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

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

**ANNOUNCEMENT ON INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

The board of directors (the “**Board**”) of Yanzhou Coal Mining Company Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2018. The interim results have been reviewed by the audit committee of the Board. This announcement, containing the full text of the 2018 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results. The 2018 interim results of the Company is available for viewing on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and of the Company at www.yanzhoucoal.com.cn.

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

CHAPTER 1 DEFINITION

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

“Yanzhou Coal” or “Company”	Yanzhou Coal Mining Company Limited, a joint stock limited company incorporated under the laws of the PRC in 1997, and the H Shares and A Shares of which are listed on Hong Kong Stock Exchange and Shanghai Stock Exchange, respectively;
“Group” or “the Group”	the Company and its subsidiaries;
“Yankuang Group” or “the Controlling Shareholder”	Yankuang Group Co., LTD, a company with limited liability reformed and established in accordance with PRC laws in 1996, being the controlling shareholder of the Company directly and indirectly holding 49.82% of the total share capital of the Company as at the end of this reporting period;
“Yulin Neng Hua”	Yanzhou Coal Yulin Neng Hua Company Limited, a company with limited liability incorporated under the laws of the PRC in 2004 and a wholly-owned subsidiary of the Company, mainly engaged in the production operation of methanol project in Shaanxi province;
“Heze Neng Hua”	Yanmei Heze Neng Hua Company Limited, a company with limited liability incorporated under the laws of the PRC in 2004 and a 98.33% owned subsidiary of the Company as at the end of the reporting period, mainly engaged in the development of coal resources and electricity power generation of the Juye coal field in Heze city, Shandong province;
“Shanxi Neng Hua”	Yanzhou Coal Shanxi Neng Hua Company Limited, a company with limited liability incorporated under the laws of the PRC in 2002 and a wholly-owned subsidiary of the Company, mainly engaged in the management of the projects invested in Shanxi province by the Company;
“Hua Ju Energy”	Shandong Hua Ju Energy Company Limited, a joint stock limited company incorporated under the laws of the PRC in 2002 and a 95.14% owned subsidiary of the Company, mainly engaged in the thermal power generation and heat supply by gangue and slurry produced during the coal mining process;
“Ordos Neng Hua”	Yanzhou Coal Ordos Neng Hua Company Limited, a company with limited liability incorporated under the laws of the PRC in 2009 and a wholly-owned subsidiary of the Company, mainly engaged in the development and operation of coal resources and coal chemical projects of the Company in Ordos, Inner Mongolia Autonomous Region;
“Haosheng Coal”	Inner Mongolia Haosheng Coal Mining Company Limited, a company with limited liability incorporated under the laws of the PRC in 2010 and a 77.74% owned subsidiary of the Company, mainly engaged in the production operation of Shilawusu coalfield in Ordos, Inner Mongolia Autonomous Region;

CHAPTER 1 DEFINITION – CONTINUED

“Donghua Heavy Industry”	Yankuang Donghua Heavy Industry Company Limited, a company with limited liability incorporated under the laws of the PRC in 2013 and a wholly-owned subsidiary of the Company, mainly engaged in the design, manufacturing, installation, repairing and maintenance of the Company’s mining equipment, electromechanical equipment and parts, etc.;
“Zhongyin Financial Leasing”	Zhongyin Financial Leasing Company Limited, a company with limited liability incorporated under the laws of the PRC in 2014 and a wholly-owned subsidiary of the Company, mainly engaged in the financial leasing, leasing, and commercial factoring business related to the main business, etc.;
“Yankuang Finance Company”	Yankuang Group Finance Company Limited, a company with limited liability incorporated under the laws of the PRC in September 2010, a 90% owned subsidiary of the Company as at the end of this reporting period;
“Yancoal Australia”	Yancoal Australia Ltd, a company with limited liability incorporated under the laws of Australia in 2004 and a about 65.46% owned subsidiary of the Company as at the end of this reporting period. The shares of Yancoal Australia are traded on the Australian Securities Exchange;
“Yancoal International”	Yancoal International (Holding) Company Limited, a company with limited liability incorporated under the laws of Hong Kong in 2011 and a wholly-owned subsidiary of the Company;
“Yancoal International Resources”	Yancoal International Resources Development Limited, a limited company incorporated in 2011 under the laws of Hong Kong and a wholly-owned subsidiary of Yancoal International;
“Railway Assets”	The railway assets specifically used for transportation of coal for the Company, which are located in Jining City, Shandong province;
“PRC”	The People’s Republic of China;
Hong Kong	Hong Kong Special Administrative Region of the PRC;
“CASs” or “ASBEs”	China Accounting Standards or Accounting Standard for Business Enterprises and the relevant explanations issued by the Ministry of Finance of PRC;
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standard Board;
“CSRC”	China Securities Regulatory Commission;
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;

CHAPTER 1 DEFINITION – CONTINUED

“Shanghai Stock Exchange”	the Shanghai Stock Exchange;
“A Shares”	Domestic shares in the ordinary share capital of the Company, with nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange;
“H Shares”	Overseas listed foreign invested shares in the ordinary share capital of the Company, with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange;
“Articles”	the articles of association of the Company;
“Shareholders”	the shareholders of the Company;
“Directors”	the directors of the Company;
“Board”	the board of directors of the Company;
“Supervisors”	the supervisors of the Company;
“Supervisory Committee”	the supervisory committee of the Company
“RMB”	Renminbi, the lawful currency of the PRC, unless otherwise specified;
“AUD”	Australian dollars, the lawful currency of Australia;
“USD”	the United States dollars, the lawful currency of the United States; and
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong.

CHAPTER 2 GROUP PROFILE AND MAJOR FINANCIAL INDICATORS

I. GENERAL INFORMATION OF THE GROUP

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

II. CONTACT DETAILS

	Secretary to the Board/Company Secretary	Security Affairs Representative
Name:	Jin Qingbin	Xiang Ying
Address:	Office of the Secretary to the Board, Yanzhou Coal Mining Company Limited, 298 Fushan South Road, Zoucheng City, Shandong Province, PRC	Office of the Secretary to the Board, Yanzhou Coal Mining Company Limited, 298 Fushan South Road, Zoucheng City, Shandong Province, PRC
Tel:	(86 537) 538 2319	(86 537) 538 4451
Fax:	(86 537) 538 3311	(86 537) 538 3311
E-mail:	yzc@yanzhoucoal.com.cn	xy_84451@163.com

III. GENERAL INFORMATION

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

IV. INFORMATION DISCLOSURE AND DESIGNATED LOCATION

Newspapers for information disclosure in PRC: China Securities Journal, Shanghai Securities News, Securities Times

Website designated by the CSRC for publishing the interim report:

Website for publishing interim report in PRC: <http://www.sse.com.cn>

Website for publishing interim report overseas: <http://www.hkexnews.hk>

This interim report is available at: 298 Fushan South Road, Zoucheng City, Shandong Province, the PRC Office of the Secretary to the Board, Yanzhou Coal Mining Company Limited

CHAPTER 2 GROUP PROFILE AND MAJOR FINANCIAL INDICATORS – CONTINUED

V. CORPORATE STOCKS

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

VI. OTHER INFORMATION

Certified Public Accountants (Domestic)	Name:	ShineWing Certified Public Accountants (special general partnership)
	Office Address:	9/F, Block A, Fuhua Mansion, 8 Chaoyangmen Beidajie, Dongcheng District, Beijing, PRC
Certified Public Accountants (International)	Name:	SHINEWING (HK) CPA Limited
	Office Address:	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 2017 (RMB'000) (audited)
	2018 (RMB'000) (unaudited)	2017 (RMB'000) (unaudited)	Changes as compared with the corresponding period of the previous year (%)	
Sales income	32,220,096	22,922,493	40.56	52,672,105
Gross profit	12,351,566	8,091,352	52.65	18,915,405
Financial expenses	(1,815,566)	(1,322,943)	37.24	(3,255,404)
Income before income tax	8,441,665	5,049,698	67.17	11,278,241
Net income attributable to equity holders of the Company for the reporting period	4,622,671	3,451,199	33.94	7,362,675
Earnings per share	RMB0.94	RMB0.70	34.29	RMB1.50

CHAPTER 2 GROUP PROFILE AND MAJOR FINANCIAL INDICATORS – CONTINUED

II. ASSETS AND LIABILITIES

	30 June		31 December
	2018 (RMB'000) (unaudited)	2017 (RMB'000) (unaudited)	2017 (RMB'000) (audited)
Current assets	63,571,796	50,162,404	65,248,555
Current liabilities	63,003,591	54,289,440	63,725,275
Total assets	196,280,582	159,805,040	197,312,624
Equity attributable to equity holders of the Company	48,659,547	42,180,663	47,410,866
Net assets value per share	RMB9.91	RMB8.59	RMB9.65
Return on net assets (%)	9.50	8.18	15.53

III. SUMMARY STATEMENT OF CASH FLOWS

	For the six months ended 30 June			
	2018 (RMB'000) (unaudited)	2017 (RMB'000) (unaudited)	Changes as compared with the corresponding period of the previous year (%)	For the year ended 31 December 2017 (RMB'000) (audited)
Net cash flow from operating activities	7,941,801	2,650,151	199.67	12,161,766
Net increase (decrease) in cash and cash equivalents	2,556,356	48,386	5,183.26	4,900,230
Net cash flow per share from operating activities	RMB1.62	RMB0.54	200.00	RMB2.48

I. MAIN BUSINESS, BUSINESS MODEL AND INDUSTRY CONDITION 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, North China, South China and other regions of China as well as Australia, Singapore, Japan, South Korea and other countries.

2. *Coal chemicals business*

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

3. *Equipment manufacturing business*

The Company's equipment manufacturing business is mainly engaged in manufacturing, sales, leasing and maintenance of mechanical and electrical equipment including hydraulic supports, heading machines, shearers and others. The products are mainly 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 of electricity and heat for satisfying the demand of the Company itself, the rest of the produced electricity and heat are sold externally.

(II) Condition of Industry

For the first half year of 2018, thanks to the general recovery of world economy and supply-side structure reform policies adopted by Chinese government, the coal market maintained a general tight balance between supply and demand, and the coal price has been fluctuated at a high level.

CHAPTER 3 BUSINESS HIGHLIGHTS – CONTINUED

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

(The financial data listed in this chapter are prepared in accordance with CASs)

For details of the significant changes of major assets of the Company and their causes during the reporting period, please refer to “Chapter 4 Board of Directors’ Report” in this report.

Including: Overseas assets of RMB75,299 million, representing 38.8 % of total assets. Since 2004, the Company has been setting up related overseas investment management platforms mainly with priorities of Yancoal Australia and Yancoal International through various ways such as overseas assets or equity acquisitions, company incorporation, stock exchange mergers, etc. Please see the details of production and operation of Yancoal Australia and Yancoal International in “Chapter 4 Board of Directors’ Report”.

III. CORE COMPETITIVENESS ANALYSIS DURING THE REPORTING PERIOD

In the first half year of 2018, the Group has seized the opportunities brought by macro economy transformational adjustment and the policy of “replacing the old driving power with the new one”, overcome the various problems and difficulties in safe production and environmental protection, proactively promoted the transformational upgrading of traditional industries of coal, coal chemicals, power generation and equipment manufacturing, and improved quality enhancement and incremental efficiency of the industries. The “Three Major Bases” have grown up and the economic benefits have increased significantly, including the stable and efficient production in Shandong headquarter, the increase in production volume and efficiency in Shaanxi and Inner Mongolia base and the stronger and better operation of Australia base. The financial cost has been further reduced by optimizing financing method and adjusting capital fund structure. The logistics and trade business has realized increase in both volume and profit due to new trade mode and core trade business expansion and improvement. And the core competitiveness of the Group has been strengthened continuously as a result.

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

BUSINESS REVIEW

		For the six months ended	For the six months ended	Increase/ Decrease	Increase/ Decrease(%)
	Unit	30 June 2018	30 June 2017		
1. Coal Business					
Raw coal production	kilotonne	53,366	36,403	16,963	46.60
Salable coal production	kilotonne	48,502	34,719	13,783	39.70
Salable coal sales volume	kilotonne	55,504	41,697	13,807	33.11
2. Railway Transportation Business					
Transportation volume	kilotonne	10,433	6,641	3,792	57.10
3. Coal Chemicals Business					
Methanol production	kilotonne	795	734	61	8.31
Methanol sales volume	kilotonne	794	717	77	10.74
4. Power Generation Business					
Power generation	10,000kWh	140,908	121,316	19,592	16.15
Electricity sold	10,000kWh	86,155	72,279	13,876	19.20

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

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

For the first half year of 2018, the raw coal production of the Group was 53.37 million tonnes, representing an increase of 16.96 million tonnes or 46.6% on the corresponding period in 2017. The salable coal production of the Group was 48.5 million tonnes, representing an increase of 13.78 million tonnes or 39.7% on the corresponding period in 2017.

The following table sets out the coal production volume of the Group for the first half year of 2018:

	For the six months ended 30 June 2018 (Kilotonne)	For the six months ended 30 June 2017 (Kilotonne)	Increase/ Decrease (Kilotonne)	Increase/ Decrease (%)
i. Raw coal production	53,366	36,403	16,963	46.60
1. The Company	16,274	16,388	-114	-0.70
2. Shanxi Neng Hua	860	864	-4	-0.46
3. Heze Neng Hua	1,785	1,220	565	46.31
4. Ordos Neng Hua	7,890	4,307	3,583	83.19
5. Haosheng Coal	1,871	2,109	-238	-11.28
6. Yancoal Australia	21,618	7,900	13,718	173.65
7. Yancoal International	3,068	3,615	-547	-15.13
ii. Salable coal production	48,502	34,719	13,783	39.70
1. The Company	16,269	16,371	-102	-0.62
2. Shanxi Neng Hua	848	846	2	0.24
3. Heze Neng Hua	1,779	1,204	575	47.76
4. Ordos Neng Hua	7,879	4,307	3,572	82.93
5. Haosheng Coal	1,871	2,109	-238	-11.28
6. Yancoal Australia	16,984	6,511	10,473	160.85
7. Yancoal International	2,872	3,371	-499	-14.80

Notes:

- ① The production volumes of raw coal and salable coal of Heze Neng Hua increased on the corresponding period in 2017. This was mainly because the coal production for the first half of 2017 was constrained by geological conditions.
- ② The production volumes of raw coal and saleable coal of Ordos Neng Hua increased on the corresponding period in 2017. This was mainly because the commercial operation of Yingpanhao coal mine was launched in the second half of 2017.

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

- ③ The production volumes of raw coal and saleable coal of Yancoal Australia increased on the corresponding period in 2017. This was mainly because the commercial operation of Moolarben Underground Coal Mine Project was launched in the second half of 2017 and the output of Coal & Allied Industries Limited (“C&A”) was consolidated into the financial statements of Yancoal Australia since September 2017.
- ④ The output of raw coal and saleable coal of Haosheng Coal decreased on the corresponding period in 2017, which is mainly because Shilawusu Coal Mine owned by Haosheng Coal had stopped operation for the sake of environmental protection policies.

(2) Coal Prices and Sales

For the first half of 2018, the Group sold a total of 55.5 million tonnes of coal, representing an increase of 13.81 million tonnes or 33.1% on the corresponding period in 2017. This is mainly because of the commercial operation of newly-constructed coal mines and the C&A's financial statements consolidation, and the increase of saleable coal of Ordos Neng Hua and Yancoal Australia by 3.58 million tonnes and 10.18 million tonnes on the corresponding period in 2017, respectively.

For the first half of 2018, the Group realized a sales income of RMB29.931 billion, representing an increase of RMB8.812 billion or 41.7% on the corresponding period in 2017.

The following table sets out the Group's coal sales and production by coal types for the first half year of 2018:

	For the six months ended 30 June 2018				For the six months ended 30 June 2017			
	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	16,269	16,413	590.23	9,686	16,371	16,093	588.21	9,466
No. 1 clean coal	332	340	874.39	298	66	69	898.84	62
No. 2 clean coal	4,235	4,387	825.19	3,620	4,905	4,625	770.80	3,564
No. 3 clean coal	1,290	1,275	652.59	832	1,165	1,247	617.23	770
Lump coal	1,058	1,156	706.45	816	1,016	1,082	635.70	688
Sub-total of clean coal	6,915	7,158	777.60	5,566	7,152	7,023	723.97	5,084
Screened raw coal	9,354	9,255	445.29	4,120	9,219	9,070	483.09	4,382
2. Shanxi Neng Hua	848	859	369.04	317	846	868	350.09	304
Screened raw coal	848	859	369.04	317	846	868	350.09	304
3. Heze Neng Hua	1,779	1,620	964.40	1,562	1,204	801	985.98	790
No. 2 clean coal	1,442	1,491	1,012.07	1,509	1,042	801	985.98	790
Screened raw coal	337	129	410.85	53	162	-	-	-
4. Ordos Neng Hua	7,879	7,443	256.29	1,908	4,307	3,859	226.44	874
Screened raw coal	7,879	7,443	256.29	1,908	4,307	3,859	226.44	874
5. Haosheng Coal	1,871	1,881	320.38	603	2,109	2,096	287.12	602
Screened raw coal	1,871	1,881	320.38	603	2,109	2,096	287.12	602
6. Yancoal Australia	16,984	16,426	613.29	10,074	6,511	6,244	480.28	2,998
Semi-hard coking coal	66	64	781.25	50	136	131	616.25	80
Semi-soft coking coal	1,461	1,413	929.23	1,313	-	-	-	-
PCI coal	1,194	1,155	894.37	1,033	1,200	1,150	784.35	902
Thermal coal	14,263	13,794	556.62	7,678	5,175	4,963	406.21	2,016
7. Yancoal International	2,872	2,914	387.29	1,129	3,371	3,328	302.57	1,007
Thermal coal	2,872	2,914	387.29	1,129	3,371	3,328	302.57	1,007
8. Traded coal	-	7,948	585.23	4,652	-	8,408	603.90	5,078
9. Total for the Group	48,502	55,504	539.25	29,931	34,719	41,697	506.49	21,119

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	188	32
Shanxi Neng Hua	-3	16
Heze Neng Hua	807	-35
Ordos Neng Hua	812	222
Haosheng Coal	-62	63
Yancoal Australia	4,891	2,185
Yancoal International	-125	247
Traded Coal	-278	-148

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

The following table sets out the Group's coal sales by geographical regions for the first half of 2018:

	For six months ended 30 June 2018		For six months ended 30 June 2017	
	Sales Volume (kilotonne)	Sales Income (RMB million)	Sales Volume (kilotonne)	Sales Income (RMB million)
1. China	39,401	20,192	32,168	16,843
East China	23,639	13,177	20,832	12,128
South China	3,266	1,815	479	205
North China	8,885	3,866	9,282	3,828
Northwest China	2,894	831	798	235
Other regions	717	503	777	447
2. Japan	2,898	2,189	1,210	721
3. South Korea	2,343	1,658	1,526	815
4. Singapore	5,151	3,436	2,104	897
5. Australia	5,615	2,371	3,254	1,096
6. Others	96	85	1,435	747
7. Total for the Group	55,504	29,931	41,697	21,119

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 2018:

	For six months ended 30 June 2018		For six months ended 30 June 2017	
	Sales Volume (kilotonne)	Sales Income (RMB million)	Sales Volume (kilotonne)	Sales Income (RMB million)
1. Power	23,235	12,453	14,356	5,933
2. Metallurgy	3,802	3,513	1,979	1,842
3. Chemicals	4,268	3,394	5,976	3,433
4. Trade	15,695	8,077	14,106	8,602
5. Others	8,504	2,494	5,280	1,309
6. Total for the Group	55,504	29,931	41,697	21,119

(3) The Cost of Coal Sales

The Group's cost of coal sales for the first half of 2018 was RMB16.581 billion, representing an increase of RMB4.137 billion or 33.2% on the corresponding period in 2017, which was attributed to the increase in the production and sales volumes of self-produced coal from the Group's assets in Australia and Inner Mongolia.

