967,947	969,450	5,952,503	(5,683,141)	70,802	(1,110,797)	38,799,065	47,492,503	9,249,649	3,417,351	3,102	19,614,675	79,777,280
Profit for the period (unaudited)	-	-	-	-	-	-	-	-	4,622,671	4,622,671	302,984	82,579	-	939,352	5,947,586
Other comprehensive income (expenses)															
- Share of other comprehensive income of associates	-	-	-	-	-	-	79,658	-	-	79,658	-	-	-	-	79,658
- Cash flow hedge reserve recognised	-	-	-	-	-	-	-	(161,712)	-	(161,712)	-	-	-	(85,328)	(247,040)
- Exchange differences arising on translation of foreign operations	-	-	-	-	-	(995,509)	-	-	-	(995,509)	-	-	-	(395,011)	(1,390,520)
Total comprehensive income (expenses) for the period (unaudited)	-	-	-	-	-	(995,509)	79,658	(161,712)	4,622,671	3,545,108	302,984	82,579	-	459,013	4,389,684
Transactions with owners (unaudited)															
- Issuance of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	5,000,000	-	-	-	5,000,000
- Distribution paid to holders of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	(217,800)	(82,579)	-	-	(300,379)
- Utilisation of reserves	-	-	-	(20,296)	-	-	-	-	-	(20,296)	-	-	-	-	(20,296)
- Redemption of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	(4,037,500)	-	-	-	(4,037,500)
- Redemption of Subordinated Capital Notes	-	-	-	-	-	-	-	-	-	-	-	-	(3,102)	-	(3,102)
- Dividends	-	-	-	-	-	-	-	-	(2,357,768)	(2,357,768)	-	-	-	(557,067)	(2,914,835)
Transactions with owners (unaudited)	-	-	-	(20,296)	-	-	-	-	(2,357,768)	(2,378,064)	744,700	(82,579)	(3,102)	(557,067)	(2,276,112)
As at 30 June 2018 (unaudited)	4,912,016	514,668	2,967,947	949,154	5,952,503	(6,578,650)	150,460	(1,272,509)	41,063,968	48,659,547	10,297,333	3,417,351	-	19,516,621	81,890,852

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — CONTINUED

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to equity holders of the Company									Non-controlling interests				
	Share capital RMB'000 (note 18)	Capital reserve RMB'000	Share premium RMB'000	Future development fund RMB'000 (note 18)	Statutory common reserve fund RMB'000	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Cash flow hedge reserve RMB'000	Retained earnings RMB'000 (note 18)	Total RMB'000	Perpetual Capital Securities issued by the Company and a subsidiary RMB'000 (note 19)	Perpetual Capital Securities issued by a subsidiary RMB'000 (note 19)	Others RMB'000	Total RMB'000
At 1 January 2019 (audited)	4,912,016	393,273	2,967,947	969,450	6,276,768	(6,983,697)	208,225	(1,301,987)	44,635,365	52,077,360	10,316,444	3,417,351	21,233,834	87,044,989
Profit for the period (unaudited)	-	-	-	-	-	-	-	-	5,809,977	5,809,977	299,153	99,391	1,283,856	7,492,377
Other comprehensive income (expenses)														
- Fair value change of financial assets at FVTOCI	-	-	-	-	-	-	115	-	-	115	-	-	-	115
- Share of other comprehensive income of associates	-	-	-	-	-	-	51,339	-	-	51,339	-	-	-	51,339
- Cash flow hedge reserve recognised	-	-	-	-	-	-	-	53,409	-	53,409	-	-	23,864	77,273
- Exchange differences arising on translation of foreign operations	-	-	-	-	-	172,679	-	-	-	172,679	-	-	26,490	199,169
Total comprehensive income for the period (unaudited)	-	-	-	-	-	172,679	51,454	53,409	5,805,723	6,087,519	299,153	99,391	1,334,210	7,820,273
Transactions with owners (unaudited)														
- Distribution paid to holders of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	(300,000)	(99,391)	-	(399,391)
- Acquisition of additional interests in subsidiaries:	-	-	-	-	-	-	-	-	-	-	-	-	(4,046,586)	(4,046,586)
- Dividends	-	-	-	-	-	-	-	-	(2,652,489)	(2,652,489)	-	-	(873,967)	(3,526,456)
Transactions with owners (unaudited)	-	-	-	-	-	-	-	-	(2,652,489)	(2,652,489)	(300,000)	(99,391)	(4,920,553)	(7,972,433)
At 30 June 2019 (unaudited)	4,912,016	393,273	2,967,947	969,450	6,276,768	(6,811,018)	259,679	(1,248,578)	47,792,853	55,512,390	10,315,597	3,417,351	17,647,491	86,892,829

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>8,378,922</b>	7,941,801
<b>INVESTING ACTIVITIES</b>		
(Placement) withdrawal of restricted cash	(950,542)	425,219
Withdrawal of term deposits	1,703,231	1,853,635
Investment in associate	–	(1,617,060)
Investment in security	–	(30,000)
Purchase of intangible assets	(667,838)	(675,150)
Purchase of property, plant and equipment and construction in progress	(2,848,612)	(1,656,955)
Proceeds on disposal of property, plant and equipment	1,133,130	2,918
Decrease (increase) in deposit for acquisition of property, plant and equipment	324,075	(474,169)
Increase in long term receivables	(380,888)	(400,822)
Settlement of payables for acquisition of assets	(890,321)	–
Net cash outflow arising on acquisition of additional interest in a joint operation	–	(1,687,565)
Net cash inflow on disposal of partial interest in a joint operation	–	2,703,995
Other investing activities	487,697	370,735
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(2,090,068)</b>	(1,185,219)