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 2018	months ended 30 June 2017		
The Company	Total cost of sales	RMB million	4,381	4,152	229	5.52
	Cost of sales per tonne	RMB/tonne	266.17	256.72	9.45	3.68
Shanxi Neng Hua	Total cost of sales	RMB million	190	164	26	15.85
	Cost of sales per tonne	RMB/tonne	221.57	188.42	33.15	17.59
Heze Neng Hua	Total cost of sales	RMB million	763	365	398	109.04
	Cost of sales per tonne	RMB/tonne	416.99	383.99	33.00	8.59
Ordos Neng Hua	Total cost of sales	RMB million	1,346	556	790	142.09
	Cost of sales per tonne	RMB/tonne	180.80	144.17	36.63	25.41
Haosheng Coal	Total cost of sales	RMB million	463	355	108	30.42
	Cost of sales per tonne	RMB/tonne	246.22	169.49	76.73	45.27
Yancoal Australia	Total cost of sales	RMB million	4,676	1,525	3,151	206.62
	Cost of sales per tonne	RMB/tonne	284.65	244.24	40.41	16.55
Yancoal International	Total cost of sales	RMB million	700	804	-104	-12.94
	Cost of sales per tonne	RMB/tonne	240.38	241.72	-1.34	-0.55
Traded Coal	Total cost of sales	RMB million	4,381	5,005	-624	-12.47
	Cost of sales per tonne	RMB/tonne	551.30	595.27	-43.97	-7.39

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

Main reasons for changes of cost of sales per tonne of Ordos Neng Hua: ① The cost of sales per tonne increased by RMB23.28 because of the increased investment in associated facilities, safety and environment protection materials for the commercial operation of the newly-constructed coal mines; ② The cost of sales per tonne increased by RMB9.20 due to the increase of employees' salary.

Main reasons for changes of cost of sales per tonne of Haosheng Coal: ① The decrease in sales volume of Haosheng Coal's saleable coal on the corresponding period in 2017 caused the cost of sales per tonne increased by RMB25.23; ② The increased investment in safety, environmental protection materials caused cost of sales per tonne increased by RMB18.57 on the corresponding period in 2017; ③ The increase of labor cost on the corresponding period in 2017 caused cost of sale per tonne increased by RMB24.64.

2. Railway Transportation Business

For the first half of 2018, the transportation volume of the Company's Railway Assets was 10.43 million tonnes, representing an increase of 3.79 million tonnes or 57.1% on the corresponding period in 2017, which was mainly due to the increased transportation volume of coal during the reporting period because of optimized marketing system. As a result, the income from railway transportation services of the Company was RMB211 million for the first half of 2018, representing an increase of RMB 72.148 million or 51.8% on the corresponding period in 2017, which was mainly attributed to the increased transportation volume during the reporting period. The cost of railway transportation business was RMB71.039 million, representing an increase of RMB4.125 million or 6.2% on the corresponding period in 2017.

3. Coal Chemicals Business

The following tables set out the Group's methanol business for the first half of 2018:

	Methanol Production Volume (kilotonne)			Methanol Sales Volume (kilotonne)		
	For six	For six	Increase/ Decrease (%)	For six	For six	Increase/ Decrease (%)
	months ended	months ended		months ended	months ended	
	30 June 2018	30 June 2017		30 June 2018	30 June 2017	
1. Yulin Neng Hua	374	330	13.33	385	318	21.07
2. Ordos Neng Hua	421	404	4.21	409	399	2.51

	Sales Income (RMB'000)			Sales Cost (RMB'000)		
	For six	For six	Increase/ Decrease (%)	For six	For six	Increase/ Decrease (%)
	months ended	months ended		months ended	months ended	
	30 June 2018	30 June 2017		30 June 2018	30 June 2017	
1. Yulin Neng Hua	820,692	590,219	39.05	540,328	492,257	9.77
2. Ordos Neng Hua	852,974	721,061	18.29	563,580	537,244	4.90

Note: During the reporting period, the sales income of methanol project owned by Yulin Neng Hua increased significantly, which was mainly due to the fact that the sales volume and sale price of methanol increased on the corresponding period in 2017.

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 2018:

	Power Generation (10,000 kWh)			Power Output Dispatch (10,000 kWh)		
	For the six	For the six	Increase/ Decrease (%)	For the six	For the six	Increase/ Decrease (%)
	months ended	months ended		months ended	months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017		
1. Hua Ju Energy	43,175	42,437	1.74	12,186	14,107	-13.62
2. Yulin Neng Hua	16,215	14,183	14.33	1,350	1,096	23.18
3. Heze Neng Hua	81,518	64,696	26.00	72,619	57,076	27.23

	Sales Income (RMB'000)			Sales Cost (RMB'000)		
	For the six	For the six	Increase/ Decrease (%)	For the six	For the six	Increase/ Decrease (%)
	months ended	months ended		months ended	months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017		
1. Hua Ju Energy	50,401	57,205	-11.89	43,853	44,892	-2.31
2. Yulin Neng Hua	2,524	2,045	23.42	5,280	5,327	-0.88
3. Heze Neng Hua	243,829	179,264	36.02	209,464	211,610	-1.01

Note: During the reporting period, the sales income of power generation business of Heze Neng Hua increased significantly because of the increase in both production volume and sale volume on the corresponding period in 2017.

5. Heat Business

Hua Ju Energy generated heat energy of 970 thousand steam tonnes and sold 70 thousand steam tonnes for the first half of 2018, realizing the sales income of RMB15.787 million, with the sales cost of RMB7.321 million.

6. Electrical and Mechanical Equipment Manufacturing Business

For the first half of 2018, the Group's electrical and mechanical equipment manufacturing business realized sales income of RMB91.741 million, with sales cost of RMB79.018 million.

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 2018 (RMB million)	months ended 30 June 2017 (RMB million)	
Sales income	32,220	22,922	40.56
Sales cost	18,130	13,858	30.83
Coal transportation cost	1,738	973	78.62
Sales, general and administrative expenses	5,293	3,233	63.72
Investment return from joint venture	713	250	185.20
Income from other business	2,345	1,172	100.09
Financial cost	1,816	1,323	37.26
Income tax	2,494	1,131	120.51
Net cash flow from operating activities	7,942	2,650	199.70
Net cash flow out from investing activities	1,185	6,960	-82.97
Net cash flow from financing activities	-4,200	4,358	-196.37

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

Elaboration on changes of sales income: The sale incomes of self-produced coal business increased by RMB9,238 million on the corresponding period in 2017, which mainly because of the increase of self-produced volume of coal and sale price.

Elaboration on changes of sales cost: The sales cost for self-produced coal increased by RMB4.761 billion on the corresponding period in 2017 because of the increase of self-produced coal volume.

Elaboration on changes of coal transportation cost: The coal transportation cost increased by RMB553 million on the corresponding period in 2017 because of the increase of sales volume of coal of Yancoal Australia.

Elaboration on changes of sales, general and administrative expenses: ① A portion of insurances of the Company were transferred to social management of Jining City, which caused the insurance premium deducted in one lump sum of RMB1,016 million; ② The royalty paid by Yancoal Australia based on proportion of sales income increased by RMB526 million on the corresponding period in 2017.

Elaboration on changes of investment return from joint venture: The investment return from joint venture increased on the corresponding period in 2017. This was mainly because the shares of China Zheshang Bank Co., Ltd. ("Zheshang Bank") held by the Group during the reporting period was counted as "JV investment".

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

Elaboration on changes of income from other business: ① The Group gained proceeds from the sale of 16.6% equity interests of HVO joint venture; ② During the reporting period, the shares of Zheshang Bank held by the Group were transferred from “Securities investment” to “JV investment” for accounting purposes, with recognized investment return of RMB358 million; ③ the gross profit from other business increased by RMB525 million on the corresponding period in 2017.

Elaboration on changes of financial cost: Expenses on borrowing interests increased by RMB590 million on the corresponding period in 2017.

Elaboration on changes of income tax: The Group's payable income tax increased on the corresponding period in 2017.

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

Analysis on changes of net cash from operating business: The increase of the Group's sales volume of self-produced coal and sales price caused the increase in net cash inflow from operating business on the corresponding period in 2017.

Analysis on changes of net cash for investment: ① fix term deposit and pledged deposits decreased by RMB6.09 billion on the corresponding period in 2017; ② cash investments into joint ventures increased by RMB3.135 billion on the corresponding period in 2017; ③ the cash received from sale of affiliates increased by RMB2.704 billion on the corresponding period in 2017.

Analysis on changes of net cash from financing activities: ① The issuance of guaranteed notes decreased by RMB5,499 million on the corresponding period in 2017; ② The cash outflow for distribution of share dividends increased by RMB2,149 million on the corresponding period in 2017.

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 2018, the Group's source of fund was mainly from operating cash income, various types of bonds issuance and bank loans. And the fund was mainly used for business operation, purchase or procurement of properties, machinery and equipment, repayment of interest-bearing bank loan and relative interests.

(III) Elaboration of Significant Changes of Net Income Due to Non-core Business

1. The Group gained proceeds of RMB389 million for the sale of 16.6% equity interests of HVO joint venture.
2. During the reporting period, the shares of Zheshang Bank held by the Group were transferred from “Securities investment” to “JV investment” for accounting purposes, with recognized investment return of RMB358 million.

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 2018	Percentage to the total assets as at 30 June 2018 (%)	Closing balance as at 30 June 2017	Percentage to the total assets as at 30 June 2017 (%)	Percentage of increase/ decrease in closing balance (%)	Notes
Bank pledged deposits	1,770	0.90	3,624	1.84	-51.16	During the reporting period, the Group's bank deposits for borrowings and credit letters decreased on the corresponding period in 2017.
Inventory	4,354	2.22	3,079	1.56	41.41	① Inventory of Donghua Heavy Industry and Yancoal Australia increased by RMB 653 million; ② Inventory of trade business increased by RMB579 million.
Asset held for sale	275	0.14	3,124	1.58	-91.20	The Group sold 16.6% equity interests of HVO joint venture.
Securities investment	250	0.13	2,278	1.15	-89.03	The shares in Zheshang Bank held by the Group was transferred from "Securities investment" to "JV investment" for accounting purposes.
JV investment	13,055	6.65	8,654	4.39	50.86	① The shares in Zheshang Bank were transferred from "Securities investment" to "JV investment" for accounting purposes, which caused JV investment increased by RMB3,593 million; ② During the reporting period, the Group confirmed that the investment return from JV investment was RMB713 million.

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

(Relevant data are prepared under CASs)

As at 30 June 2018, the Group's asset subject to restriction was RMB40.86 billion, which are mainly monetary funds and notes receivable with restricted use, relevant 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.

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

3. Other information

(1) Debt to equity ratio

As at 30 June 2018, the equity attributable to the shareholders of the Company and the borrowings amounted to RMB48.66 billion and RMB67.611 billion respectively, representing a debt to equity ratio of 138.9%. 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” of 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 calculated under CASs)

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

(1) Significant equity investment

The total external equity investment for the first half of 2018 was HKD2.018 billion.

The details of the investment are shown as following table.

External Equity No. Investment	Total Project Investment (HKD 100 million)	Total investment by the Group during the reporting period (HKD 100 million)	The name of the investee	Main business	
1	Subscription of shares additionally issued by Zheshang Bank	20.18	20.18	Zheshang Bank	Commercial banking business
Total		20.18	20.18	—	—

Note: The source of capital for external equity investment mentioned above is funded by the Company's own capital, none of which is involved in any lawsuit.

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

(2) *Major non-equity investment*

Not applicable.

(3) *Financial assets/liabilities measured at fair value*

As at the end of this 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 royalty from Middlemount Coal Mine, subscribed Assets Management Plan, equity investments, etc. Initial investment cost was RMB1,536 million, and the balance at the end of the period was RMB1,182 million; Liabilities were mainly forward exchange contracts, and the closing balance of the reporting period was RMB98,000.

As at the end of this 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 in equity instruments, the initial investment cost was RMB29 million, and the balance at the end of the reporting period was RMB30 million.

For details of the values and changes of the financial assets measured at fair value, please refer to “Notes to The Consolidated Financial Statement Held for trading financial assets”, “Notes to The Consolidated Financial Statement Investment in other equity instruments” and “Notes to The Consolidated Financial Statement Other non-current financial assets” in the Notes 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 2018, the controlled companies having relative significant impacts on the current net income attributable to the Group's shareholders are as follows.

Unit: RMB million

Name of company	Registered capital	30 June 2018		Net profit for the first half of 2018
		Total assets	Net assets	
Yancoal Australia	AUD3,106 million	57,028	24,844	1,822
Yancoal International	USD689 million	18,270	4,893	632
Heze Neng Hua	3,000	7,782	5,544	639

Note: For detailed information on the main business and main financial data 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

Yancoal Australia

For the first half of 2018, Yancoal Australia realized net profit of RMB1,822 million, while the net loss of the corresponding period in 2017 is RMB59 million, which was mainly due to the facts that (i) Coal price increased year-on-year; (ii) In 2017, the Company's profitability was significantly enhanced due to the commercial operation of the Moolarben Stage II Project of Yancoal Australia and the acquisition of C&A.

For details of the operation of Yancoal Australia, please refer to the section headed "Main Business during the Reporting Period" in this chapter.

Yancoal International

For the first half of 2018, Yancoal International realized net profit of RMB632 million, while the net loss of the corresponding period in 2017 is RMB330 million, which was mainly due to: (i) the investment return of RMB506 million gained from the shares of Zheshang Bank held by Yancoal International (ii) change of exchange gains/loss resulting in an increase of total profit by RMB253 million.

For details of the business operation of Yancoal International, please refer to the section headed "Main Business Operation during the Reporting Period" in this chapter.

2. Major joint stock companies

For detailed information on the main business and main financial data 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.

3. The operation of Yankuang Finance Company

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

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

Unit: RMB million

	The closing balance of the reporting period	The opening balance of the reporting period	Increase/ decrease (%)
Bank deposit	12,526	10,918	14.73
Bank loan	7,297	5,547	31.55

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

(2) The main operating indicators of Yankuang Finance Company

Unit: RMB million

	The amount of the reporting period	The amount of the same period of the previous year	Increase/ decrease (%)
Operating revenue	175	112	56.25
Net profit	85	75	13.33
	The closing balance of the reporting period	The opening balance of the reporting period	Increase/ decrease (%)
Net asset	1,377	1,728	-20.31
Total asset	14,380	12,672	13.48

(VIII) Entities Controlled by the Company

Watagan Company is a special vehicle purpose company incorporated by Yancoal Australia for the purpose of implementing asset-backed securitization. It made asset securitization of three coalmines 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.

III. DISCLOSURE ON OTHER EVENTS

(I) Warning or Elaboration on Estimated Losses or Significant Changes in Aggregate Net Profit from the Beginning of 2018 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

Risks arising from safety management

The Company's main business segments, 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.

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

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

Risks arising from investment management

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

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

Risks arising from financing debt

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

Counter measures: The Company will proactively introduce strategic investors, enhance strategic cooperation with banks and explore diversified and multiple ways of financing; will optimize fund use system and decide the total demand of fund based on the operation and investment requirement, set a reasonable proportion ratio of self-owned fund and borrowings, establish debt risk pre-alarming analysis system and make scientific planning of cash of low security.

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

(III) OTHER DISCLOSURES

1. Capital Expenditure Plan

The capital expenditure for the first half of 2018 and the capital expenditure plan of 2018 of the Group are set out in the following table:

	The first half of year 2018 <i>(RMB million)</i>	Year 2018 (planned) <i>(RMB million)</i>
The Company	16	1,595
Yulin Neng Hua	89	1,062
Heze Neng Hua	250	880
Ordos Neng Hua	206	3,665
Haosheng Coal	73	495
Donghua Heavy Industry	3	230
Yancoal Australia	1,337	1,252
Yancoal International	188	397
Other subsidiaries	8	144
Total	2,170	9,720

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 2018, the Group's coal exploration expenditure was approximately RMB9.7005million, mainly including the coal exploration expenditure of the Group in Australia; while the relevant capital expenditure for coal development and mining was about RMB783 million, mainly including the fixed assets investment in operating coal mines and the relevant expenditure for coal development in coal mines including Wanfu.