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – CONTINUED

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
<b>FINANCING ACTIVITIES</b>		
Distribution paid to holders of perpetual capital securities and subordinated capital notes	(399,391)	(300,379)
Dividend paid to non-controlling shareholders	(873,967)	(557,067)
Dividends paid	(583,470)	(2,399,474)
Interest expenses on lease liabilities	8,481	–
Payment of lease liabilities	(161,551)	–
Proceeds from bank borrowings	7,199,768	45,152,119
Repayments of borrowings	(10,937,011)	(46,560,909)
Proceeds from issuance of guaranteed notes	3,013,799	2,000,582
Repayment of guaranteed notes	(6,948,783)	(4,027,607)
Proceeds from issuance of perpetual capital securities	–	5,000,000
Redemption of perpetual capital securities	–	(4,037,500)
Payment for acquisition of additional interests in subsidiaries	(4,046,586)	–
Redemption of subordinated capital notes	–	(3,102)
Customers' deposits for financing business received	2,839,624	1,533,111
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(10,889,087)</b>	<b>(4,200,226)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(4,600,233)</b>	<b>2,556,356</b>
<b>CASH AND CASH EQUIVALENTS, AT BEGINNING OF THE PERIOD</b>	<b>27,372,942</b>	<b>21,073,256</b>
Effect of foreign exchange rate	4,723	117,561
<b>CASH AND CASH EQUIVALENTS, AT END OF THE PERIOD, represented by bank balances and cash</b>	<b>22,777,432</b>	<b>23,747,173</b>

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2019

#### 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 Limited (the “HKEX”). The Company’s parent and ultimate holding company is Yankuang Group Corporation Limited (the “Parent Company”), a state-owned enterprise in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the Group Profile and General Information section of the interim report.

On 24 January 2017, the American Depository Shares (“ADSs”) of the Company were changed to be traded in over the counter market instead of the public market of the New York Stock Exchange (“NYSE”). The Company applied for deregistration to NYSE on 25 January 2017 and the delisting became effective on 16 February 2017 following the close of the market in New York City. Upon completion of this change, the Company 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, coal mining, 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 2019 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 International Financial Reporting Standards (“IFRSs”), and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018. The interim financial information is unaudited.

#### 3. SIGNIFICANT ACCOUNTING POLICIES

The interim financial information has been prepared on the historical basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

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 2018, except as described below.



## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In the current period, the Group had applied, for the first time, the following new and amendments to International Financial Reporting Standards (“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 2019.

IFRS 16	Lease
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

The adoption of IFRS 16 resulted in changes in the Group’s accounting policies and adjustments to the amounts recognised in the condensed consolidated financial information. The new accounting policies are set out below. The application of other new and revised IFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial information.

#### **IFRS 16 Leases**

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3. The Group has applied IFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 17 Leases.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC-4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The major impacts of the adoption of IFRS 16 on the Group’s condensed consolidated financial statements are described below.

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### IFRS 16 Leases – Continued

##### *The Group as lessee*

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75% to 7%.

The Group recognises right-of-use assets and measures them at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee’s incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property lease.

The Group leases certain production equipment that were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date. Accordingly, the obligations under finance leases previously included in bank and other borrowings are now included within lease liabilities, and the carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The following table summarises the impact of transition to IFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Notes	Carrying amount previously reported at 31 December 2018 RMB'000	Impact on adoption of IFRS 16 RMB'000	Carrying amount as restated at 1 January 2019 RMB'000
Property, plant and equipment	(c)	45,296,120	(345,172)	44,950,948
Right-of-use assets	(a), (b) & (c)	–	2,002,460	2,002,460
Lease liabilities	(a) & (c)	–	(557,854)	(557,854)
Prepaid lease payments	(b)	1,304,747	(1,304,747)	–
Borrowings – due within one year	(c)	(20,069,685)	63,727	(20,005,958)
Borrowings – due after one year	(c)	(48,608,238)	141,586	(48,466,652)

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### IFRS 16 Leases – Continued

##### *The Group as lessee – Continued*

Notes:

- (a) As at 1 January 2019, right-of-use assets in relation to properties leased under operating leases were measured at an amount equal to the lease liability of approximately RMB352,541,000 the carrying amount as if IFRS 16 had been applied since the commencement date.
- (b) Prepaid lease payments of approximately RMB1,304,747,000 which represent the upfront payments for leasehold lands in the PRC as at 31 December 2018 was reclassified to right-of-use assets.
- (c) The obligations under finance leases of approximately RMB205,313,000 previously included in borrowings as at 31 December 2018 are now included within lease liabilities under IFRS 16. The carrying amount of the related assets under finance leases amounting to approximately RMB345,172,000 is reclassified to right-of-use assets.

#### Practical expedients applied

On the date of initial application of IFRS 16, the Group has used the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC-4 Determining whether an Arrangement contains a Lease
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous by applying IAS 37 as an alternative to performing an impairment review
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 4. CHANGE IN ACCOUNTING POLICIES

#### **Leases**

##### *Definition of a lease*

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

##### *The Group as lessee*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

##### Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 4. CHANGE IN ACCOUNTING POLICIES – CONTINUED

#### Leases – Continued

*The Group as lessee – Continued*

#### Lease liabilities – Continued

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

#### Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under IAS 37 “Provision, Contingent Liabilities and Contingent Assets”. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the “Impairment of tangible and intangible assets other than goodwill” policy as stated in the Group’s annual consolidated financial statements for the year ended 31 December 2018.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Selling, general and administrative expenses” in the condensed consolidated statement of profit or loss and other comprehensive income.

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 4. CHANGE IN ACCOUNTING POLICIES – CONTINUED

#### **Leases – Continued**

##### *The Group as lessee – Continued*

##### Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

##### Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

#### **The Group as lessor**

##### *Sublease*

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts.

The sublease is classified as a finance or operating lease as follows:

- if the head lease is a short-term lease, the sublease shall be classified as an operating lease;
- otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

##### Allocation of consideration to components of a contract

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

##### Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.



## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 5. 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 manufacturing and trading 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”) in 2016, 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

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.

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 5. SEGMENT INFORMATION – CONTINUED

(a) Segment revenues and results

Segment information about these businesses is presented below:

	For the six months ended 30 June 2019						Consolidated RMB'000 (unaudited)
	Coal mining RMB'000 (unaudited)	Coal railway transportation RMB'000 (unaudited)	Methanol, electricity and heat supply RMB'000 (unaudited)	Equipment manufacturing RMB'000 (unaudited)	Unallocated RMB'000 (unaudited)	Eliminations RMB'000 (unaudited)	
SEGMENT REVENUE							
External	31,219,590	214,754	1,709,575	93,506	-	-	33,237,425
Inter-segment	2,405,950	27,083	192,891	107,399	-	(2,733,323)	-
Total	33,625,540	241,837	1,902,466	200,905	-	(2,733,323)	33,237,425
RESULTS							
Segment results	9,247,700	96,915	467,543	6,391	-	-	9,818,549
Unallocated corporate expenses							(1,195,105)
Unallocated corporate income							668,991
Interest income							430,359
Share of profit of associates	294,141	91,780	43,084		518,277		947,282
Share of profit of joint ventures	47,040						47,040
Finance costs							(1,562,027)
Profit before tax							9,155,089
Income taxes expenses							(1,662,712)
Profit for the period							7,492,377

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

Upon application of IFRS 16, in respect of segment result of the Group, there is a change of measurement of segment result due to recognition of depreciation of right-of-use assets, interest expense on lease liabilities. Comparative information is not restated.

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 5. SEGMENT INFORMATION – CONTINUED

#### (a) Segment revenues and results – Continued

	For the six months ended 30 June 2018						Consolidated RMB'000 (unaudited)
	Coal mining RMB'000 (unaudited)	Coal railway transportation RMB'000 (unaudited)	Methanol, electricity and heat supply RMB'000 (unaudited)	Equipment manufacturing RMB'000 (unaudited)	Unallocated RMB'000 (unaudited)	Eliminations RMB'000 (unaudited)	
<b>SEGMENT REVENUE</b>							
External	29,930,796	211,352	1,986,207	91,741	–	–	32,220,096
Inter-segment	3,164,463	38,755	231,787	190,120	–	(3,625,125)	–
<b>Total</b>	<b>33,095,259</b>	<b>250,107</b>	<b>2,217,994</b>	<b>281,861</b>	<b>–</b>	<b>(3,625,125)</b>	<b>32,220,096</b>
<b>RESULTS</b>							
Segment results	8,038,822	98,856	573,666	12,723	–	–	8,724,067
Unallocated corporate expenses							(1,418,261)
Unallocated corporate income							1,720,006
Interest income							377,895
Share of profit of associates	387,095		30,397		295,495		712,987
Share of profit of joint ventures	140,537						140,537
Finance costs							(1,815,566)
Profit before tax							8,441,665
Income taxes expenses							(2,494,079)
Profit for the period							5,947,586

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

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest expenses on bank and other borrowings	1,692,342	1,852,559
Less: interest expenses capitalised into construction in progress	(130,315)	(36,993)
	<b>1,562,027</b>	<b>1,815,566</b>

### 7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	2,369,998	2,444,134
Depreciation of right-of-use assets	103,489	–
Amortisation of intangible assets	751,699	755,915
Total depreciation and amortisation	<b>3,225,186</b>	<b>3,200,049</b>
Dividends and interest income	(430,359)	(380,646)
Gain on disposals of partial interest in a joint operation	–	388,607
Fair value gain on financial assets at fair value through profit or loss	–	212,755
Release of prepaid lease payments	–	15,649
Loss on disposal of property, plant and equipment, net	23,504	26,848
Impairment loss (gain) recognised in respect of inventories	1,163	(3,984)
Exchange (gain), loss, net	(37,695)	357,346
Provision of impairment loss on accounts and other receivables	32,902	98,103

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Income taxes:		
Current taxes	1,756,222	1,915,301
Deferred taxes	(93,510)	578,778
	<b>1,662,712</b>	<b>2,494,079</b>

### 9. DIVIDEND

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Final dividend approved, RMB0.54 (2018: RMB0.48) per share	<b>2,652,489</b>	<b>2,357,768</b>

Pursuant to the annual general meeting held on 14 May 2019, a final dividend of RMB0.54 per share in respect of the year ended 31 December 2018 was approved.

### 10. EARNINGS PER SHARE AND PER ADS

The calculation of the earnings per share attributable to equity holders of the Company for the six months ended 30 June 2019 is based on the profit for the period of approximately RMB5,809,977,000 (2018: approximately RMB4,622,671,000) and on the weighted average of 4,912,016,000 shares (2018: 4,912,016,000 shares) in issue during the six months ended 30 June 2019 and 30 June 2018 respectively.