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

3. Operation strategy of the second half of 2018

In the second half of 2018, affected by the global trade frictions, the prospect of world economic recovery is not optimistic, and China's economy is facing downward pressure. Due to multiple factors, such as supply-side structural reform and increasing pressure on environmental protection, the supply and demand of coal will remain basically balanced and the coal price is expected to fluctuate at a medium-high level. The Group will closely grasp the macro environment and market trend, and actively adopt favorable measures to speed up the policy of “replacing the old driving power with the new one” and expand growth potential, so as to ensure the realization of our annual business goals.

Main operating measures to be adopted for the second half of 2018:

Optimize the production schedule to ensure increase in both production volume and economic efficiency by entities. First, clean and efficient coal production should be planned to ensure the stable production and output of the mines in the headquarters area. The Group will fully exploit the incremental potential of the mines in Inner Mongolia and Australia, and release advanced production capacity and realize increase in operating revenue. Second, maintain long-term safety production in coal chemicals industry and power generation and improve their production volume and efficiency, and steadily progress the construction of phase II projects of Ordos Neng Hua and Yulin Neng Hua. Third, a three-year upgrading project in equipment of manufacturing industry will be carried out to promote the high-end manufacturing of coal mining machinery and environment protection equipment, and to improve the ability to increase profit and operating revenue.

Strengthen capital operations to utilize capital in diversified and productive manners. We will push forward the listing of Yancoal Australia on the Hong Kong Stock Exchange and the non-public placing of A shares of Yanzhou Coal in a speedy manner. With adherence to the strategy of “finance service entities and entities facilitate finance”, we will endeavor to make profits in diversified fields by strengthening and optimizing four sectors, i.e. treasury management, financial investment, financial leasing and supply chain management. We will seize appropriate opportunity to implement capital operation to achieve in-depth integration and coordinated development between industry and finance.

Strengthen smart marketing to ensure market synergetic efficiency. The Company will enhance market competitiveness and efficiency through coordinating the promotion of the strategic layout of “marketing, trade and logistics”. The Company will scientifically conduct market analysis, continue to optimize marketing layout, product category, customer division, sales area, flexibly adjust marketing strategies, and implement the “clean coal + coal blending” strategy to capture the best margin available. The Company will optimize the layout of logistics trade and clearly position the trade business. Paying attention to both trade volume and efficiency, the Company will put risk control first. The Company will innovate to develop modern trade represented by the combination of futures and spot, trade and finance to create new profit growth points.

CHAPTER 4 BOARD OF DIRECTORS' REPORT – CONTINUED

Deepen lean management to ensure cost reduction and efficiency improvement. Taking lean management as the starting point, the Company will explore endogenous power to promote transformation of operational management towards intensive efficiency management. First, with strict benchmarking management and in-depth analysis of cost composition, the Company will strengthen the assessment of the cost and efficiency so as to strive to achieve the industry's advanced level of product consumption. Second, strictly following the zero-based budget and the strategy of "rigid budget, rigid control", the Company will implement the closed-loop management of production volume, cost and profit to strictly control various expenses. Third, with the sharing platform, the Company will efficiently improve resource allocation through coordinating funds, equipment, taxation, labor and other resources to achieve resource sharing and create benefits synergistically.

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 loss of RMB357 million during the reporting period.

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

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.

5. Taxation

For the first half year of 2018, 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 and Yancoal International were subject to a tax rate of 30% and 16.5% on their taxable profits, respectively.

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.

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 2018 First Extraordinary General Meeting	26 January 2018	The website of Shanghai Stock Exchange	26 January 2018
The 2017 Annual General Meeting of Shareholders	25 May 2018	(http://www.sse.com.cn) The website of Hong Kong Stock Exchange	25 May 2018
The 2018 First Class Meeting of the Holders of A Shares	25 May 2018	(http://www.hkexnews.hk) The Company's website	25 May 2018
The 2018 First Class Meeting of the Holders of H Shares	25 May 2018	(http://www.yanzhoucoal.com.cn)	25 May 2018
The 2018 Second Extraordinary General Meeting	24 August 2018		24 August 2018
The 2018 Second Class Meeting of the Holders of A Shares	24 August 2018		24 August 2018
The 2018 Second Class Meeting of the Holders of H shares	24 August 2018		24 August 2018

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

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

Proposed Profit Distribution Scheme or Capital Reserve Transferred to Share Capital Scheme for the First half of 2018

Whether distributed or transferred

No

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

III. PERFORMANCE OF UNDERTAKINGS

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

Background	Type	Undertaker	Undertakings	Undertaking date and deadline for performance	With performance deadline or not	Perform timely and strictly or not
Undertakings Related to IPO	Resolve horizontal competition	Yankuang Group	Avoidance of horizontal competition: Yankuang Group and the Company entered into the Restructuring Agreement when the Company was restructured in 1997, pursuant to which Yankuang Group undertook that it would take various effective measures to avoid horizontal competition with the Company.	Year 1997 Long-term effective	None	Yes
Undertakings Related to Refinancing	Other	Yankuang Group	The filling measures to the amortized immediate returns due to the Company's non-public issuance of A Shares: 1) Undertakes not to excessively intervene the Company's operation and management activities and encroach on the Company's interests; 2) From the date of the undertaking made to the date of completion of non-public issuance, if CSRC publishes new regulations about filling in return measures and other undertakings, and the above undertakings cannot meet the such regulations of CSRC, then supplementary undertakings shall be made as per the new regulations of CSRC.	From 31 March 2017 Long-term effective	None	Yes

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Background	Type	Undertaker	Undertakings	Undertaking date and deadline for performance	With performance deadline or not	Perform timely and strictly or not
	Other	Directors and senior management of the Company	<p>The filling measures to the amortized immediate return due to the Company's non-public issuance of A Shares:</p> <ol style="list-style-type: none"> 1) Undertakes not to convey interests to other entities or individuals free of charge or under unfair conditions, or to damage the Company's interests in other ways; 2) Undertakes to constraint the position-related consumptions; 3) Undertakes not to use the Company's assets for investment, consumption activities which have nothing to do with their duty performance in the Company; 4) Undertakes that the salary system formulated by the Board or Remuneration Committee is linked with the Company's results of filling in returns; 5) Undertakes to link the exercising conditions of equity incentive formulated by the Company with the results of the Company's filling in returns, if the Company implements the equity incentive in future; 6) Undertakes to effectively perform the relative filling in returns adopted by the Company and any undertakings made by individuals for filling in returns. Undertakes to be liable to the compensations to the Company or investors, if in violation of such undertakings or damage made to the Company or investors; 7) From the date of the undertaking made to the date of the completion of non-public issuance, if CSRC publishes new regulations about filling in return measures and other undertakings that the above undertakings fail to meet, then supplementary undertakings shall be made as per the new regulations of CSRC. 	From 31 March 2017 Long-term effective	None	Yes

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Background	Type	Undertaker	Undertakings	Undertaking date and deadline for performance	With performance deadline or not	Perform timely and strictly or not
	Other	Directors, supervisors and senior management of the Company and Yankuang Group	Self-inspection report on real estate development in relation to non-public issuance of A Shares of the Company: In pursuant to the relevant regulations issued by the State Council and CSRC, the Company made a self-inspection on the real estate development from year 2015 to year 2017 (“the period of self-inspection”), and worked out The Special Self-Inspection Report for Real Estate Development by Yanzhou Coal Mining Company Limited. Yankuang Group, as the controlling shareholders, and the directors, the supervisors and the senior management of the Company undertook to bear the liability for compensation in accordance with the provisions of relevant laws and administrative regulations and the requirements of the securities regulatory authorities in case of any administrative penalty or case investigation for violations of laws and regulations during self-inspection period, such as keeping land unused, property hoarding and price rigging, but not disclosed and thereby causes loss to the Company and investors.	24 April 2018 to the end of refinancing	Yes	Yes
Other undertaking	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 before the announcement of the increase shareholding.	11 July 2018 to the end of relevant statutory period	Yes	Yes

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Background	Type	Undertaker	Undertakings	Undertaking date and deadline for performance	With performance deadline or not	Perform timely and strictly or not
	Other	Yankuang Group	<p>Yankuang Group and Yankuang Finance Company have made undertakings in relation to finance business as followings.</p> <p>1) In view of the independence of Yanzhou Coal in assets, business, personnel, finance 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, in compliance with relevant supervisory regulations and the rules of decision making of the Articles of Association of Yanzhou Coal Mining Company Limite and the Articles of Association of Yankuang Group Finance Company Limited, decide the financial business between Yankuang Finance Company and Yankuang Group on its own based on the requirements of business development;</p> <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 employ the Company's fund through Yankuang Finance Company in any other form.</p>	27 July 2018 Long-term effective	None	Yes

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Background	Type	Undertaker	Undertakings	Undertaking date and deadline for performance	With performance deadline or not	Perform timely and strictly or not
			<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> <p>4) Yankuang Group undertakes to strictly abide by the relevant rules and regulations of CSRC, Shanghai Stock Exchange and the Articles of Association of Yanzhou Coal Mining Company Limited, 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>			

IV. APPOINTMENT AND DISMISSAL OF AUDITORS

Explanation on the appointment and dismissal of auditors

As considered and approved at the 2017 annual general meeting on 25 May 2018, the Company appointed Shine Wing Certified Public Accountants (special general partnership) and SHINEWING (HK) CPA Limited as the domestic and overseas accountants for the year 2018, with the term from the end of 2017 annual general meeting to the end of 2018 annual general meeting.

The Company was approved to pay RMB7.8 million for the auditing services for businesses in the PRC and abroad in 2018. Except for the expenses for the auditors' on-site accommodation and meal, the Company will not bear the auditors' traveling expenses and any other related expenses. The Board of the Company was authorized to decide the payment for additional follow-up audit, internal control audit and other services resulted by any of the Company's new subsidiaries or changes of regulations.

The Board of the Company confirms that, besides the annual audit fee, any other service fees paid to the auditors have no impact to the independent auditing opinion of the auditors.

Explanation on the change of auditors during the auditing period

Not applicable.

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

Not applicable.

The Company's Explanation on "Non-standard Audit Report" given by Auditors for the last reporting year.

Not applicable.

V. RELATED MATTERS ON BANKRUPTCY AND REORGANIZATION

Not applicable.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

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
Series of contractual disputes on Shandong Hengfeng Electric Power Fuel Co., Ltd. (“Hengfeng”)	For details, please refer to the announcement in relation to the arbitration dated 23 March 2016 and the announcement in relation to litigation dated 11 August 2017 and 7 September 2017. The above announcements were also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company and/or China Securities Journal and Shanghai Securities News.
1. Financial loan contract dispute of Weihai Commercial Bank Co., LTD. (“Weihai Commercial Bank”)	
<p>On 9 October 2015, citing the financial loan contract dispute, Weihai Commercial Bank sued to Jining Intermediate People’s Court against 8 defendants including Hengfeng, the Company etc., requiring Hengfeng to perform payment obligations of RMB99.119 million and corresponding interest within scope of accounts payable due to that the Hengfeng made a pledge to the plaintiff through its accounts receivables of RMB103.42 million (suspected forgery) to Yanzhou Coal. Weihai Commercial Bank asked Yanzhou Coal to perform certain payable duty within the pledged amount.</p> <p>The case was heard in the first instance on 16 July 2018, and the court has not yet made a judgment.</p>	
2. Factoring contract dispute of the Zhonghuixintong Business Factoring Company (“Zhonghuixintong”)	
<p>In November 2015, citing the factoring contract dispute, Zhonghuixintong appealed to Beijing No.3 Intermediate People’s Court against Hengfeng and Yanzhou Coal, requiring the Company to repay the principals and corresponding interest of the factoring financing fund perform payment obligations of accounts payable of RMB159.9770 million and corresponding interest within scope of accounts payable due to that the Hengfeng had transferred its accounts payable of RMB145 million in Yanzhou Coal to Zhonghuixintong.</p> <p>On 4 June 2018, Beijing No.3 Intermediate People’s Court organized a hearing. At present, relevant judicial authentication work is underway.</p>	

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

In July 2017, Luxing Property has brought seven-case lawsuit in the Jining Intermediate People’s Court and Rengcheng District People’s Court of Jining City (“Rengcheng District Court”), requiring Hengfeng and its affiliates to repay the principal amount of RMB277.09 million and the corresponding interest. As Hengfeng and its affiliates transferred their accounts receivable of Yanzhou Coal to RMB352.78 million (suspected forgery) to Luxing Property, Luxing Property required the Company to bear the corresponding obligations of accounts receivable and interest thereof.

According to judicial authentication, the seal of Yanzhou Coal, which was stamped in the case handled by Jining Intermediate People’s Court, was forged. The judicial authentication of the seal involving the case by Rengcheng District Court is underway.

The Company believes that Hengfeng is suspected of fictitiously collecting accounts receivable, forging the seal of Yanzhou Coal to handle the pledge financing of accounts receivable in financial institutions.

Since the above cases are in the process of first instance proceedings, the Company is currently unable to estimate the impact of the Lawsuit on the current profit or future profit of the Company.

Sales contract dispute between Jinan Railway Coal Trade Group Co., LTD. (“Jinan Railway Trade”) and the Company

In October 2015, citing the sales contract dispute, Jinan Railway Trade appealed Yanzhou Coal to Jinan Railway Transportation Court, requiring Yanzhou Coal to repay RMB19.9498 million of the payment of goods. According to the investigation and verification of the Company, the Company has never signed the sales contract involved in the case with Jinan Railway Trade. The Company holds dissents on the causes of action of Jinan Railway Trade. In October 2017, the Company lost the case in the first instance, and Jinan Railway Transportation Court ruled that the Company was liable for compensation. In November 2017, the Company filed an appeal with the Jinan Railway Transportation Intermediate Court (“Railway Intermediate Court”). In March 2018, the second trial was held in Railway Intermediate Court, and the Company applied for suspension until the collegial panel concluded.

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

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

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Item Overview

Query Index

Dispute on the contract between Xiamen Xinda Co., Ltd (“Xiamen Xinda”) and the Company and Zhongyin Logistics

In March 2017, Xiamen Xinda appealed to Xiamen Intermediate People's Court (“Xiamen Intermediate Court”) against Zhongyin Logistics and Yanzhou Coal in three cases on the grounds of sales contract disputes, requesting Zhongyin Logistics to return the purchase capital. A total of RMB164.4 million and corresponding interest, the Company is required to bear joint and several liability.

In June 2017, the Company appealed to the Higher People's Court of Fujian Province (“Fujian High Court”) on the jurisdictional objection. Fujian High Court ruled that two of the three cases of Xiamen Intermediate Court were combined into one (RMB102.5 million) to make a trial by Fujian High Court, the remaining one and other related cases (the same as the contract dispute case between Xiamen Xinda and Zhongyin Logistics, Yanzhou Coal) were merged and under the jurisdiction of Xiamen Intermediate Court.

On 3 July 2018, the case tried by Fujian High Court was heard in the first instance. The two parties jointly applied to the court for a delay in the trial. The court agreed to suspend the trial, and the court time will be announced separately.

On 17 July 2018, Xiamen Intermediate Court organized the parties to participate in the pre-trial certificate for this case. After the cross-examination, Xiamen Intermediate Court suspended the trial.

According to the investigation and verification by the Company, the seals of the Company and Zhongyin Logistics used in the relevant evidence submitted by the plaintiff are suspected of forgery. The case involves the third party and the relevant responsible person suspected of forging seals to implement the contract fraud. The Company has reported the case to the public security organ and the public security organ obtained the case. The criminal case involved in the case is currently being processed. The Company is actively negotiating with Xiamen Xinda for the solution of this case.

The above case is in the process of the first trial, so it is unable to accurately estimate the impact of the litigation on the current profit or future profit of the Company.

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

Item Overview

Query Index

Arbitration Case between Shanxi Nenghua and Shanxi Jinhui Coking Co., Ltd. (“Shanxi Jinhui”)

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

After full consideration, the Company decided to restart the arbitration procedure to safeguard the interests of the Company and shareholders. In July 2017, Shanxi Neng Hua and Tianhao Chemicals jointly lodged arbitration to Beijing Arbitration Commission, requiring Shanxi Jinhui to make compensation of RMB341 million in total to Shanxi Neng Hua and Tianhao Chemicals. In August 2017, Beijing Arbitration Commission accepted the case. On 19 April 2018, Beijing Arbitration Commission heard the case but has not made a judgement yet.

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

The Arbitration Case between Inner Mongolia New Changjiang Mining & Investment Co., Ltd. (“New Changjiang”) and Yanzhou Coal

In April 2018, New Changjiang filed an arbitration application with China International Economic and Trade Arbitration Commission (“China Trade Arbitration”) on the grounds that Yanzhou Coal violated the relevant equity transfer agreement between the two parties, requiring Yanzhou Coal to pay totally approximately RMB 1.435 billion including the equity transfer price of RMB748.5 million, the corresponding liquidated damages of RMB656 million and the legal fees, arbitration fees and security fees involved in the case.

China Trade Arbitration was originally scheduled to hear the case on 16 July 2018. On 29 June 2018, the Company received a letter of intent from the arbitral tribunal to forward New Changjiang to apply for an extension of the hearing. After reviewing, the Company agreed to postpone the trial. On 6 July 2018, the arbitral tribunal decided to postpone the trial. The court time will be notified separately, and New Changjiang will be ordered to submit additional evidence within 30 days, and the basis and calculation method of each arbitration request will be clarified.

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

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

For details, please refer to the announcement on litigations dated 9 April 2018. The above announcement was also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company and/or China Securities Journal and Shanghai Securities News.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

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

Unit: RMB10 thousand

During the reporting period:

Prosecution (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Hearing result and impact	Judgment execution
China Construction Bank Jining Dongcheng Sub-branch ("CCB Jining Dongcheng Sub-branch")	Yanzhou Coal	Chai Tao and other 5 guarantors	Litigation	<p>In November 2015, CCB Jining Dongcheng Sub-branch sued seven defendants, including Hengfeng and Yanzhou Coal, to Jining Intermediate People's Court on the grounds of financial loan contract disputes, requesting Hengfeng to repay the loan principal of RMB59,669,000 and corresponding interest. As Hengfeng pledged its account receivables for Yanzhou Coal to RMB79.1312 million (suspected for counterfeiting) to CCB Jining Dongcheng Sub-branch, CCB Jining Dongcheng Sub-branch requested Yanzhou Coal to pledged RMB79.1312 million in accounts receivable. The corresponding payment obligations are fulfilled within the scope.</p> <p>CCB Jining Dongcheng Sub-branch applied to the Jining Intermediate People's Court for withdrawal of the lawsuit in December 2016.</p> <p>In December 2017, CCB Jining Dongcheng Sub-branch filed a lawsuit again.</p> <p>In April 2018, the first trial of Jining Intermediate People's Court ruled that Yanzhou Coal assumed the responsibility of repaying the loan within the scope of the pledge of accounts receivable of RMB79.1312 million. Yanzhou Coal appealed to Shandong Higher People's Court ("Shandong Higher Court") in May 2018, and the second trial has not yet begun.</p>	5,966.90	No	In the second instance trial	As this case is in the progress of the second instance trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit or future profit currently.	-

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Prosecution (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Hearing result and impact	Judgment execution
Yanzhou Coal	Jinan Railway Trade	No	Litigation	In April 2016, the Company, as the plaintiff, brought a civil litigation against Jinan Railway Trade, as the defendant, at Jining Intermediate People's Court, alleging a breach of Coal Sales Contract signed with the Company, suing Jinan Railway Trade to return loan of RMB80 million and related fund occupancy fees to the Company. In July 2017, it was the judgment of Jining Intermediate People's Court at the first instance that Jinan Railway Trade shall pay loan of RMB80 million and corresponding interests to the Company. As Jinan Railway Trade refused to accept the judgment result, it appealed to Shandong Provincial Higher People's Court. The second instance judgment by Shandong Provincial Higher People's Court was remanded for retrial at the first instance in February 2018. The first-instance review was held in July 2018, and the Jining Intermediate Court has not yet made verdict.	8,000	No	In the first instance retrial procedure	The case has currently entered into the progress of retrial procedure, and it's unable for the Company to accurately estimate the impact of the arbitration on its current profit or future profit.	-

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Prosecution (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Hearing result and impact	Judgment execution
China Construction Sixth Engineering Division Civil Engineering Co., Ltd. ("China Construction Sixth Engineering")	Shandong Coal Trade Center Co., Ltd. ("Coal Trade Center")	No	Litigation	On 14 January 2016, China Construction Sixth Engineering, as the plaintiff, brought a civil litigation against Coal Trade Center, a controlled subsidiary of the Company, as the defendant, at Jining Intermediate People's Court, alleging a failure by Coal Trade Center to completely perform its obligation in <i>Contract Transfer Agreement</i> and <i>Engineering Construction Contract</i> , suing Coal Trade Center to pay arrears of project fund of RMB57.457 million and related interest. In July 2016 Jining Intermediate People's Court made the judgment at the first instance for this case and ruled that Coal Trade Center shall pay RMB52.8769 million of project construction fund and the relevant interest to China Construction Sixth Engineering and litigation fee, fees for conservatory measures amounting to RMB344,300 and RMB5,000, respectively, shall be borne by Coal Trade Center. It was the judgment of Shandong Provincial Higher People's Court at second instance that the appeal was rejected and the first instance judgment was upheld. In 2018, the Coal Trade Center signed a mediation agreement with the China Construction Sixth Engineering.	5,745.70	No	The Judgment execution procedure	The second instance judgement being the final judgement	Coal Trade Center pays a principal of RMB3 million to China Construction Sixth Engineering Division according to the court judgment and mediation agreement.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Prosecution (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Hearing result and impact	Judgment execution
Shandong Yanmei Rizhao Port Coal Storage and Blending Co., Ltd. (“Rizhao Coal Storage and Blending”)	Rizhao Tengtu Investment Company Limited (“Tengtu Company”)	Shandong Yabin Energy Co., Ltd and other 8 joint guarantors	Litigation	In February 2017, Rizhao Coal Storage and Blending, as the plaintiff, brought a civil litigation against Shandong Yabin Energy Co., Ltd and other 8 joint guarantors as the defendants, at Rizhao Municipal Intermediate People’s Court, alleging Tengtu Company to return goods payment of RMB37.4251 million and relevant interest and 9 joint guarantors shall bear the joint and several liabilities.	3,742.51	No	In the first instance trial.	As the case is in the first instance trial, it’s unable for the Company to accurately estimate the impact of the litigation on its current profit or future profit currently.	–
Yanzhou Coal	Rizhao Shanneng International Logistics Co., Ltd. (“Shanneng International”)	No	Litigation	On 23 November 2016, citing Shanneng International breaching the <i>Coal Sales Contract</i> signed between the Company and Shanneng International, the Company appealed to Shandong Provincial Rizhao Intermediate People’s Court, requiring the Court to judge that Shanneng shall repay RMB80 million of goods payment and corresponding interest for occupied funds to the Company. On 13 December 2016, Rizhao Intermediate People’s Court held a hearing. Shanneng International proposed that the case was related to other cases, the application was suspended, and the court decided to suspend the trial.	8,000.00	No	In the first instance trial	As the case is in the first instance trial, it’s unable for the Company to accurately estimate the impact of the litigation on its current profit or future profit currently.	–

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Prosecution (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Hearing result and impact	Judgment execution
Yanzhou Coal	Yichang Xingfa Group Co., Ltd. ("Yichang Xingfa")	No	Litigation	<p>On 20 January 2017, citing Yichang Xingfa breaching the <i>Coal Sales Contract</i> signed between the Company and Yichang Xingfa, the Company appealed to Jining Intermediate People's Court, requiring the Court to judge that Yichang Xingfa shall repay RMB35.0239 million of goods payment and corresponding interest to the Company.</p> <p>In May 2018, Jining Intermediate Court made the first instant judgement, that Yanzhou Coal won the case, and Yichang Xingfa filed an appeal. The session for the second instance trial has not been heard.</p>	3,502.39	No	In the second instance trial	As the case is in the second instance trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit or future profit currently.	-
Yanzhou Coal	Shandong Dongda Energy Co., Ltd. ("Dongda Energy")	No	Litigation	<p>On 16 January 2017, citing Dongda Energy breaching the <i>Coal Cooperative Operation Agreement</i> signed between the Company and Dongda Energy, the Company appealed to Jining Intermediate People's Court, requiring the Court to judge that Dongda Energy shall repay RMB49.5371 million of goods payment and corresponding delinquency interest to the Company.</p> <p>The case was suspected of economic crimes and the court transferred it to the public security organs for investigation.</p>	4,953.71	No	This case is involved economic crimes and public security organ is in the progress of investigation.	As this case is involved economic crimes and public security organ is in the progress of investigation, it's unable for the Company to accurately estimate the impact of the litigation on its current profit or future profit currently.	-

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Prosecution (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Hearing result and impact	Judgment execution
Yanzhou Coal	Xintai City Hanzhuang Economic and Trade Co., Ltd. ("Hanzhuang Economic and Trade")	No	Litigation	On 8 February 2017, citing Hanzhuang Economic and Trade breached the Coal Sales Contract signed between the Company and Hanzhuang Economic and Trade, the Company appealed to Jining Intermediate People's Court, requiring the court to judge that Hanzhuang Economic and Trade shall repay RMB45.9697 million of goods payment and corresponding interest to the Company. This case is involved economic crimes and public security organ is in the progress of investigation	4,596.97	No	This case is involved economic crimes and public security organ is in the progress of investigation.	As this case is involved economic crimes and public security organ is in the progress of investigation, it's unable for the Company to accurately estimate the impact of the litigation on its current profit or future profit currently.	-
Rizhao Coal Storage and Blending	Wuxi City Shengluda Power Fuel Co., Ltd. ("Wuxi Shengluda")	6 joint and several guarantors including Wuxi City Xinan Fuel Co., Ltd.	Litigation	On 9 November 2016, citing Wuxi Shengluda breaching the Coal Sales Contract signed between Rizhao Coal Storage and Blending and Wuxi Shengluda, Rizhao Coal Storage and Blending appealed to Shandong Provincial Rizhao Intermediate People's Court, requiring the court to judge that Wuxi Shengluda shall repay RMB27.8274 million of goods payment and corresponding interest.	2,782.74	No	In the first instance trial	As the case is in the first instance trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit or future profit currently	-
Rizhao Coal Storage and Blending	Hangzhou City Fuyang Tianwang Coal Co., Ltd. ("Fuyang Tianwang")	No	Litigation	In January 2017, Rizhao Coal Storage and Blending appealed to Shandong Provincial Rizhao Intermediate People's Court, requiring Fuyang Tianwang to repay RMB68.01 million of goods payment and corresponding interest. As Fuyang Tianwang is in the process of bankruptcy, the case has been suspended.	6,801.00	No	The case was suspended.	It's unable for the Company to accurately estimate the impact of the litigation on its current profit or future profit currently.	-

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Prosecution (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Hearing result and impact	Judgment execution
China Construction Bank Jining Guhuailu Branch ("CCB Jining Guhuailu Branch")	Yanzhou Coal	6 joint and several guarantors including Jining Liaoyuan Trade Co., Ltd. ("Jining Liaoyuan")	Litigation	<p>On 29 June 2017, citing the financial loan contract dispute, CCB Jining Guhuailu Branch, as the plaintiff, brought a civil litigation against 8 defendants including the Company and Jining Liaoyuan, at Jining Intermediate People's Court, requiring Jining Liaoyuan to repay loan principal of RMB95.8596 million and corresponding interest within scope of accounts payable due to that Jining Liaoyuan made a pledge to the plaintiff through its accounts receivables of RMB90.52 million (suspected forgery) to Yanzhou Coal and the Company shall perform its payment obligation within the scope of accounts payable.</p> <p>Jining Intermediate People's Court heard the case on 24 January 2018 and the Company brought a judicial expertise application on the seal used in related evidence materials. The result indicated the seal was forged.</p> <p>In accordance with the investigation and verification, the Company believes that: through forges the seal of Yanzhou Coal. Jining Liaoyuan was suspected of forge of the seal of Yanzhou Coal, and Jining Liaoyuan made pledges of accounts receivable financing business in financial institutions.</p> <p>The Company has submitted judicial authentication applications of seals authenticity to the trial court; relative authentication is under way and corresponding authentication result of the seal has not been concluded yet.</p>	9,052.00	No	In the first instance trial	As the case is in the first instance trial, it's unable to accurately estimate the impact of the litigation on the current profit and future profit currently.	-

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Prosecution (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Hearing result and impact	Judgment execution
Jining Gaixin Urban Construction Investment Co., Ltd. ("Jining Urban Construction Investment")	Coal Trade Center	No	Litigation	<p>On 18 April 2017, Jining Urban Construction Investment, as the plaintiff, brought a civil litigation to Jining Intermediate People's Court, against Coal Trade Center, alleging Coal Trade Center to pay transferred balance of RMB65.1431 million on Jining High-Tech District Innovation Mansion project and corresponding default fines. It is the view of Coal Trade Center that according to Jining High-Tech District Innovation Mansion Transfer Agreement signed by both parties on 19 April 2013, the appropriate condition for payment of the transferred balance has not been fulfilled.</p> <p>On 20 December 2017, it was the judgment of Shandong Provincial Higher People's Court at the second instance trial and ruled the Company lost the case in the second instance trial.</p>	6,514.31	No	The case has currently entered into execution progress.	The second instance trial is final.	Coal Trade Center is implementing the judgement.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Prosecution (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Hearing result and impact	Judgment execution
Qingdao Yanmei Dongqi Energy Co., Ltd. ("Yanmei Dongqi")	Shanghai Greenland Linggang Power Fuel Co., Ltd. ("Greenland Linggang")	Zhenjiang Tianyun Trade Co., Ltd. ("Zhenjiang Tianyun"), Jiangsu Jicao Biotechnology Co., Ltd. ("Jiangsu Jicao") bear the joint and several payment liabilities.	litigation	On 13 August 2017, Yanmei Dongqi, a wholly-owned subsidiary of Rizhao 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, as the defendants, to Shanghai Municipal No.1 Intermediate People's Court, requiring the court to terminate the Coal Supply and Demand Contract between Yanmei Dongqi and Greenland Linggang, and repay paid goods payment of RMB82.2062 million and related interest, and Zhenjiang Tianyun and Jiangsu Jicao shall bear joint and several liabilities.	8,220.62	No	In the second instance trial	As the case is in the second instance trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit or future profit currently.	-
				6 June 2018, Shanghai Municipal No.1 Intermediate People's Court made the first instance judgment for this case. Given this judgment failed to achieve the purpose of litigation, Yanmei Dongqi has appealed to Shanghai Municipal Higher People's Court and the judgment has not been made yet.					

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

During the reporting period:

Prosecution (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Hearing result and impact	Judgment execution
Xiamen Xinda	Zhongyin Logistics	Yanzhou Coal	litigation	<p>In June 2017, citing the sales contract dispute, Xiamen Xinda appealed to Xiamen Municipal Huli District People's Court against the Company and Zhongyin Logistics in 3 cases, legally requiring Zhongyin Logistics to return goods principal amount of RMB31.7116 million and corresponding interest and requiring the Company to bear joint liability.</p> <p>In June 2017, the Company submitted jurisdiction objection to the court and the court ruled these 3 cases as well as 1 related case (concerning sales contract dispute between Xiamen Xinda suing Zhongyin Logistics and Yanzhou Coal) involving aggregate principal amount of RMB91.10 million would be integrated into one and heard by Xiamen Intermediate People's Court.</p> <p>The new case was heard on 17 July 2018 and no judgment has been made. 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 suspected to be forged, the third party involving in this case and related persons were suspected of forging seals to carry out contract fraud. Yanzhou Coal has reported to public security organs while responding to the court and public security organ has implemented criminal procedures to related suspects.</p>	9,110.00	No	In the first instance trial	As the case is in the first instance trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit or future profit currently.	-

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

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

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

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

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

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

Not applicable.

X. MAJOR CONNECTED/RELATED TRANSACTION

(The data set forth in this section are calculated in accordance with CASs.)

The Group's connected/related transactions were mainly continuing connected/related transactions entered into between the Group and the Controlling Shareholder, i.e., Yankuang Group (including its subsidiaries but excluding the Group), Qingdao Century Ruifeng Group Company Limited ("Century Ruifeng"), Glencore Coal Pty Ltd 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*

Not applicable.

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

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

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

At the 2018 first extraordinary general meeting of the Company held on 26 January 2018, five continuing connected/related transaction agreements, namely, the "Provision of Material Supply Agreement", "Mutual Provision of Labor and Services Agreement", "Provision of Insurance Fund Administrative Services Agreement", "Provision of Products, Materials and Equipment Leasing Agreement" and "Bulk Commodities Sales and Purchase Agreement", together with the annual caps for such transactions for the years of 2018 to 2020 had been approved.

Except for the Provision of Insurance Fund Administrative Services Agreement, the main ways to determine transaction price include: state price; market price; actual cost pricing, etc. The charge for transaction can be settled in one lump sum or by installments. 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 sales of goods and provision of services by the Group to its Controlling Shareholder amounted to RMB1.047 billion in the first half of 2018. The goods and services provided by the Controlling Shareholder to the Group amounted to RMB1.037billion.

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 2018:

	For the six months ended 30 June 2018		For the six months ended 30 June 2017		Increase/ Decrease
	Amount (RMB'000)	Percentage of operating revenue (%)	Amount (RMB'000)	Percentage of operating income (%)	connected/ related of transaction (%)
Sales of goods and provision of services by the Group to its Controlling Shareholder	1,046,944	1.37	770,330	0.95	35.91
Sales of goods and provision of services by the Controlling Shareholder to the Group	1,037,120	1.36	887,727	1.10	16.83

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 2018:

	Operating revenue (RMB'000)	Operating cost (RMB'000)	Gross profit (RMB'000)
Coal sold to the Controlling Shareholder	637,959	287,082	350,877

Pursuant to the Provision of Insurance Fund Administrative Services Agreement, the Controlling Shareholder shall provide free management and transferring services for the Group's basic pension insurance fund, basic medical insurance fund, supplementary medical insurance fund, unemployment insurance fund, maternity insurance fund and industrial injury insurance fund (the "Insurance Funds"). The actual amount of the Insurance Funds paid by the Group to the Controlling Shareholder for the first half of 2018 was RMB443 million.

(ii) Continuing connected/related transaction of financial services

At the 2016 annual general meeting held on 29 June 2017, the Company considered and approved the Financial Service Agreement between Yankuang Finance Company and Yankuang Group, which was agreed that Yankuang Finance Company would provide deposit, comprehensive credit and other financial services and the annual transaction cap was from 2017 to 2019.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Yankuang Group's deposit balance of principal and interest in Yankuang Finance Company was RMB9.513 billion, and comprehensive credit facility and financial services fees were RMB7.073 billion and RMB868,000, respectively as at 30 June 2018.

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

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

There was no related expenses occurred during the reporting period.

(iv) Continuing connected/related transaction of entrusted management of coal chemicals projects

As reviewed and approved at the 2018 first extraordinary general meeting of the Company held on 26 January 2018, the Company entered into Chemicals Projects Entrusted Management Agreement with Yankuang Group, and the annual transaction caps for a period from 2018 to 2020 were approved. The price is mainly determined 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 service to the Group, while the payment of the chemical project entrusted management fees is made after the annual assessment.

As at the end of the reporting period, the Group did not pay any entrusted management fees to Yankuang Group.