The earnings per ADS have been calculated based on the profit for the relevant periods and on one ADS, being equivalent to 10 H shares.

Diluted earnings per share for the six months ended 30 June 2018 approximates the basic earnings per share as the dilutive effect of the subordinated capital notes issued by a subsidiary are not significant.

Diluted earnings per share for the six months ended 30 June 2019 approximates the basic earnings per share as the dilutive effect of the share options issued by the Company and a subsidiary are not significant.

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 11. BANK BALANCES AND CASH/TERM DEPOSITS AND RESTRICTED CASH

At the reporting date, 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.

### 12. BILLS AND ACCOUNTS RECEIVABLES

	<b>At 30 June 2019 RMB'000 (unaudited)</b>	At 31 December 2018 RMB'000 (audited)
Accounts receivables	7,549,177	5,128,383
Less: Impairment loss	(497,047)	(399,830)
	<b>7,052,130</b>	4,728,553
Bills receivables	3,504,209	4,430,527
Less: Impairment loss	(1,470)	(1,818)
	<b>10,554,869</b>	9,157,262
Total bills and accounts receivables, net	<b>10,554,869</b>	9,157,262

Bills receivables represent 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.

At as 30 June 2019, the gross amount of bills and accounts receivable arising from contracts with customers amounted to approximately RMB11,053,386,000 (31 December 2018: RMB9,558,910,000).

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, presented based on the invoice dates, which approximates the respective revenue recognition dates, at the end of the reporting period:

	<b>At 30 June 2019 RMB'000 (unaudited)</b>	At 31 December 2018 RMB'000 (audited)
0-90 days	6,784,081	5,151,867
91-180 days	1,775,388	1,959,033
181-365 days	1,901,663	1,709,290
Over 1 year	93,737	337,072
	<b>10,554,869</b>	9,157,262



## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 12. BILLS AND ACCOUNTS RECEIVABLES – CONTINUED

The Group does not hold any collateral over these balances.

An analysis of the impairment loss on bills and accounts receivable for 30 June 2019 and 31 December 2018 are as follows:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
At the beginning of the period/year	401,648	272,569
Amounts written off as uncollectible	–	(108)
Impairment loss reversed	(348)	(5,833)
Provided for the period/year	97,217	135,020
At the end of the period/year	<b>498,517</b>	<b>401,648</b>

The Group measures the loss allowance for bills and accounts receivables at an amount equal to lifetime ECL. As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment on a collective basis for part of its customers which consist of large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

### 13. PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Advance to suppliers	9,935,995	3,831,239
Less: Impairment loss on advance to suppliers	(614,343)	(614,343)
	<b>9,321,652</b>	<b>3,216,896</b>
Prepaid relocation costs of inhabitants	3,678,001	3,543,234
Other taxes	1,261,141	954,371
Dividend receivable	5,500	16,116
Loan receivables	6,229,208	6,397,365
Interest receivable	176,639	43,949
Others	3,453,123	3,124,391
Less: Impairment loss on other receivables	(393,196)	(423,134)
	<b>23,732,068</b>	<b>16,873,188</b>

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 13. PREPAYMENTS AND OTHER RECEIVABLES – CONTINUED

An analysis of the impairment loss on advances to suppliers and other receivables for 30 June 2019 and 31 December 2018 are as follows:

	<b>At 30 June 2019 RMB'000 (unaudited)</b>	At 31 December 2018 RMB'000 (audited)
At the beginning of the period/year	<b>614,343</b>	1,365,448
Amounts written off as uncollectible	–	(751,105)
At the end of the period/year	<b>614,343</b>	614,343

Advances will be written off, if aged over 4 years and considered irrecoverable by the management after considering the credit quality of the individual party and the nature of the amount overdue. During the six months ended 30 June 2019, no advances was written-off (31 December 2018: approximately RMB751,105,000).

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a cost of approximately RMB959,149,000 (year ended 31 December 2018: approximately RMB5,345,009,000). Items of property, plant and equipment with a net book value of approximately RMB1,156,634,000 were disposed of during the six months ended 30 June 2019 (year ended 31 December 2018: approximately RMB3,487,925,000), resulting in a loss on disposal of approximately RMB23,504,000 (year ended 31 December 2018: approximately RMB9,064,000).

**(i) Right-of-use assets**

Upon adoption of IFRS 16, on 1 January 2019, the Group recognised right-of-use assets of approximately RMB352,541,000, RMB1,304,747,000 and RMB345,172,000 in respect of the properties leased under operating leases, prepaid lease and leased plant and equipment under finance leases (note 3). As at 30 June 2019, the carrying amounts of right-of-use assets were approximately RMB15,330,000, RMB1,287,289,000 and RMB456,089,999 in respect of the properties leased under operating leases, prepaid lease and leased plant and equipment under finance leases.

**(ii) Lease liabilities**

Upon adoption of IFRS 16, on 1 January 2019, the Group recognised lease liabilities of approximately RMB557,854,000. As at 30 June 2019, the carrying amount of lease liabilities was approximately RMB540,997,000.

**(iii) Amounts recognised in profit or loss**

	<b>Six months ended 30 June 2019 RMB'000</b>
Depreciation expense on right-of-use assets	<u>103,489</u>

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 15. BILLS AND ACCOUNTS PAYABLES

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Accounts payables	9,272,424	9,573,440
Bills payables	6,357,753	2,940,858
	<b>15,630,177</b>	<b>12,514,298</b>

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
0-90 days	12,228,149	9,615,259
91-180 days	1,615,188	1,040,167
181-365 days	980,156	953,486
Over 1 year	806,684	905,386
	<b>15,630,177</b>	<b>12,514,298</b>

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

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 16. PROVISION FOR LAND SUBSIDENCE, RESTORATION, REHABILITATION AND ENVIRONMENTAL COSTS

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
At the beginning of the period/year	3,752,230	3,975,612
Exchange re-alignment	(3,057)	(54,463)
Additional provision in the period	194,243	1,096,973
Utilisation of provision	(185,275)	(1,265,892)
At the end of the period/year	<b>3,758,141</b>	3,752,230
Presented as:		
Current portion	2,141,218	2,327,177
Non-current portion	1,616,923	1,425,053
	<b>3,758,141</b>	3,752,230

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 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 17. BORROWINGS

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
<b>Current liabilities</b>		
Bank borrowings		
– Unsecured borrowings (i)	7,829,496	7,646,000
– Secured borrowings (ii)	4,693,599	4,811,175
Loans pledged by machineries (iii)	–	600,000
Finance lease liabilities (iv)	–	63,727
Guaranteed notes (v)	2,998,400	6,948,783
	<b>15,521,495</b>	<b>20,069,685</b>
<b>Non-current liabilities</b>		
Bank borrowings		
– Unsecured borrowings (i)	13,385,000	12,531,432
– Secured borrowing (ii)	17,419,917	21,436,627
Finance lease liabilities (iv)	–	141,586
Guaranteed notes (v)	14,513,992	14,498,593
	<b>45,318,909</b>	<b>48,608,238</b>
Total borrowings	<b>60,840,404</b>	<b>68,677,923</b>

(i) Unsecured borrowings are repayable as follows:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Within one year	7,829,496	7,646,000
More than one year, but not exceeding two years	999,896	749,242
More than two years, but not more than five years	3,137,332	2,782,190
More than five years	9,247,772	9,000,000
	<b>21,214,496</b>	<b>20,177,432</b>



## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 17. BORROWINGS – CONTINUED

(ii) Secured borrowings are repayable as follows:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Within one year	4,693,599	4,811,175
More than one year, but not exceeding two years	3,050,497	4,145,799
More than two years, but not more than five years	13,127,058	16,105,530
More than five years	1,242,362	1,185,298
	<b>22,113,516</b>	<b>26,247,802</b>

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Within one year	–	600,000

(iv) Finance lease liabilities are repayable as follows:

	At 31 December 2018 RMB'000 (audited)
<b>Minimum lease payments</b>	
Within one year	73,662
More than one year, but not exceeding two years	48,578
More than two years, but not more than five years	103,288
	<b>225,528</b>
Less: Future finance charges	(20,215)
Present value of lease payments	<b>205,313</b>

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 17. BORROWINGS – CONTINUED

(iv) Finance lease liabilities are repayable as follows: – Continued

	At 31 December 2018 RMB'000 (audited)
<b>Present value of minimum lease payments</b>	
Within one year	63,727
More than one year, but not exceeding two years	42,447
More than two years, but not more than five years	99,139
	<u>205,313</u>
Less: Amounts due within one year and included in current liabilities	(63,727)
Amounts due after one year and included in non-current liabilities	<u>141,586</u>

(v) Guaranteed notes are detailed as follows:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Guaranteed notes denominated in RMB repayable within one year	2,998,400	6,948,783
Guaranteed notes denominated in USD repayable within two to five years	3,001,476	2,992,227
Guaranteed notes denominated in RMB repayable within two to five years	11,512,516	8,472,124
Guaranteed notes denominated in RMB repayable over five years	–	3,034,242
	<u>17,512,392</u>	<u>21,447,376</u>

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 18. 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
<b>Number of shares</b>			
At 1 January 2018 (audited),			
31 December 2018 (audited) and			
30 June 2019 (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
<b>Registered, issued and fully paid</b>			
At 1 January 2018 (audited),			
31 December 2018 (audited) and			
30 June 2019 (unaudited)	2,960,000	1,952,016	4,912,016

Each share has a par value of RMB1.

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 18. SHAREHOLDERS' EQUITY – CONTINUED

#### **Reserves**

##### *Future Development Fund*

Pursuant to regulation in the PRC, the Company, Shanxi Heshun Tianchi Energy Co., Ltd. ("Shanxi Tianchi") and Yanmei Heze Neng Hua Company Limited ("Heze") are required to transfer an annual amount to a future development fund at RMB6 per tonne of raw coal mined (Inner Mongolia Xintai Coal Mining Co., Ltd. ("Xintai") and Yanzhou Coal Ordos Neng Hua Company Limited ("Ordos"): RMB6 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, Shandong Hua Ju Energy Company Limited ("Hua Ju Energy"), Shanxi Tianhao Chemical Corporation ("Shanxi Tianhao") and Yanzhou Coal Yulin Neng Hua Company Limited ("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 2019 is the retained earnings computed under IFRS which amounted to approximately RMB47,788,594,000 (31 December 2018: approximately RMB44,635,365,000).