The following table sets out the details of the 2018 annual transaction caps and actual transaction amounts for the first half of 2018 for the above continuing connected/related transactions.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

No.	Type of connected/ related transaction	Agreement	Annual	Actual
			transaction cap for the year 2018 (RMB'000)	occurrence of transaction for the first half of 2018 (RMB'000)
1	Material and facilities provided by Yankuang Group	Provision of Materials Supply Agreement	300,000	60,692
2	Labor and services provided by Yankuang Group	Mutual Provision of Labor and Services Agreement	2,907,000	815,772
3	Labor and services provided to Yankuang Group		177,100	15,439
4	Insurance fund management and transfer payment services provided by Yankuang Group (free of charge) for the Group's staff	Provision of Insurance Fund Administrative Services Agreement	1,379,400	443,200
5	Sale of products, material and equipment lease provided to Yankuang Group	Provision of Products, Material and Equipment Leasing Agreement	3,837,300	1,031,505
6	Purchase of commodities from Yankuang Group Sale of commodities to Yankuang Group	Bulk Commodities Sales and Purchase Agreement	4,500,000	160,656
			3,641,000	0
7	Financial services provided to Yankuang Group	Financial Services Agreement	10,000,000	9,512,977
	Deposit balance Comprehensive credit		7,500,000	7,072,590
	Financing services settlement fees		3,900	868
8	Clean energy technology licensing	Know-how Licensing Agreement	5,000	0
9	Entrusted management services for chemicals projects provided by Yankuang Group	Chemical Projects Entrusted Management Agreement	5,000	0
	Sales agency services for chemicals projects provided by Yankuang Group		14,500	0

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

(2) Approval and execution of continuing connected/related transactions with Century Ruifeng

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, together with the annual caps for such transactions for the years of 2018 to 2020 were approved. The way to determine transaction price is the market price. The charge for transaction can be settled in one lump sum or by installments. 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 2018 annual cap for sales of commodities by the Group to Century Ruifeng was RMB1.733 billion and that of by Century Ruifeng to the Group was RMB1.315 billion.

The aggregate amount of commodity sold by the Group to Century Ruifeng was RMB736 million in the first half of 2018, representing 1.0% of the operating revenue of the Group for the first half of 2018. The aggregate amount of commodity sold by Century Ruifeng to the Group was RMB138 million in the first half of 2018, representing 0.3% of the total purchase of the Group for the first half of 2018.

(3) Approval and execution of continuing connected/related transactions with Glencore Group

(i) 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, Glencore Coal Sales Framework Agreement (“this Agreement”) between Yancoal Australia and Glencore Coal Pty Ltd, together with the annual caps for such transaction for the years of 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 2018 annual cap for coal sales of the Group to Glencore Coal Pty Ltd and its subsidiaries was USD350 million. In the first half of 2018, the Group has sold coal to Glencore Coal Pty Ltd and its subsidiaries amounting approximately USD109 million, representing 1.0% of operating revenue of the Group for the six months ended 30 June 2018.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

(ii) 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 Coal Pty Ltd, together with the estimated maximum annual transaction amounts for such transaction for the years of 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 Coal Pty Ltd 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 Coal Pty Ltd not later than 3 business days after receiving payment from clients.

The 2018 estimated maximum annual transaction amount for coal purchase (on equity basis) of the Group from Glencore Coal Pty Ltd under HVO Sales Contract was USD750 million. In the first half of 2018, the Group has purchased coal from Glencore Coal Pty Ltd amounting USD136 million, representing 1.8% of total purchase amount of the Group for the six months ended 30 June 2018.

At the 2018 second extraordinary general meeting of the Company held on 24 August 2018, Glencore Coal Purchase Agreement between Yancoal Australia and Glencore Coal Pty Ltd, 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 2018 annual cap for coal purchase of the Group from Glencore Coal Pty Ltd and its subsidiaries under the Glencore Coal Purchase Agreement was USD350 million. In the first half of 2018, the Group has purchased coal from Glencore Coal Pty Ltd and its subsidiaries amounting about USD17 million, representing 0.2% of total purchase amount of the Group for the six months ended 30 June 2018.

(iii) 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 Coal Pty Ltd, 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 Coal Pty Ltd: (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 Coal Pty Ltd 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 Coal Pty Ltd in providing similar services without particular sites. Both parties agreed that Glencore Coal Pty Ltd 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.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

The 2018 maximum annual transaction amount for service purchase of the Group from Glencore Coal Pty Ltd was USD18 million. In the first half of 2018, this connected/related transaction involved USD1.04 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) Yancoal Australia – Sojitz Coal Sales Agreement between Yancoal Australia and Sojitz Corporation (“Sojitz”), a connected person of the Company, together with the annual caps for such transaction for the years of 2018 to 2020. (2) Syntech – Sojitz 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 cap for the above-mentioned two transactions was USD100 million and USD150 million, respectively, totaling USD250 million. In the first half of 2018, the Group has sold coal to Sojitz and its subsidiaries amounting approximately USD61 million, representing 0.5% of operating revenue of the Group for the six months ended 30 June 2018.

3. Undisclosed events in extraordinary announcements

Not applicable.

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

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

Not applicable

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

2. *Events that have disclosed in extraordinary announcements but have made progress or changes in subsequent implementation*

The acquisition of equity of Warkworth Joint Venture

As considered and reviewed at the fourth meeting of the seventh session of the Board dated 26 September 2017, Yancoal Australia was approved to exercise the call options of Warkworth Joint Venture, that was to purchase 28.898% interest formerly held by Mitsubishi Development Pty Ltd in Warkworth Joint Venture for a consideration of USD230 million. On 7 March 2018, Yancoal Australia exercised this call option.

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

3. *Events not disclosed in extraordinary announcements*

Unit: RMB'000

Connected parties	Relationship	Transaction	Transaction details	Pricing principle of connected transaction	Book value of transferred assets	Appraisal value of transferred asset	Transferred price	Settlement way	Earning from assets transfer	Impact of transaction on operating result and financial conditions	Reasons for significant differences between transaction price and book value or assessed value and market fair value
Yankuang Science & Technology Co., Ltd	A wholly-owned subsidiary of the parent company	Equity acquisition	19% equity acquisition of Blue Sky Company held by Yankuang Science & Technology Co., Ltd	Pricing based on assessed value	6,891	8,254	8,254	Installment	Not applicable.	There won't have material impact on operating result and financial conditions of the Company at present and in the future.	Not applicable.
Shandong Rongyujing Venture Capital Co., Ltd.	A controlled subsidiary of the parent company	Equity acquisition	10% equity acquisition of Blue Sky Company held by Shandong Rongyujing Venture Capital Co., Ltd.	Pricing based on assessed value	3,627	4,344	4,344	Installment	Not applicable.	There won't have material impact on operating result and financial conditions of the Company at present and in the future.	Not applicable.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Explanation on connected/related transactions of asset acquisition/sales

As considered and reviewed at the general manager work meeting held on 30 July 2018, the Company was approved to acquire 19% equity interests of Blue Sky Company held by Yankuang Science & Technology Co., Ltd. and 10% equity interests of Blue Sky Company held by Shandong Rongyujing Venture Capital Co., Ltd. As the above-mentioned 2 companies are the subsidiaries of Yankuang Group, the controlling shareholder of the Company, the equity acquisitions of these two companies were recognized as connected/related transactions.

According to the resolution passed at the general manager work meeting, the acquisition price shall be determined on the basis of assessment value made by third party evaluation report, namely, acquisition of 19% equity interests of Blue Sky Company held by Yankuang Science & Technology Co., Ltd. and 10% equity interests of Blue Sky Company held by Shandong Rongyujing Venture Capital Co., Ltd. shall pay RMB8.254 million and RMB4.344 million, respectively.

As at the disclosure date of this Interim Report, this transaction is following relevant approval procedures.

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

Not applicable.

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

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

Not applicable.

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

Not applicable.

3. *Events not disclosed in extraordinary announcements*

Not applicable.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

(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 during implementation*

Not applicable.

3. *Events not disclosed in extraordinary announcements*

Unit: RMB100 million

Connected parties	Connection	Fund provided to connected parties			Fund provided to the Company by connected parties		
		Balance at the beginning	Amount occurred	Closing balance	Balance at the beginning	Amount occurred	Closing balance
Yankuang Group	Controlled shareholder	63.97	52.77	75.91	103.75	125.29	122.87
Century Ruifeng	Other related party	3.18	9.45	0.07	0	3.35	0.0009
Glencore Coal Pty Ltd and its subsidiaries	Other related party	0	7.00	0	0.55	10.11	0
Sotijz Group and its subsidiaries	Other related party	0	3.93	0	0	0	0
Total		67.15	73.15	73.15	104.30	138.75	122.87

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

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

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

XI. MATERIAL CONTRACTS AND PERFORMANCE

(I) Trust, Contract or Lease

Not applicable.

(II) Guarantees

Unit: RMB100 million

Total amount of guarantee 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
Guarantees to subsidiaries by the Company	
Total amount of guarantee to subsidiaries during the reporting period	92.58
Total balance of guarantee to subsidiaries by the end of the reporting period (B)	397.86
Total guarantees (including guarantees to subsidiaries)	
Total amount of guarantees (A+B)	397.86
Percentage of total amount of guarantee in the net assets of the Company (%)	69.34%
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)	95.89
Total amount of guarantee exceeding 50% of net assets (E)	110.98
Total amount of the above 3 categories guarantees (C+D+E)	206.87
Explanation on joint and several liabilities that may undertake for undue guarantees	None

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Guarantee explanations

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

As approved at the 2011 annual general meeting, Yancoal Australia, a controlled subsidiary of the Company, took a bank loan of USD3.04 billion for acquisition of equity interests. As at 30 June 2018, the balance of the above bank loan was USD2.045 billion. The Company provided the guarantees of USD1.43 billion and RMB5.141 billion to Yancoal Australia.

As approved at the 2012 second extraordinary general meeting, the Company provided guarantees to its wholly-owned subsidiary, Yancoal International Resources, for issuing USD1.0 billion corporate bonds in the overseas market. As at 30 June 2018, the balance of the above guarantee was USD227.62 million.

As approved at the 2012 annual general meeting, the Company provided guarantee of RMB2.081 billion for a bank loan of USD300 million benefiting its wholly-owned subsidiary, Yancoal International. As at 30 June 2018, the balance of the above guarantee was USD200 million.

As approved at the 2014 annual general meeting, the Company issued a bank guarantee for a bank loan of USD100 million benefiting its wholly-owned subsidiary, Yancoal International. As at 30 June 2018, the balance of the above guarantee was USD100 million.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

As approved at the 2015 annual general meeting, the Company provided guarantee in the amount of USD20 million for its wholly-owned subsidiary, Yancoal International Trade Co, LTD. As at 30 June 2018, the balance of the above guarantee was USD20 million.

As approved at the 2016 annual general meeting, the Company issued a bank guarantee for a bank loan of USD190 million benefiting its wholly-owned subsidiary, Yancoal International. As at 30 June 2018, the balance of the above guarantee was USD190 million.

As approved at the 2016 annual general meeting, the Company provided guarantee to its wholly-owned subsidiary, Yancoal International Resources for bonds issuance amounting to USD500 million. As at 30 June 2018, the balance of the above guarantee was USD500 million.

As approved at the 2016 annual general meeting, the Company provided guarantee in the amount of RMB2.1 billion for Qingdao Zhongyin Ruifeng, a controlled subsidiary of the Company. As at 30 June 2018, the balance of the above guarantee was RMB900 million.

As approved at the 2016 annual general meeting, the Company provided guarantee in the amount of RMB2.294 billion for Zhongyin Financial Leasing, a controlled subsidiary of the Company. As at 30 June 2018, the balance of the above guarantee was RMB1.508 billion.

As approved at the 2016 annual general meeting, the Company provided guarantee in the amount of RMB1 billion for Qingdao Bonded Zone Zhongyan Trade Co., Ltd. (“Qingdao Zhongyan”), a wholly-owned subsidiary of the Company. As at 30 June 2018, the balance of the above guarantee was RMB1 billion.

As at 30 June 2018, Yancoal Australia and its subsidiaries produced performance deposits and performance guarantees in a total of AUD890 million due to operational necessity.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

2. Guarantees arising during the reporting period

As approved at the 2016 annual general meeting of the Company, during the reporting period, the Company has provided guarantees to its controlled subsidiaries, Qingdao Zhongyin Ruifeng and Zhongyin Financing Leasing of RMB1.3 billion and RMB1.15 billion, respectively; the Company has provided to its wholly-owned subsidiaries, Qingdao Zhongyan, Yancoal International Trading Co., Ltd and Yancoal International of RMB850 million, USD50 million and HKD1.569 billion, respectively.

During the reporting period, the Company has provided guarantees to its controlled subsidiary, Qingdao Zhongyin Ruifeng and wholly-owned subsidiary, Qingdao Zhongyan of USD50 million and RMB180 million, respectively, which were all reviewed and approved at the 2017 annual general meeting of the Company.

As 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 totaled AUD780 million due to operational necessity.

Note:

The above table was prepared in accordance with the CASs and calculated at USD/RMB exchange rate of 6.6166, AUD/RMB exchange rate of 4.8633 and HKD/RMB exchange rate of 0.8431 on 30 June 2018.

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.

3. Other Significant Contracts

Not applicable.

4. Other Significant Events

(1) *Non-public issuance of A shares*

As reviewed and approved at the 2017 second extraordinary general meeting, the 2017 third class meeting of holders of A Shares and the 2017 third class meeting of the holders of H Shares held on 25 August 2017, the Company will issue non-public A Shares in an amount not exceeding 647 million shares (including 647 million shares) to specific investors, with issuing price not less than 90% of the average trading price of twenty days ahead of the date of pricing benchmark, which is the first day of the non-public issuance. The fund financed is expected to be an amount not exceeding RMB7 billion (the “Issuance”), 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 requirement of supervision department, combining the exchange rate of USD and market expectation, as considered and approved at the twelfth meeting of the seventh session of the Board of the Company held on 24 April 2018, the aggregate fund raising was changed to be an amount not exceeding RMB6.35 billion and the issuance is to be implemented upon review and approval by CSRC.

The validity period of the resolution relating to the Issuance 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 will expire on 24 August 2018). As the application of the Company for the Issuance is still under the reviewing process of CSRC, with consideration that the validity period of the resolution relating to the Issuance and the validity period of the authorization are both about to expire, in order to ensure the smooth progress of the Issuance, as approved at the 2018 second extraordinary general meeting of the Company, 2018 second class meeting of the holders of A shares and 2018 second class meeting of holders of H shares on 24 August 2018, the Company considered and approved to extend the validity of the resolution of the Issuance to 24 August 2019. As approved at the 2018 second extraordinary general meeting of the Company on 24 August 2018, the validity of the authorization to the Board to deal with matters relating to the Issuance was extended to 24 August 2019.

For details, please refer to the announcements dated 31 March 2017, 28 April 2017, 29 June 2017, 25 August 2017 and 15 December 2017 in relation to the non-public issuance, respectively, the announcement in relation to “Notice of Acceptance of the Application for Administrative Permission” issued by the 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 and 24 August 2018, which were posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company’s website and/or China Securities Journal, Shanghai Securities News and Securities Times.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

(2) *Change of the authorized representative on behalf of the Company and change of the principal place of business of the Company in Hong Kong*

As considered and approved at the tenth meeting of the seventh session of the Board of the Company held on 13 February 2018, Ms. Tina Law has ceased to act as the authorized representative for accepting service of process and notices on behalf of the Company in Hong Kong (the “Process Agent”) and Ms. Sharon Leung has been appointed as the Process Agent. And the principal place of business of the Company in Hong Kong has been changed to 18/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.

As considered and approved at the sixteenth meeting of the seventh session of the Board of the Company held on 6 August 2018, the principal place of business of the Company in Hong Kong has been changed to 40/F, Sunshine Center, 248 Queen’s Road East, Wanchai, Hong Kong.

For details, please refer to the announcement in relation to resolution passed at the tenth meeting of the seventh session of the Board dated 13 February 2018 and the resolution passed at the sixteenth meeting of the seventh session of the Board dated 6 August 2018, which were posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company’s website and/or China Securities Journal and Shanghai Securities News and Securities Times.

(3) *Subscription of placing H shares in Zheshang Bank*

As considered and approved at the eleventh meeting of the seventh session of the Board of the Company held on 23 March 2018, through Yancoal International, an overseas wholly-owned subsidiary of the Company, as the subscribing subject, to subscribe for the placing H shares in Zheshang Bank, by payment of HKD4.8 per share, the number of the shares subscribed was 420 million (“this investment”) and this transaction was completed on 29 March 2018.

Zheshang Bank established placement agreement on 23 March 2018 for placing 759 million H shares (“the offer”), which accounted for approximately 4.23% and 4.05% of its total capital shares before and after placing, respectively, as well as 20% and approximately 16.67% of its existing total capital H shares before and after placing, respectively.

Before this investment, the Company held approximately 514 million H shares of Zheshang Bank, accounting around 2.86% of its total capital share before placing. And based on the number of H shares placing by Zheshang Bank and number of shares subscribed by the Company, upon this investment, the Company would hold about 934 million shares of Zheshang Bank, accounting for approximately 4.99% of its total capital shares after this placing.

For details, please refer to the announcement passed at the eleventh meeting of the seventh session of the Board of the Company dated 23 March 2018, subscription of placing H shares in Zheshang Bank and external investment announcement, which were posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company’s website and/or China Securities Journal, Shanghai Securities News and Securities Times.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

(4) *Change of representative of securities affairs of the Company*

Upon the consideration and approval by the Board of the Company, at the thirteenth meeting of the seventh session of the Board held on 27 April 2018, the Company appointed Ms. Xiang Ying as the representative of securities affairs to assist the secretary to the Board in her performance of duty.

For details, please refer to the announcement in relation to the change of representative of securities affairs of the Company dated 27 April 2018, which was posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times.

(5) *Allotment of new shares of Yancoal Australia Limited and the listing of such shares on the ASX and/or the Hong Kong Stock Exchange*

At the fifteenth meeting of the seventh session of the Board of the Company held on 29 June 2018, Yancoal Australia Ltd, a controlled overseas subsidiary of the Company, was approved to allot new shares and list them on the Australian Securities Exchange (the "ASX") and/or the Hong Kong Stock Exchange (the "Offer"); to approve the Company to forego/renounce its entitlement to subscribe for any shares offered to it in the Offer; to authorize the chairman of the Company or its authorized representative to take full authority to deal with all the matters in relation to the Company in the Offer. The Offer is still subject to the approvals of the Hong Kong Stock Exchange.