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 19. PERPETUAL CAPITAL SECURITIES

	Perpetual capital securities issued by the Company	Non- controlling interests Perpetual capital securities issued by a subsidiary	Total
	RMB'000 (note i to iv)	RMB'000 (note v)	RMB'000
<b>At 1 January 2018 (audited)</b>	9,249,649	3,417,351	12,667,000
Issuance of perpetual capital securities	4,962,500	–	4,962,500
Dividend to holders of perpetual capital security	607,095	202,733	809,828
Distribution paid to holders of perpetual capital security	(538,800)	(202,733)	(741,533)
Redemption of perpetual capital security (note ii)	(3,964,000)	–	(3,964,000)
At 31 December 2018 and 1 January 2019 (audited)	10,316,444	3,417,351	13,733,795
Profit attributable to holders of perpetual capital security	<b>299,153</b>	<b>99,391</b>	<b>398,544</b>
Distribution paid to holders of perpetual capital security	<b>(300,000)</b>	<b>(99,391)</b>	<b>(399,391)</b>
<b>At 30 June 2019 (unaudited)</b>	<b>10,315,597</b>	<b>3,417,351</b>	<b>13,732,948</b>

- (i) The Company issued 6.8% perpetual capital securities with par value of RMB1,500,000,000 and RMB1,000,000,000 on 19 September 2014 and 17 November 2014 respectively. Coupon payments of 6.8% per annum on the perpetual capital securities are paid in arrears twice in a year and can be deferred at the discretion of the Group. The perpetual capital securities have no fixed maturity and are redeemable at the discretion of the Group at their principal amounts together with any accrued, unpaid or deferred coupon interest payments. In addition, while any coupon payments are unpaid or deferred, the Company undertakes not to declare, pay any dividends nor to make any distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank. Since the perpetual capital security does not include any payment of cash or other contractual obligation of financial instrument, it is categorised as equity under IFRS. In 2017, the Company redeemed those perpetual securities at their principal amount.

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 19. PERPETUAL CAPITAL SECURITIES – CONTINUED

- (ii) The Company issued 6.50% and 6.19% perpetual capital securities with par value of RMB2,000,000,000 and RMB2,000,000,000 on 10 April 2015 and 30 April 2015 respectively. Coupon payments of 6.50% and 6.19% per annum, which will be reset every 3 years, on the perpetual capital securities are paid in arrears and can be deferred at the discretion of the Group. 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. During the six months ended 30 June 2019, the Company has redeemed those perpetual securities at their principal amount.
- (iii) The Company issued 5.75% perpetual capital securities with par value of RMB5,000,000,000 on 18 August 2017. Coupon payments of 5.7% per annum, which will be reset every 3 years, on the perpetual capital securities are paid in arrears and can be deferred at the discretion of the Group. These perpetual capital securities have no fixed maturity and are redeemable at the discretion of the Group at their principal amounts together with any accrued, unpaid or deferred coupon interest payments. In addition, while any coupon payments are unpaid or deferred, the Company undertakes not to declare, pay any dividends nor to make any distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank. Since the perpetual capital security does not include any payment of cash or other contractual obligation of financial instrument, it is categorised as equity under IFRS.
- (iv) The Company issued 6% perpetual capital securities with par value of RMB5,000,000,000 on 26 March 2018. Coupon payments of 6% 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.
- (v) On 13 April 2017, Yancoal International Resources Development Co., Limited, a wholly owned subsidiary of the Company, issued 5.75% perpetual capital securities with par value of USD500,000,000, which is guaranteed by the Company. Coupon payments of 5.75% per annum on the perpetual capital securities are paid semi-annually in arrears and can be deferred at the discretion of the Group. These perpetual capital securities have no fixed maturity and are redeemable at the discretion of the Group at their principal amounts together with any accrued, unpaid or deferred coupon interest payments. In addition, while any coupon payments are unpaid or deferred, the Company undertakes not to declare, pay any dividends nor to make any distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank. Since the perpetual capital security does not include any payment of cash or other contractual obligation of financial instrument, it is categorised as equity under IFRS.



## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 20. FAIR VALUES

The fair value of investment in securities is determined with reference to quoted market price and where market prices are not available, fair values are estimated using appropriate valuation technique. 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. Fair values of investments in securities are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of policy models or discounted cash flows.

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).



## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 20. FAIR VALUES – CONTINUED

	Level 1	Level 2	Level 3	At 30 June 2019 Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Assets				
Investments in securities –				
Financial assets at FVTPL				
– Unlisted equity investments	–	–	153,175	153,175
– Royalty receivables	–	–	940,827	940,827
Financial assets at FVTOCI				
– Investments in securities listed on the SSE	431	–	–	431
– Unlisted equity securities	–	–	4,969	4,969
	431	–	1,098,971	1,099,402
Liabilities				
Financial assets at FVTPL	–	58,921	–	58,921

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 20. FAIR VALUES – CONTINUED

	At 31 December 2018			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(audited)
<b>Assets</b>				
Investments in securities –				
Financial assets at FVTPL				
– Unlisted equity investments	–	–	156,840	156,840
– Royalty receivables	–	–	931,256	931,256
Financial assets at FVTOCI				
– Investments in securities listed on the SSE	277	–	–	277
– Unlisted equity securities	–	–	4,969	4,969
	277	–	1,093,065	1,093,342
<b>Liabilities</b>				
Financial assets at FVTPL				
– Derivative equity securities	–	1,254	–	1,254

During the six months ended 30 June 2019 and the year ended 31 December 2018, there are no changes in categories between level 1 and level 2 and no movement from or into level 3.

- (i) The fair value of the royalty receivable is determined using the discounted future cash flows that are dependent on the following unobservable inputs: forecast sales volumes, coal prices and fluctuations in foreign exchange rates. The forecast sales volumes are based on the internally maintained budgets, five year business plan and life of mine models. The forecast coal prices and long term exchange rates are based on external data consistent with the data used for impairment assessments. The risk-adjusted post-tax discount rate used to determine the future cash flows is 10.5%. The estimated fair value would increase if the sales volumes and coal prices were higher and if the AUD weakens against the US\$. The estimated fair value would also increase if the risk adjusted discount rate was lower.

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 21. MAJOR ACQUISITIONS AND DISPOSALS

(a) **Disposal of Hunter Valley Operation to Glencore Coal Pty Ltd**

16.6% interest in Hunter Valley Operation (“HVO”), a joint operation, was disposed to Glencore Coal Pty Ltd on 4 May 2018. There is a gain on disposal of HVO, amounted to approximately RMB388,607,000. Following the partial disposal, HVO was still accounted for as a joint operation of the Group.

	RMB'000
Cash consideration	2,767,218
Non-contingent royalties	423,107
Working capital and shares of net cash outflows adjustment (included in other payables)	(170,264)
Total disposal consideration	<u>3,020,061</u>
The net assets derecognised at the disposal date are as follows:	
Bank balance and cash	63,223
Inventories	58,360
Bills and accounts receivables	851,078
Interest in an associate	126,446
Prepayments and other receivable	4,863
Property, plant and equipment	2,621,319
Intangible assets	19,453
Bills and accounts payables	(840,943)
Provisions	(272,345)
Net assets derecognised	2,631,454
Gain on disposal	388,607
	<u>3,020,061</u>
<b>Net cash inflow arising on disposal</b>	
Cash received on disposal	2,767,218
Less: Bank balances and cash derecognised	(63,223)
	<u>2,703,995</u>

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 21. MAJOR ACQUISITIONS AND DISPOSALS – CONTINUED

(b) **Acquisition of Warkworth Joint venture**

On 1 March 2018, the Group has completed the acquisition of 28.898% interest in Warkworth Joint Venture for US\$230 million (equivalent to approximately RMB1,716,745,000). Upon the completion of the acquisition, the interest of Yancoal Australia in Warkworth Joint Venture increased to approximately 84.5%, and Yancoal Australia's share of coal production from Mount Thorley Warkworth operations increased from 64.1% to 82.9%. Before and after the acquisition, Warkworth Joint Venture was accounted for as a joint operation of the Group.

	RMB'000
Consideration transferred	
Cash consideration	1,716,745
The net assets acquired at the acquisition date are as follows:	
Bank balances and cash	29,180
Bills and accounts receivables	350,158
Inventories	63,223
Property, plant and equipment, net	1,541,666
Intangible assets	9,727
Prepayments and other receivables	9,726
Bills and accounts payables	(209,122)
Provisions	(77,813)
Net asset acquired	1,716,745

The fair value of bills and accounts receivables at the date of acquisition amounted to RMB350,158,000. The gross contractual amounts of those bills and accounts receivables acquired amounted to RMB350,158,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB nil.

The accounting for the acquisition has been determined on a provisional basis at 31 December 2018. Any adjustments to the provisional values as a result of completing work on the fair values of assets and liabilities acquired will be recognised within 12 months of the acquisition date and will be recognised as if they had occurred as at the date of acquisition. No adjustment was made for the provisional values for the period ended 30 June 2019.

**Net cash outflow arising on acquisition**

Cash paid on acquisition	1,716,745
Less: Bank balance and cash acquired	(29,180)
	1,687,565

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 22. 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. Related parties transactions, that are also continuing connected transactions under Main Board Listing Rules Chapter 14A, continuing connected transactions are disclosed below:

#### Balances and transactions with related parties

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Nature of balances (other than those already disclosed)		
Bills and accounts receivables		
– Parent Company and its subsidiaries	997,083	890,182
– Joint ventures	45,755	45,370
– Associates	189,410	45,437
Prepayments and other receivables		
– Parent Company and its subsidiaries	117,065	142,695
– Associates	92,943	92,943
Long-term receivables (note i)		
– Parent Company and its subsidiaries	12,202	42,893
– Joint ventures	972,871	1,051,127
– Associates	4,327,973	4,028,373
Bills and accounts payables		
– Parent Company and its subsidiaries	923,636	929,654
– Joint ventures	–	2,509
– Associates	3,484	6
Long-term borrowing		
– Joint ventures	277,500	–
Other payables and accrued expenses		
– Parent Company and its subsidiaries	10,779,823	11,394,349
– Associates	17,333	574

Save for those stated in note i below, the amounts due from/to the Parent Company, joint ventures and its subsidiaries are non-interest bearing, unsecured and repayable on demand.

Note:

- i. Long-term receivables from associates are unsecured and interest bearing at Bank Bill Swap Rate (“BBSY”) +7.06% with a maturity date of 1 April 2025. The remaining are non-interest bearing, unsecured and with no fixed repayment terms.