For details, please refer to the announcement passed at the fifteenth meeting of the seventh session of the Board of the Company dated 29 June 2018 and the indicative announcement in relation to Yancoal Australia, a controlled subsidiary of the Company, applying on dual primary listing on the Hong Kong Stock Exchange, which were posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times.

(6) *Establishment of Xinyinlian Co. Ltd. by joint venture*

As reviewed and approved at the general manager work meeting of the Company held on 16 July 2018, Yancoal International, a wholly-owned subsidiary of the Company, and Ronghui International Group jointly established Xinyinlian Co., Ltd with registered capital of USD60 million, of which, Yancoal International holding 51% and Ronghui International Group holding 49%.

(7) *Adjust the Department and Organization of the Company*

As reviewed and approved at the tenth meeting of the seventh session of the Board of the Company held on 13 February 2018, some departments of the Company were adjusted. Information management department was cancelled with all its functions including ERP and internal control and staff were entirely integrated into Accounting Service Center. Production Technology Department (Ventilation & Gas Monitoring Department) and Safety Supervision Department (Control & Coordination Center) no longer worked jointly. Production Technology Department (Ventilation & Gas Monitoring Department) was divided into Production Technology Department and Ventilation & Gas Monitoring Department; Safety Supervision Department (Control & Coordination Center) was divided into Safety Supervision Department and Control & Coordination Center.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

For details, please refer to the announcement of resolutions passed at the tenth meeting of the seventh session of the Board of the Company held on 13 February 2018, which was posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company's website and/or China Securities Journal and Shanghai Securities news.

XII. PERFORMANCE OF POVERTY ALLEVIATION BY THE COMPANY

1. Precise poverty alleviation plan

Pursuant to relevant precise poverty alleviation policies issued by the State and based on actual conditions of the Company, the Group undertook the social responsibilities in an active manner, carried out all kinds of precise poverty alleviation works, pursued development with local community and contributed to social harmony so as to make contributions to poverty alleviation campaign.

2. Summary of precise poverty alleviation for the reporting period

In the first half of 2018, the Group proactively undertook social responsibilities in all manners and carried out all kinds of accurate poverty alleviation works. Pursuant to relevant accurate poverty alleviation policies issued by Shandong Provincial Party committee and Shandong Provincial Government, the Company accredited three chief secretaries targeted to help three poverty-stricken villages in Heze City in respect of party construction, infrastructure construction, industry development and poverty-stricken households, providing poverty alleviation fund of RMB2.2 million in total. In an active response to poverty alleviation plan by Yuncheng County, Heze Neng Hua donated RMB1.9 million to poverty alleviation office of Yuncheng County for its poverty relief and development, provided coal for heating in winter of 2,285.58 tons, which totalled approximately RMB1.2 million. Rongxin Chemicals of Ordos Neng Hua donated poverty relief fund of RMB300,000 to Dalad Banner economic development zone in Inner Mongolia. Anyuan coal mine of Ordos Neng Hua offered coal of 4,651 tonnes equivalent to about RMB1.04 million in total for heating in winter as well as for daily life of residents, which has set up a favourable image of external development of the Company. The Group maintained to implement accurate poverty alleviation campaigns in Shandong headquarters: consolation fund of RMB5.05 million has been despatched to 5,618 needy families of the workers and staff, over RMB300,000 of relief fund has been granted to more than 100 unsupported members of deceased families and over RMB260,000 of relief fund has been provided to 342 Communist Party of China ("CPC") members with difficulties in live hood and at venerable age as well as old cadres.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

3. Achievement on precise poverty alleviation

Unit: RMB10 thousand

Indicators	Amount of Investment and Implementation
I. Overview	1,320
including, 1. Poverty alleviation fund	1,096
2. Material equivalent in RMB	224
II. Investment by items	
1. Social poverty alleviation	440
including, 1.1 Investment amount for poverty alleviation in eastern and western areas	30
1.2 Investment amount for poverty alleviation in targeted areas	410
2. Other projects	880
including, 2.1 Number of projects	5
2.2 Amount of investment	880
2.3 Explanation on other projects	Provide coal to poverty relief areas, help workers and families with livelihood difficulties as well as unsupported members of deceased families, help old CPC members with livelihood problems.

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

Pursuant to relevant accurate poverty alleviation policies issued by Shandong Provincial Party committee and Shandong Provincial Government, the Company accredited three chief secretaries targeted to help three poverty-stricken villages in Heze City and formulated a two-year work plan. In the first half of 2018, the Company has provided poverty alleviation fund of RMB2.2 million for infrastructure construction, industry development and poverty-stricken households.

5. Following 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 2018, the Company will continue to adopt a series of measures based on its own situation to ensure the effectiveness of targeted poverty alleviation in compliance with the relevant poverty alleviation requirements by the state government and local authorities.

XIII.CONVERTIBLE CORPORATE BONDS

Not applicable.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

XIV. ENVIRONMENTAL PROTECTION PRACTICES

(I) Explanation on Environmental Protection Practices of the Company and its 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 engages 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 (GB 20426-2006) and National Comprehensive Working Plan for Energy Conservation and Emission Reduction for the Thirteenth Five-Year Plan Period.

In the first half of 2018, the coal mines affiliated to the Group 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 equipped with sound facilities for exhaust gas management, which operated in a stable manner, and the discharge of main pollutants, such as smoke dust, SO₂, nitrogen oxide etc. meet all discharging standards. The chemical plants affiliated to the Group 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, SO₂, nitrogen oxide etc. meet all discharging standards. The Group has been improving its environmental protection management system, standardizing its management processes and working procedures for energy conservation and emission reduction, so as to prevent environmental pollution and ecological damage from the beginning and to strive to build itself into a resource-saving and environmental friendly company.

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

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

- (1) Nantun Coal Mine (Key pollutant discharging entity in Shandong Province)

Types of pollutant: Industrial wastewater

Main pollutants: Chemical oxygen demand (COD), ammonia nitrogen

Discharging method: discharging to receiving water body after processing in sewage treatment station

Discharging standard: Pollutant Discharging Standard for Coal Industry (GB20426-2006), Shandong Provincial Comprehensive Discharging Standard for Water Pollutant along South Water to North Infrastructures (DB37/599-2006)

Annual pollutant discharging permission volume: 24.1 tonnes of COD, 0.65 tonnes of ammonia nitrogen

Actual discharging volume: discharge zero tonne of COD and zero tonne of ammonia nitrogen in first half of 2018

- (2) Dongtan Coal Mine (Key industrial wastewater discharging entity in Shandong Province, National key pollutant discharging entity of household wastewater)

Types of pollutant: Industrial wastewater, household wastewater

Main pollutants: Chemical oxygen demand (COD), ammonia nitrogen

Discharging method: discharging to receiving water body after processing in sewage treatment station

Discharging standard: Pollutant Discharging Standard for Coal Industry (GB20426-2006), Shandong Provincial Comprehensive Discharging Standard for Water Pollutant along South Water to North Infrastructures (DB37/599-2006), Pollutant Discharging Standard for Urban Sewage Water Treatment Plant (GB18918-2002)

Annual pollutant discharging permission volume: 9.78 tonnes of COD, 0.4 tonnes of ammonia nitrogen

Actual discharging volume: discharge 1.52 tonnes of COD and 0.22 tonnes of ammonia nitrogen in the first half year of 2018

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

- (3) Baodian Coal Mine (Key pollutant discharging entity in Shandong Province)

Types of pollutant: Industrial wastewater, household wastewater

Main pollutants: Chemical oxygen demand (COD), ammonia nitrogen

Discharging method: discharging to receiving water body after processing in sewage treatment station

Discharging standard: Pollutant Discharging Standard for Coal Industry (GB20426-2006), Shandong Provincial Comprehensive Discharging Standard for Water Pollutant along South Water to North Infrastructures (DB37/599-2006)

Annual pollutant discharging permission volume: 103.81 tonnes of COD, 5.4 tonnes of ammonia nitrogen

Actual discharging volume: discharge 21.67 tonnes of COD and 0.06 tonnes of ammonia nitrogen in the first half year of 2018

- (4) Xinglongzhuang Coal Mine (Key industrial wastewater discharging entity in Shandong Province, National key pollutant discharging entity of household wastewater)

Types of pollutant: Industrial wastewater, household wastewater

Main pollutants: Chemical oxygen demand (COD), ammonia nitrogen

Discharging method: discharging to receiving water body after processing in sewage treatment station

Discharging standard: Pollutant Discharging Standard for Coal Industry (GB20426-2006), Shandong Provincial Comprehensive Discharging Standard for Water Pollutant along South Water to North Infrastructures (DB37/599-2006), Pollutant Discharging Standard for Urban Sewage Water Treatment Plant (GB18918-2002)

Annual pollutant discharging permission volume: 109 tonnes of COD, 5.5 tonnes of ammonia nitrogen

Actual discharging volume: discharge 1.83 tonnes of COD and 0.20 tonnes of ammonia nitrogen in the first half year of 2018

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

- (5) Jining II Coal Mine (Key pollutant discharging entity in Shandong Province)

Types of pollutant: Industrial wastewater, household wastewater

Main pollutants: Chemical oxygen demand (COD)

Discharging method: discharging to receiving water body after processing in sewage treatment station

Discharging standard: Pollutant Discharging Standard for Coal Industry (GB20426-2006), Shandong Provincial Comprehensive Discharging Standard for Water Pollutant along South Water to North Infrastructures (DB37/599-2006)

Annual pollutant discharging permission volume: 30.7 tonnes of COD

Actual discharging volume: discharge 11.17 tonnes of COD in the first half year of 2018

- (6) Jining III Coal Mine (Key pollutant discharging entity in Shandong Province)

Types of pollutant: Industrial wastewater, household wastewater

Main pollutants: Chemical oxygen demand (COD)

Discharging method: discharging to receiving water body after processing in sewage treatment station

Discharging standard: Pollutant Discharging Standard for Coal Industry (GB20426-2006), Shandong Provincial Comprehensive Discharging Standard for Water Pollutant along South Water to North Infrastructures (DB37/599-2006)

Annual pollutant discharging permission volume: 40.48 tonnes of COD

Actual discharging volume: discharge 2.84 tonnes of COD in the first half year of 2018

- (7) Yangcun Coal Mine (Key pollutant discharging entity in Shandong Province)

Types of pollutant: Industrial wastewater, household wastewater

Main pollutants: Chemical oxygen demand (COD)

Discharging method: discharging to receiving water body after processing in sewage treatment station

Discharging standard: Pollutant Discharging Standard for Coal Industry (GB20426-2006), Shandong Provincial Comprehensive Discharging Standard for Water Pollutant along South Water to North Infrastructures (DB37/599-2006)

Annual pollutant discharging permission volume: 33.19 tonnes of COD

Actual discharging volume: discharge 14.47 tonnes of COD in the first half year of 2018

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

- (8) Heze Zhaolou Coal Mine (Key pollutant discharging entity in Shandong Province)

Types of pollutant: Industrial wastewater, household wastewater

Main pollutants: Chemical oxygen demand (COD)

Discharging method: discharging to receiving water body after processing in sewage treatment station

Discharging standard: Pollutant Discharging Standard for Coal Industry (GB20426-2006), Shandong Provincial Comprehensive Discharging Standard for Water Pollutant along South Water to North Infrastructures (DB37/599-2006)

Annual pollutant discharging permission volume: 95.42 tonnes of COD

Actual discharging volume: discharge 5.56 tonnes of COD in the first half year of 2018

- (9) Yanzhou Coal Mining Engineering Company Limited (Key pollutant discharging entity in Shandong Province)

Types of pollutant: Industrial wastewater, household wastewater

Main pollutants: Chemical oxygen demand (COD)

Discharging method: discharging to receiving water body after processing in sewage treatment station

Discharging standard: Pollutant Discharging Standard for Coal Industry (GB20426-2006), Shandong Provincial Comprehensive Discharging Standard for Water Pollutant along South Water to North Infrastructures (DB37/599-2006)

Annual pollutant discharging permission volume: 12.53 tonnes of COD

Actual discharging volume: discharge 2.58 tonnes of COD in the first half year of 2018

- (10) Power Generation Plant of Huaju Energy and Zhaolou Power Generation Plant of Heze Neng Hua (National key pollutant discharging entity)

Types of pollutant: boiler smoke and gas

Main pollutants: PM (particulate matter), SO₂, NO_x

Discharging method: discharged to the air after purification

Discharging standard: Shandong Province Air Pollutants Discharge Standards for Coal-burned Power Plant (DB37/664-2013)

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Annual pollutants discharging permission volume: PM127.2 tonnes, SO₂ 593.1 tonnes, NO_x 1,246.6 tonnes

Actual discharging volume: discharged 14 tonnes of PM, 41 tonnes of SO₂, 298 tonnes of NO_x in the first half year of 2018

- (11) Tianchi Coal Mine of Shanxi Neng Hua (Key pollutant discharging entity of Jinzhong City)

Types of pollutant: boiler smoke and gas, industrial waste water, household wastewater

Main pollutants: SO₂, NO_x, COD

Discharging method: smoke and gas discharged to the air after purification, and the waste water recycled for reutilization after treatment in waste water treatment station and not discharged at all

Discharging standard: Air Pollutants Discharge Standards for Boilers (GB13271-2014), Pollutant Discharging Standard for Coal Industry (GB20426-2006)

Annual pollutants discharging permission volume: SO₂ 46.82 tonnes, NO_x 46.82 tonnes, COD 25 tonnes

Actual discharging volume: discharged 24.52 tonnes of SO₂, 13.22 tonnes of NO_x and zero tonnes of COD in the first half year of 2018

- (12) Methanol Plant of Yulin Neng Hua (National key pollutant discharging entity)

Types of pollutant: boiler smoke and gas, industrial waste water, household wastewater

Main pollutants: SO₂, NO_x, COD, ammonia nitrogen

Discharging method: smoke and gas discharged to the air after purification, and the waste water recycled for reutilization after treatment in waste water treatment station and not discharged at all

Discharging standard: Air Pollutants Discharge Standards for Boilers (GB13271-2014), Comprehensive Waste Water Discharging Standard (GB 8978-1996)

Annual pollutants discharging permission volume: SO₂ 1,195.61 tonnes, NO_x 542.18 tonnes, COD 129.2 tonnes, ammonia nitrogen 31.1 tonnes

Actual discharging volume: discharged 269.6 tonnes of SO₂, 171.3 tonnes of NO_x and 32.55 tonnes of COD, and 2.77 tonnes of ammonia nitrogen in the first half year of 2018

- (13) Rongxin Chemicals of Ordos Neng Hua (National key pollutant discharging entity)

Types of pollutant: boiler smoke and gas, industrial waste water, household wastewater

Main pollutants: SO₂, NO_x, COD, ammonia nitrogen

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

Discharging method: smoke and gas discharged to the air after purification, and the waste water recycled for reutilization after treatment in waste water treatment station and not discharged at all

Discharging standard: Air Pollutants Discharge Standards for Boilers (GB13271-2014), Comprehensive Waste Water Discharging Standard (GB 8978-1996)

Annual pollutants discharging permission volume: SO₂ 1003.8 tonnes, NO_x 950 tonnes, COD 80 tonnes, ammonia nitrogen 14.4 tonnes

Actual discharging volume: discharged 104.27 tonnes of SO₂, 287.05 tonnes of NO_x and zero tonnes of COD, and zero tonnes of ammonia nitrogen in the first half year of 2018

(14) Zhuanlongwan Coal Mine of Ordos Neng Hua (Ordos City key pollutant discharging entity)

Types of pollutant: boiler smoke and gas, industrial waste water, household wastewater

Main pollutants: SO₂, NO_x, COD

Discharging method: smoke and gas discharged to the air after purification, and the waste water recycled for reutilization after treatment in waste water treatment station and not discharged at all

Discharging standard: Air Pollutants Discharge Standards for Boilers (GB13271-2014)

Annual pollutants discharging permission volume: SO₂ 94.07 tonnes, NO_x 81.16 tonnes

Actual discharging volume: discharged 8.18 tonnes of SO₂, 21.01 tonnes of NO_x and zero tonne of COD in the first half year of 2018.

2. *Construction and operation of pollution prevention and control facilities*

(1) Nantun Coal Mine

Nantun Coal Mine has established a mine water treatment station and a household wastewater treatment station as required, which are all in normal operation.

(2) Xinglongzhuang Coal Mine

Xinglongzhuang Coal Mine has established a mine water treatment station and a household wastewater treatment station as required, which are all in normal operation.

(3) Baodian Coal Mine

Baodian Coal Mine has established a mine water treatment station and a household wastewater treatment station as required, which are all in normal operation.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

(4) Dongtan Coal Mine

Dongtan Coal Mine has established a mine water treatment station and a household wastewater treatment station as required, which are all in normal operation.

(5) Jining II Coal Mine

Jining II Coal Mine has established a mine water treatment station and a household wastewater treatment station as required, which are all in normal operation.

(6) Jining III Coal Mine

Jining III Coal Mine has established a mine water treatment station, a household wastewater treatment station and an industrial wastewater treatment station as required, which are all in normal operation.

(7) Yangcun Coal Mine

Yangcun Coal Mine has established a mine water treatment station and a household wastewater treatment station as required, which are all in normal operation.

(8) Yanzhou Coal Mining Engineering Company Limited

Yanzhou Coal Mining Engineering Company Limited has established a household wastewater treatment station, which is in normal operation.

(9) Zhaolou Coal Mine, Heze Neng Hua

Zhaolou Coal Mine has established a mine water treatment station and a household wastewater treatment station as required, which are all in normal operation.

(10) Power plants of Huaju Energy and Zhaolou Power Plant, Heze Neng Hua

Equipped with de-dusting, desulfurization and de-nitration facilities, the power plants of Huaju Energy and Zhaolou have 16 boilers of 2,030 steam tonnes in total, which have completed ultra-low emission retrofit and are in normal operation.