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 22. 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:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Income		
Sales of coal	1,546,929	637,959
Sales of heat and electricity	17,241	43,758
Sales of auxiliary materials	346,691	344,685
Sales of methanol	1,728	–
Expenditure		
Utilities and facilities	23,758	6,140
Purchases of supply materials and equipment	416,885	218,873
Repair and maintenance services	1,566	6,770
Social welfare and support services	928,901	783,825
Construction services	140,136	326,076
Coal processing service	–	17,046
Coal train convoy services	60,358	17,804
Port services	–	109,082

As at 30 June 2019, the Parent Company and its subsidiaries (other than the Group) had deposited approximately RMB10,488,340,000 (31 December 2018: approximately RMB9,985,986,000) to Yankuang Group Finance Co., Limited (“Yankuang Financial Company”). During the period, interest income and interest expense to the Parent Company and its subsidiaries (other than the Group) by the non-wholly owned subsidiary, Yankuang Finance Company, amounted to approximately RMB 107,769,000 and RMB 41,776,000 respectively (year ended 31 December 2018: approximately RMB88,878,000 and RMB23,729,000 respectively).

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

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 22. 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:

	Six months ended 30 June	
	2019	2018
	RMB’000	RMB’000
	(unaudited)	(unaudited)
Trade sales	3,525,326	3,073,799
Trade purchases	1,530,787	1,425,889

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

	At 30 June	At 31 December
	2019	2018
	RMB’000	RMB’000
	(unaudited)	(audited)
Amounts due to other state-controlled entities	650,374	655,120
Amounts due from other state-controlled entities	215,935	180,750

Amounts due to and from state-controlled entities are trade nature of which terms are not different from other customers and suppliers.

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.



## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 22. RELATED PARTY BALANCES AND TRANSACTIONS – CONTINUED

#### Balances and transactions with a joint venture and an associate

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Due from a joint venture and an associate	5,300,844	5,079,499

The amount due from a joint venture is unsecured and interest is calculated at commercial rate.

#### Compensation of key management personnel

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

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Directors' fee	1,241	750
Salaries, allowance and other benefits in kind	1,219	695
Retirement benefit scheme contributions	375	197
	<b>2,835</b>	<b>1,642</b>

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

### 23. COMMITMENTS

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 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	8,124,114	8,904,861
– share of joint operations	195,348	219,185
– others	38,621	10,866
(b) Intangible assets		
– share of joint operations	8,156	12,509
– others	347	–
(c) Exploration and evaluation		
– share of joint operations	9,142	2,538
	<b>8,375,728</b>	<b>9,149,959</b>

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 24. CONTINGENT LIABILITIES

#### (i) Guarantees

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
<b>(a) The Group</b>		
Performance guarantees provided to daily operations	832,320	1,005,073
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	635,774	546,196
Guarantees provided in respect of land acquisition	–	–
<b>(b) Joint operations</b>		
Performance guarantees provided to external parties	711,608	693,983
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	1,237,514	1,137,861
<b>(c) Related parties</b>		
Performance guarantees provided to external parties	567,800	571,979
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	346,500	266,897
	<b>4,331,516</b>	<b>4,221,989</b>

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 24. CONTINGENT LIABILITIES – CONTINUED

- (ii) The Australian Taxation Office (“ATO”) commenced an audit of Yancoal Australia during the 2013 financial year in respect of deductions claimed in Gloucester Group’s 31 December 2012 return for up front for exploration costs.

On 13 January 2017, the ATO verbally advised Yancoal Australia the audit for the year 31 December 2012 has been completed. And Yancoal Australia 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

On 10 July 2019, the Company issued the 2019 second tranche of super-short-term bonds. The amount of the issuance is RMB2 billion and the Company has received such amount by 12 July 2019. The proceeds from the issuance will be used to supplement the working capital, and to repay the loans from financial institutions and bonds.

## CHAPTER 9 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

### 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 taxes under PRC GAAP. Depreciation is not provided for plant and equipment acquired by utilising the future development fund under PRC GAAP but charged to expenses when acquired.

(1b) Appropriation of the work safety cost is charged to profit before taxes under PRC GAAP. Depreciation is not provided for plant and equipment acquired by utilising the provision of work safety cost under PRC GAAP but charged to expenses when acquired.

**(2) Consolidation using acquisition method under IFRS and using common control method under PRC GAAP**

(2a) Under IFRS, the acquisitions of Jining II, Railway Assets, Heze, Shanxi Group, Hua Ju Energy, Beisu and Yangcun 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 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 RMB'000 (unaudited)	Net assets attributable to equity holders of the Company as at 30 June RMB'000 (unaudited)
As per condensed consolidated financial information on prepared under IFRS	5,809,977	55,512,390
Impact of IFRS adjustments in respect of:		
– future development fund charged to income before income taxes	(615,638)	–
– reversal of provision of work safety cost	6,028	(54,360)
– fair value adjustment and amortisation	5,000	(235,052)
– goodwill arising from acquisition of Jining II, Railway Assets, Heze, Shanxi Group, Hua Ju Energy, Beisu and Yangcun	–	(899,403)
– acquisition of Donghua	1,022	(421,695)
– Pre-acquisition profit of Yankuang Finance	–	(16,966)
– deferred tax	149,366	499,668
– perpetual capital security	–	10,318,597
– impairment loss and related amortisation on intangible assets of Yancoal Australia	5,099	(755,360)
– others	–	647,648
As per condensed consolidated financial information prepared under PRC GAAP	5,360,854	64,592,467

## CHAPTER 10 DOCUMENTS AVAILABLE FOR INSPECTION

Documents available  
for inspection

The financial statements sealed and signed by the Chairman of the Company, the Chief Financial Officer and the Minister of Financial Department, respectively.

The original copies of all documents and announcements published during the reporting period in websites designated by the CSRC.

The interim report released in other securities markets.

**Li Xiyong**

*Chairman*

Approved by the Board for the submission on 30 August 2019