(11) Tianchi Coal Mine, Shanxi Neng Hua

Tianchi Coal Mine has established a mine water treatment station and a household wastewater treatment station as required, which are all in normal operation. Moreover, the coal mine has a boiler house and 3 boilers (1 boiler of 15 steam tonnes and 2 boilers of 6 steam tonnes), which are equipped with de-dusting, and desulfurization facilities and are in normal operation.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

(12) Methanol plant of Yulin Neng Hua

Methanol plant of Yulin Neng Hua has an industrial wastewater treatment station in normal operation and 3 coal fines boilers of 260 steam tons, which are all equipped with de-dusting, desulfurization and de-nitration facilities and are in normal running.

(13) Rongxin Chemicals, Ordos Neng Hua

Rongxin Chemicals has established a mine water treatment station and a domestic sewage treatment station as required, which are all in normal operation. Moreover, Rongxin Chemicals has three units of 220 steam tonnes circulating fluidized bed boilers, which are all equipped with de-dusting, desulfurization and de-nitration facilities and are in normal running.

(14) Zhuanlongwan Coal Mine, Ordos Neng Hua

Zhuanlongwan Coal Mine has established a mine water treatment station and a domestic sewage treatment station as required, which are all in normal operation. Moreover, the coal mine has 3 boilers (two units of 20 steam tonnes boilers and one 6 steam tonnes), 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 the projects construction. The pollution control and ecological preservation projects and the main construction project are designed, constructed and put into use in the meantime according to requirements for environmental impact assessment and reply. After the trial 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 problems*

Each production unit of the Group have, on its own or authorized qualified units to prepare contingency plans for environmental emergencies, which will be 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 events so as to minimize or reduce environmental problems.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

5. *Environmental self-monitoring program*

Key pollution-discharging units of the Group 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 once every 2 hours and monitoring data connected with 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 once every 2 hours and monitoring data connected with 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 once every 2 hours and monitoring data connected with government monitoring platform in real time.

④ boiler smoke

On-line monitoring of SO₂, NO_x, smoke and dust is carried out by a third party as required once an hour and monitoring data are connected with government monitoring platform in real time.

⑤ online monitoring of PM10 in coal stockpile

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

(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 ringelmann emittance, smoke and dust, SO₂ and NO_x quarterly.

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

- 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 discharging entities

Not applicable.

(III) Explanation of reasons for non-disclosure of environmental information by companies other than key discharging entities

Not applicable.

(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

1. *Changes of Significant Accounting Policies*

During the reporting period, the Group adopts the new standards and interpretations and the newly-revised or amended standards and interpretations issued by International Accounting Standards Committee and International Financial Reporting Interpretations Committee, which is effective from 1st January 2018. For details of the changes of accounting policy and their impact to the Group, please refer to the note headed “Significant Accounting Policies” to the financial statement prepared under IFRS.

2. *Changes of Important Accounting Estimation and Accounting Method*

Not applicable.

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

Not applicable.

(III) Others

(Prepared in accordance with the Hong Kong Listing Rules)

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

Mandate granted from general meeting to issue additional H Shares and repurchase H Shares

As at the 2017 annual general meeting dated 25 May 2018, the Board was granted a general mandate to issue additional H Shares during the relevant authorized period. Under the general mandate, the Board is authorized to issue or not to issue additional H Shares not exceeding 20% of the aggregate nominal value of H Shares in issue as at the date of passing the resolution during the relevant authorized period according to the needs and market conditions upon obtaining approvals from the relevant regulatory authorities and complying with the relevant laws, regulations and the Articles.

As at the 2017 annual general meeting, the 2018 first class meeting of holders of A shares and the 2018 first class meeting of holders of H shares dated 25 May 2018, the Board was granted a general mandate separately. Under the general mandate, the Company was authorized to repurchase H Shares not exceeding 10% of the aggregate nominal value of H Shares in issue as at the date of passing the resolution according to the needs and market conditions upon obtaining approvals from the relevant regulatory authorities and complying with the relevant laws, regulations and the Articles.

As at the disclosure 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.

2. *Remuneration policy*

The remuneration for the Directors, Supervisors and senior management is proposed to the Board by the remuneration committee under the Board. Upon review and approval by the Board, any remuneration proposal for the Directors and Supervisors will be proposed to the general meeting for approval. The remuneration for the senior management is reviewed and approved by the Board.

The Company adopts a combined annual remuneration, risk control and special contribution award system as the means for assessing and rewarding the Directors and senior management. The annual remuneration consists of annual basic salary and annual performance salary. The annual basic salary is comprehensively determined according to the operational scale, profitability, operating management difficulty and employees' income of the Company, whereas annual performance salary is determined by the actual operational results of the Company. The annual basic salaries for the Directors and senior management of the Company are pre-paid on a monthly basis and the annual performance salaries are cashed after the audit assessment to be carried out in the following year.

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

CHAPTER 5 SIGNIFICANT EVENTS – CONTINUED

3. *Auditors*

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

XVI. CORPORATE GOVERNANCE

(I) Corporate Governance

(Prepared 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. Based on the actual operational needs of the Company and its subsidiaries and the changes in the calculation method of the total market capitalization of A+H shares in the Hong Kong Stock Exchange, the Company revised the relevant terms of the business scope and total market capitalization in the Articles. Formulated the “Management System of the Company’s Shares Held by the Board of Directors, the Board of Supervisors, Senior Management and Internal Information Insiders” to further standardize the behavior of the Company’s Directors, Supervisors, Senior Management and internal information insiders while increasing or decreasing their holding of Company’s stocks, which is more stringent than the Code for Securities Transactions of the Management, which was repealed accordingly; the “Administrative Measures for the Personnel Arranged by Yanzhou Coal Mining Co., Ltd.” has been formulated, which has increased the performance requirements for the directors, supervisors and senior management personnel of the ownership company, and strengthened the control of the ownership company.

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 report 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 etc.. As at the date of disclosure of this Interim Report, 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 2017 annual report of the Company.

Having made specific enquiries with all the Directors and Supervisors, the Directors and Supervisors have strictly complied with codes set out in Appendix 10 to Hong Kong Listing Rules headed Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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 optimizing 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 mutual communications with the capital market through face-to-face meetings at international and domestic road-shows, attendance in investment strategy meetings organized by brokers at home and abroad, inviting investors for Company site visits as well as many other means like making full use of "SSE E-interactive Platform", hotlines, faxes and e-mails. The company has had 650 contacts with analysts, fund managers and investors.

CHAPTER 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Changes in Ordinary Shares

1. Table of changes in ordinary shares

Unit: share

	Before change		Increase/Decrease (+, -)		After change	
	Shares	Percentage (%)	Others	Subtotal	Shares	Percentage (%)
I. Listed shares with restricted moratorium	130,500	0.0027	-10,000	-10,000	120,500	0.0025
1. State shareholding	0	0	0	0	0	0
2. Shareholding by state-owned legal person	0	0	0	0	0	0
3. Other domestic shareholding	130,500	0.0027	-10,000	-10,000	120,500	0.0025
Including: domestic shareholding by non-state-owned legal person	0	0	0	0	0	0
domestic shareholding by natural person	130,500	0.0027	-10,000	-10,000	120,500	0.0025
4. Foreign shareholding	0	0	0	0	0	0
II. Shares without trading moratorium	4,911,885,500	99.9973	10,000	10,000	4,911,895,500	99.9975
1. RMB ordinary shares	2,959,869,500	60.2577	10,000	10,000	2,959,879,500	60.2579
2. Foreign shares listed domestically	0	0	0	0	0	0
3. Foreign shares listed overseas	1,952,016,000	39.7396	0	0	1,952,016,000	39.7396
4. Others	0	0	0	0	0	0
III. Total share capital	4,912,016,000	100	0	0	4,912,016,000	100

CHAPTER 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS – CONTINUED

2. *Explanation on changes in ordinary shares*

The A Shares with restricted moratorium held by former chairman of the Supervisory Committee, Mr. Zhang Shengdong, have become unrestricted after six months since he resigned. For details, please refer to the section headed “Changes in Shares with Restricted Moratorium” in this chapter.

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

Not applicable.

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

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

(II) Changes in Shares with Restricted Moratorium

Unit: share

Name of shareholder	Number of shares with restricted moratorium at the beginning of the reporting period	Number of shares released from restricted moratorium	Increase in number of shares with restricted moratorium	Number of shares with restricted moratorium at the end of the reporting period	Reasons for restricted moratorium
Zhang Shengdong	10,000	10,000	0	0	Held by Directors, Supervisors and senior management
Total	10,000	10,000	0	0	/

Note: The shares held by Zhang Shengdong, former chairman of the Company’s Supervisory Committee was unrestricted due to his expiry of retirement for more than six months.

CHAPTER 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS – CONTINUED

II. SHAREHOLDERS

(I) Total Number of the Shareholders

Total number of ordinary Shareholders as at the end of the reporting period	72,951
Total number of preferred Shareholders with resumed voting right as at the end of the reporting period	0

(II) Top Ten Shareholders and Top Ten Shareholders Holding Tradable Shares (or Shares not Subject to Trading Moratorium) as at 30 June 2018

Unit: share

Name of shareholders (Full Name)	Shareholding of the top ten shareholders		Percentage (%)	Number of shares held with trading moratorium	Pledge or locked		Nature of shareholders
	Increase/ Decrease during the reporting period	Number of shares held by the end of the reporting period			Status	Name of shares	
Yankuang Group Co., LTD	-266,924,953	2,267,169,423	46.16	0	No	0	State-owned legal person
Hong Kong Securities Clearing Company (Nominees) Limited ("HKSCC (Nominees) Limited")	2,191,000	1,948,594,099	39.67	0	unknown	—	Overseas legal person
Central Huijin Assets Management Co., Ltd	0	19,355,100	0.39	0	No	0	State-owned legal person
National Social Security Fund 102 Combination	16,499,961	16,499,961	0.34	0	No	0	Others
China Construction Bank- Boshi Theme Industry Hybrid Securities Investment Fund (LOF)	16,000,054	16,000,054	0.33	0	No	0	Others
Abu Dhabi Investment Authority	5,768,741	12,726,989	0.26	0	No	0	Others
New China Life Insurance Co., Ltd.-Dividend-Group Annuity Insurance-018L- FH001 Shanghai	2,597,440	12,261,478	0.25	0	No	0	Others
Taiping Life Insurance Co., Ltd.-Dividend-Group Annuity Insurance	6,320,888	10,505,042	0.21	0	No	0	Others

CHAPTER 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS – CONTINUED

Shareholding of the top ten shareholders							
Name of shareholders (Full Name)	Increase/ Decrease during the reporting period	Number of shares held by the end of the reporting period	Percentage (%)	Number of shares held with trading moratorium	Pledge or locked		
					Status	Name of shares	Nature of shareholders
National Social Security Fund 403 Combination	7,884,351	7,884,351	0.16	0	No	0	Others
ICBC Ruixin Fund-ICBC- Specific customer asset management	6,818,890	6,818,890	0.14	0	No	0	Others

Top ten shareholders holding tradable shares not subject to trading moratorium

Name of shareholders	Number of tradable shares held	Class and number of shares held	
		Class of shares	Number of shares held
Yankuang Group Co., LTD	2,267,169,423	A shares	2,267,169,423
Hong Kong Securities Clearing Company (Nominees) Limited	1,948,594,099	H shares	1,948,594,099
Central Huijin Assets Management Co., Ltd	19,355,100	A shares	19,355,100
National Social Security Fund 102 Combination	16,499,961	A shares	16,499,961
China Construction Bank-Boshi Theme Industry Hybrid Securities Investment Fund (LOF)	16,000,054	A shares	16,000,054
Abu Dhabi Investment Authority	12,726,989	A shares	12,726,989
New China Life Insurance Co., Ltd.-Dividend-Group Annuity Insurance-018L-FH001 Shanghai	12,261,478	A shares	12,261,478
Taiping Life Insurance Co., Ltd.-Dividend-Group Annuity Insurance	10,505,042	A shares	10,505,042
National Social Security Fund 403 Combination	7,884,351	A shares	7,884,351
ICBC Ruixin Fund-ICBC-Specific customer asset management	6,818,890	A shares	6,818,890

Explanation on connected relationship or concerted action among the above shareholders

As at 30 June 2018, the subsidiary of Yankuang Group incorporated in Hong Kong held 180,000,000 H shares through HKSCC (Nominees) Limited. National Social Security Fund 102 Combination and China Construction Bank-Boshi Theme Industry Hybrid Securities Investment Fund (LOF) were controlled by the same fund manager. Apart from this, it is unknown whether other shareholders are connected with one another or whether any of these shareholders fall within the meaning of parties acting in concert.

Explanation on the preferred shareholders with resumed voting right and their corresponding number of shareholdings held

Not applicable.

CHAPTER 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS – CONTINUED

Notes:

1. The above information regarding “Total number of Shareholders” and “Top Ten Shareholders and Top Ten Shareholders holding tradable shares (or shares not subject to trading moratorium) as at 30 June 2018” is based on the register of members provided by China Securities Depository and Clearing Corporation Limited 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.
3. As at 30 June 2018, the 2,267,169,423 A shares of the Company were held by Yankuang Group, including 1,950,662,151 A shares held by Yankuang Group through its opened account; 316,507,272 A shares held by a guarantee and trust account jointly opened by Yankuang Group and CITIC Securities Co., Ltd., which provided stock guarantee for issuance of the exchangeable corporate bond.
4. In July 2018, Yankuang Group, via its wholly-owned subsidiaries Yankuang Group (Hong Kong) Co., Limited, increased its holding of the Company H shares by 97,989,000 shares, which resulted in Yankuang Group’s holding in the Company, directly and indirectly, increasing to 51.81%.

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

Not applicable.

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

Not applicable.

CHAPTER 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS – CONTINUED

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

As far as the Directors are aware, save as disclosed below, as at 30 June 2018, 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 way.

Name of substantial Shareholder	Class of shares	Capacity	Number of shares held (shares)	Nature of interests	Percentage in H Share capital of the Company	Percentage in total share capital of the Company
Yankuang Group	A Shares (state-owned legal person shares)	Beneficial owner	2,267,169,423	Long position	—	46.16%
		Beneficial owner	316,507,272	Short position	—	6.44%
Yankuang Group ^{Note 1}	H Shares	Interest of controlled corporations	180,000,000	Long position	9.22%	3.66%
BNP Paribas Investment Partners SA	H Shares	Investment manager	117,641,207	Long position	6.03%	2.39%
Black Rock, Inc.	H Shares	Interest of controlled corporations	97,716,264	Long position	5.01%	1.99%
			410,000	Short position	0.02%	0.01%

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 Hong Kong Stock Exchange at www.hkexnews.hk and information provided by China Securities Depository and Clearing Corporation Limited Shanghai Branch.

III. CHANGE OF CONTROLLED SHAREHOLDERS AND ACTUAL CONTROLLER

Not applicable.

CHAPTER 7 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGES IN SHAREHOLDING

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

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

Shareholding of the Company:

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

Unit: share

Name	Title	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Increase/Decrease during the reporting period
Li Xiyong	Director	10,000	10,000	0
Li Wei	Director	10,000	10,000	0
Wu Xiangqian	Director	10,000	10,000	0
Wu Yuxiang	Director	30,000	30,000	0
Guo Dechun	Director	0	0	0
Zhao Qingchun	Director	0	0	0
Guo Jun	Director	10,000	10,000	0
Kong Xiangguo	Independent Director	0	0	0
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
Tang Daqing	Supervisor	0	0	0
Liu Jian	Senior management	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
Jin Qingbin	Senior management	0	0	0

CHAPTER 7 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT – CONTINUED

As at the end of the reporting period, the current Directors, Supervisors and senior management together held 110,000 of the Company's A shares, representing 0.0022% of the total issued share capital of the Company.

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

Other explanation

Not applicable.

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

Not applicable.

II. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Not applicable

CHAPTER 7 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT – CONTINUED

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

(Prepared in accordance with the Hong Kong Listing Rules)

Title	Name	Before change	After change	Time of Changes
Chairman	Li Xiyong	Chairman of Yancoal International	–	4 January 2018
		Director, Chairman of Yancoal Australia	–	30 June 2018
Vice Chairman	Li Wei	–	Chairman of Yancoal International	4 January 2018
Director, General manager	Wu Xiangqian	–	Director of Yancoal International	4 January 2018
Director	Wu Yuxiang	Director of Yancoal International	–	4 January 2018
Director	Guo Dechun	Director, Chairman of Haosheng Coal	–	11 July 2018
		General manager of Ordos Neng Hua	–	11 July 2018
Director, CFO	Zhao Qingchun	–	Director of Yancoal International	4 January 2018
		Chairman of Supervisory Committee of Shandong Yanzhou Coal Shipping Co., Ltd.	–	31 January 2018
		–	Director of Yulin Neng Hua	28 May 2018
		Supervisor of Haosheng Coal	Director of Haosheng Coal	28 May 2018
Vice General Manager	Liu Jian	–	Director of Yancoal International	28 May 2018
Board secretary	Jin Qingbin	–	Director of Yancoal International	4 January 2018

CHAPTER 8 CORPORATE BONDS

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

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: RMB 100 million

Name	Abbreviation Code	Issue date	Maturity date	Balance	Interest rate (%)	Way to repay principal and interest	Trading place	
2012 Corporate Bond of Yanzhou Coal (second tranche)	12 Yanzhou Coal 04	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
2012 Corporate Bond of Yanzhou Coal (second tranche)	12 Yanzhou Coal 03	122271	3/3/2014	3/3/2019	19.50	5.92	Interest paid once a year, the entire principal repaid at one time at maturity, the final interest paid together with the principal.	Shanghai Stock Exchange
2012 Corporate Bond of Yanzhou Coal (first tranche)	12 Yanzhou Coal 02	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
2017 Renewable Corporate Bond of Yanzhou Coal (first tranche)	17 Yanzhou Coal Y1	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 Y1	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

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

Note: For 2017 Renewable Corporate Bond of Yanzhou Coal (first tranche) and 2018 Renewable Corporate Bond of Yanzhou Coal (first tranche) issued by Yanzhou Coal, 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 relevant bonds, no default event occurred.

Other explanation of corporate bond issues

Not applicable.

II. CONTACT INFORMATION OF CORPORATE BOND TRUSTEES AND CREDIT RATING AGENCIES

Bond trustee	Name	BOC International China Limited (“BOC International”)
	Office address	7/F, No. 110 Xidan North Avenue, Xicheng District, Beijing, PRC
	Contact person	He Yinhui
	Contact number	021-20328000
Bond trustee	Name	Ping An Securities Co., Ltd. (“Ping An Securities”)
	Office address	Floor 16-20, Rongchao Building, No. 4036 Jintian Road, Futian District, Shenzhen, China
	Contact person	Zhou Ziyuan
	Contact number	010-66299579
Credit rating agency	Name	Dagong Global Credit Rating Co., Ltd.
	Office address	29/F, Unit A, Eagle Run Plaza, No.26 Xiaoyun Road, Chaoyang District, Beijing, P.R.China
Credit rating agency	Name	China Chengxin Credit Rating Co., Ltd.
	Office address	21/F, Anji Building, 760 South Tibet Road, Shanghai

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

CHAPTER 8 CORPORATE BONDS – CONTINUED

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

III. USE OF PROCEEDS BY CORPORATE BONDS

The 2012 Corporate Bond of Yanzhou Coal (first tranche) and the 2012 Corporate Bond of Yanzhou Coal (second tranche) raised proceeds of RMB5 billion (before deducting issue expenses), respectively, with RMB10 billion funds raised in total. The whole proceeds were used to replenish working capital including technical improvement for old mines, construction on new mines, procurement and repair for mining and preparation equipment, and the continuous input to ensure the safety production of coal mines. It is consistent with the purpose of fund raising and use plan promised by the prospectus.

The bond balance of 2012 Corporate Bond of Yanzhou Coal (first tranche) was RMB4 billion. The bond balance 2012 Corporate Bond of Yanzhou Coal (second tranche) was RMB5 billion.

The Company publicly issued 2017 Renewable Corporate Bond of Yanzhou Coal (first tranche) and 2018 Renewable Corporate Bond of Yanzhou Coal (first tranche) to raised capital of RMB5 billion (before deducting issuing expenses), respectively, with RMB10 billion funds raised in total. The funds raised were used to repay the due debts and replenish the working capital, including the technical transformation of old mines, the construction of new mines, the procurement and maintenance of coal mining and preparation equipment, and the continuous investment needed to ensure the safe production of coal mines. It is consistent with the purpose of fund raising and use plan promised by the prospectus.

The balance of the 2017 renewable corporate bond of Yanzhou Coal (first tranche) is RMB5 billion. The balance of the 2018 renewable corporate bond of Yanzhou Coal (first tranche) is RMB5 billion.

IV. INFORMATION ON CREDIT RATING OF CORPORATE BONDS

1. On 19 April 2018, 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, 12 Yanzhou Coal 03 and 12 Yanzhou Coal 04 remain AAA. The relevant information has already been published on the website of the Shanghai Stock Exchange and the website of the Company on 19 May 2018 respectively. The credit rating remain unchanged indicates that the risk of bonds unable to repay at maturity is very low.
2. On 18 May 2018, the track ratings made by China Chengxin Securities Rating Co., Ltd. based on the conditions of the Company during the reporting period to 2017 Renewable Corporate Bond of Yanzhou Coal (first tranche) and 2018 Renewable Corporate Bond of Yanzhou Coal (first tranche) were as follows: The Company has a credit rating of AAA, and the rating outlook is stable; the credit rating for 17 Yanzhou Coal Y1 and 18 Yanzhou Coal Y1 remain AAA. The relevant information has already been published on the website of the Shanghai Stock Exchange and the website of the Company on 19 May 2018 respectively. The credit rating remain unchanged indicates that the risk of bonds unable to repay at maturity is very low.

CHAPTER 8 CORPORATE BONDS – CONTINUED

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

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.

(I) Guarantee

On 2 January 2012, the board of directors of Yankuang Group approved Yankuang Group to provide an irrevocable, unconditional and joint liability guarantee 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 financial data) are as follows:

Unit: RMB10 thousand

	30 June 2018	31 December 2017
Net assets	8,337,297	7,140,689
Liability to asset ratio	72.25%	73.74%
Return rate on net assets	1.41%	2.31%
Current ratio	1.20	1.20
Liquidity ratio	0.93	0.91
Credit status of guarantor	AAA	AAA
Accumulative balance of external guarantee	0	510,000
Accumulative balance of external guarantee to net assets ratio	0	3.57%

Note: "Accumulative balance of external guarantee" in above table exclude guarantee provided by Yankuang Group to its controlling subsidiaries.

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

CHAPTER 8 CORPORATE BONDS – CONTINUED

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

(II) Debt repayment scheme

The value date of 12 Yanzhou Coal 02 is 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 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 03 is 3 March 2014. Bond interest will be paid once a year within the duration from the value date. The payment date of 12 Yanzhou Coal 03 for the previous interest year from 2015 to 2019 is 3 March (extended accordingly to the next trading day when it is official holiday or rest day). The maturity date of 12 Yanzhou Coal 03 is 3 March 2019. The principal and the interest for the final tranche should be paid on the maturity date.

The value date of 12 Yanzhou Coal 04 is 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 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 3 March 2024. The principal and the interest for the final tranche should be paid on the maturity date.

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

The value date of 17 Yanzhou Coal Y1 is 17 August 2017. If the Company does not exercise the right of deferred payment of interest or no compulsory interest payment event occurs, the bond pays interest once a year for the duration of the bond, and on 17 August of each year during the duration (in case of statutory holidays or rest days, it is postponed to the next trading day) is the interest payment date of the last interest-bearing year. If the Company exercise the right of deferred payment of interest or no compulsory interest payment event occurs, on each interest payment date the Company can elect to postpone the payment of current-period interest, accrued postponed interest and fructus to next interest payment date for the next 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 with one cycle (i.e. 3 years); 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

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

The value date of 18 Yanzhou Coal Y1 is 26 March 2018. If the Company does not exercise the right of deferred payment of interest or no compulsory interest payment event occurs, the bond pays interest once a year for the duration of the bond, and on 26 March of each year during the duration (in case of statutory holidays or rest days, it is postponed to the next trading day) is the interest payment date of the last interest-bearing year. If the Company exercise the right of deferred payment of interest and no compulsory interest payment event occurs, on each interest payment date the Company can elect to postpone the payment of current-period interest, accrued postponed interest and fructus to next interest payment date for the next 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 with one cycle (i.e. 3 years); 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.

(III) 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 and interests of this bond in time, the Company undertakes to take the following measures to effectively protect the interest of bondholders: ① not to distribute profits to shareholders; ② postpone the implementation of significant external investment, merger and acquisition and other capital expenditure projects; ③ reduce or suspend the salaries and bonuses for directors and senior management; and ④ main responsibility person cannot be transferred.

(IV) 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 TRUSTEES

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

CHAPTER 8 CORPORATE BONDS – CONTINUED

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

3. The Company and Ping An Securities entered into the “Bond Trusteeship Agreement” in August 2017. Ping An Securities was appointed as the trustee of the 2018 Renewable Corporate Bonds (the first tranche) of the Company.

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS AS AT THE END OF THIS REPORTING PERIOD AND THE END OF 2017 (OR THIS REPORTING PERIOD AND THE SAME PERIOD OF THE PREVIOUS YEAR)

Main Indicators	As at the	As at the	Increase/Decrease
	end of this reporting period	end of 2017	for the period compared with that of the same period of the previous year (%)
Current ratio	1.04	1.05	-0.95
Quick ratio	0.95	0.94	1.06
Liability to asset ratio (%)	58.94	60.35	Decreased by 1.41 percentage points
Repayment ratio of borrowings (%)	100	100	0

	This reporting	The Same period	Increase/Decrease
	period (Jan-Jun)	of the previous year	for the period compared with that of the same period of the previous year (%)
EBITDA interest cover ratio	7.29	6.23	17.01
Interest cover ratio (%)	100	100	0

CHAPTER 8 CORPORATE BONDS – CONTINUED

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

IX. EXPLANATIONS ON OVERDUE DEBTS

Not applicable.

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

The Group paid the principal and interest of the USD bonds for a term of 10 years, the first tranche of the middle term instrument issued in 2015, the first tranche of the non-public issuance of debt financing instrument issued in 2015, and the USD perpetual bonds issued in 2017 on schedule without default. The Company paid the principal for all matured bonds and financing instruments during the reporting period without default.

XI. BANK CREDIT STATUS DURING THE REPORTING PERIOD

As at 30 June 2018, the total bank credit limit of the Company was RMB97.91 billion, of which, RMB48.87 billion has been used, RMB46.24 billion remained unused. In the first half of 2018, the Company repaid the principal and interest of bank loan amounting to RMB23.672 billion on schedule.

Save as disclosed above, there were no other extension, drawdown and default 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. EFFECT ON OPERATIONS AND DEBT PAYING ABILITY OF THE COMPANY BY SIGNIFICANT EVENTS

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

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

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2018

	NOTES	Period ended 30 June	
		2018	2017
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Gross sales of coal		29,930,796	21,119,153
Railway transportation service income		211,352	139,204
Gross sales of electricity power		296,754	238,514
Gross sales of methanol		1,673,666	1,311,280
Gross sales of heat supply		15,787	10,946
Gross sales of equipment manufacturing		91,741	103,396
Total revenue		32,220,096	22,922,493
Transportation costs of coal		(1,738,039)	(973,333)
Cost of sales and service provided		(16,681,646)	(12,510,561)
Cost of electricity of power		(258,597)	(261,829)
Cost of methanol		(1,103,909)	(1,029,501)
Cost of heat supply		(7,321)	(4,710)
Cost of equipment manufacturing		(79,018)	(51,207)
Total cost of sales		(19,868,530)	(14,831,141)
Gross profit		12,351,566	8,091,352
Selling, general and administrative expenses		(5,292,649)	(3,232,671)
Share of profits of associates		712,987	250,391
Share of profits of joint ventures		140,537	91,442
Other income and gains		2,344,790	1,172,127
Finance costs	5	(1,815,566)	(1,322,943)
Profit before tax	6	8,441,665	5,049,698
Income taxes expenses	7	(2,494,079)	(1,130,735)
Profit for the period		5,947,586	3,918,963
Attributable to:			
Equity holders of the Company		4,622,671	3,451,199
Owners of perpetual capital securities		302,984	211,011
Non-controlling interests			
– Perpetual capital securities		82,579	47,812
– Other		939,352	208,941
		5,947,586	3,918,963
Earnings per share, basic and diluted	9	RMB0.94	RMB0.70

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

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

FOR THE PERIOD ENDED 30 JUNE 2018

	NOTES	Period ended 30 June	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Profit for the period		5,947,586	3,918,963
Other comprehensive income (expenses) (after income tax):			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sales investments:			
Change in fair value		–	79,364
Deferred taxes		–	(13,230)
		–	66,134
Cash flow hedges:			
Cash flow hedge reserve recognised in other comprehensive income		(960,124)	1,921,912
Reclassification adjustments for amounts transferred to income statement (included in revenue)		607,210	290,121
Deferred taxes		105,874	(663,610)
		(247,040)	1,548,423
Share of other comprehensive income (expense) of associates		79,658	(3,644)
Exchange difference arising on translation of foreign operations		(1,390,520)	1,039,065
Other comprehensive (expense) income for the period		(1,557,902)	2,649,978
Total comprehensive income for the period		4,389,684	6,568,941
Attributable to:			
Equity holders of the Company		3,545,108	5,631,429
Owners of perpetual capital securities		302,984	211,011
Non-controlling interests			
– Perpetual capital securities		82,579	47,812
– Other		459,013	678,689
		4,389,684	6,568,941

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	NOTES	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Current assets			
Bank balances and cash	10	23,747,173	21,073,256
Term deposits	10	1,770,000	3,623,635
Restricted cash	10	3,446,142	3,871,361
Bills and accounts receivables	11	10,782,245	12,991,458
Held-to-maturity investment		–	69,427
Long term receivables-due within one year		2,524,853	2,791,092
Royalty receivable		136,180	124,450
Inventories		4,353,989	3,079,249
Prepayments and other receivables	12	16,504,168	14,451,550
Prepaid lease payments		31,977	27,675
Derivative financial instruments		–	21,888
		63,296,727	62,125,041
Assets classified as held for sale		275,069	3,123,514
		63,571,796	65,248,555
Non-current assets			
Intangible assets		48,986,439	50,217,581
Prepaid lease payments		1,301,087	1,246,106
Property, plant and equipment	13	45,608,387	46,267,729
Construction in progress		5,217,120	4,516,288
Prepayment for property, plant and equipment		1,379,817	905,648
Goodwill		1,653,716	1,668,727
Investments in securities		250,197	2,278,296
Interests in associates		13,054,862	8,654,205
Interests in joint ventures		469,476	348,243
Financial assets at amortised cost		69,059	–
Long term receivables-due after one year		6,713,887	6,751,062
Royalty receivable		825,750	891,996
Deposits made on investments		117,926	117,926
Deferred tax assets		7,061,063	8,200,262
		132,708,786	132,064,069
Total assets		196,280,582	197,312,624

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED

AS AT 30 JUNE 2018

	NOTES	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Current liabilities			
Bills and accounts payables	14	9,018,484	8,973,438
Other payables and accrued expenses		21,202,188	21,616,407
Provision for land subsidence, restoration, rehabilitation and environmental costs	15	2,440,080	2,679,015
Amounts due to Parent Company and its subsidiary		424,926	693,014
Borrowings – due within one year	16	26,699,896	27,751,298
Long term payables – due within one year		311,049	605,522
Contract liabilities		2,510,471	–
Provision		175,033	289,746
Derivative financial instruments		98	–
Tax payable		221,366	775,543
		63,003,591	63,383,983
Liabilities directly associated with assets classified as held for sale		–	341,292
		63,003,591	63,725,275
Non-current liabilities			
Borrowings – due after one year	16	40,911,357	42,609,396
Deferred tax liabilities		7,785,267	8,345,604
Provision for land subsidence, restoration, rehabilitation and environmental costs	15	1,369,584	1,296,597
Provision		1,103,206	1,429,117
Long term payables – due after one year		216,725	210,992
		51,386,139	53,891,706
Total liabilities		114,389,730	117,616,981
Capital reserves			
Share capital	17	4,912,016	4,912,016
Reserves	17	43,747,531	42,498,850
Equity attributable to equity holders of the Company		48,659,547	47,410,866
Owners of perpetual capital security	18	10,297,333	9,249,649
Non-controlling interests			
– Perpetual capital securities		3,417,351	3,417,351
– Subordinated capital notes		–	3,102
– Others		19,516,621	19,614,675
		81,890,852	79,695,643
Total liabilities and equity		196,280,582	197,312,624

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2018

	Attributable to equity holders of the Company								Non-controlling interests					
	Share capital	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
	(note 17)		(note 17)					(note 17)		(note 18)	(note 18)	(note 19)		
At 1 January 2017 (audited)	4,912,016	2,967,947	978,661	5,952,503	(8,768,479)	81,346	(778,951)	31,793,633	37,138,676	6,662,191	-	3,102	9,599,584	53,403,553
Profit for the period (unaudited)	-	-	-	-	-	-	-	3,451,199	3,451,199	211,011	47,812	-	208,941	3,918,963
Other comprehensive income (expenses) (Restated)														
- Fair value change of available-for-sale investments	-	-	-	-	-	66,134	-	-	66,134	-	-	-	-	66,134
- Share of other comprehensive income of associates	-	-	-	-	-	(3,644)	-	-	(3,644)	-	-	-	-	(3,644)
- Cash flow hedge reserve recognised	-	-	-	-	-	-	1,229,625	-	1,229,625	-	-	-	318,798	1,548,423
- Exchange differences arising on translation of foreign operations	-	-	-	-	888,115	-	-	-	888,115	-	-	-	150,950	1,039,065
Total comprehensive income for the period (unaudited)	-	-	-	-	888,115	62,490	1,229,625	3,451,199	5,631,429	211,011	47,812	-	678,689	6,568,941
Transactions with owners (unaudited)														
- Issuance of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	3,471,351	-	-	3,417,351
- Distribution paid to holders of perpetual capital securities	-	-	-	-	-	-	-	-	-	(253,800)	(47,812)	-	-	(301,612)
- Establishment of subsidiaries and injection of capital to a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	325,450	325,450
- Dividends	-	-	-	-	-	-	-	(589,442)	(589,442)	-	-	-	(250,756)	(840,198)
Transactions with owners (unaudited)	-	-	-	-	-	-	-	(589,442)	(589,442)	(253,800)	3,369,539	-	74,694	2,600,991
At 30 June 2017 (unaudited)	4,912,016	2,967,947	978,661	5,952,503	(7,880,364)	143,836	450,674	34,655,390	42,180,663	6,619,402	3,417,351	3,102	10,352,967	62,573,485

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – CONTINUED

FOR THE PERIOD ENDED 30 JUNE 2018

	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	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 17)			(note 17)				(note 17)		(note 18)	(note 18)	(note 19)			
At 1 January 2018 (audited) (Originally stated)	4,912,016	514,658	2,967,947	969,450	5,952,503	(5,583,141)	221,364	(1,110,797)	38,566,866	47,410,866	9,249,649	3,417,351	3,102	19,614,675	79,695,643
Change in accounting policies (Note 3)	-	-	-	-	-	-	(150,562)	-	232,199	81,637	-	-	-	-	81,637
As at 1 January 2018 (restated)	4,912,016	514,658	2,967,947	969,450	5,952,503	(5,583,141)	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)															
Fair value change of available-for-sale investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- 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)
- Utilization 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)
At 30 June 2018 (unaudited)	4,912,016	514,658	2,967,947	949,154	5,952,503	(6,758,650)	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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2018

	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
YNET CASH FROM OPERATING ACTIVITIES	7,941,801	2,650,151
INVESTING ACTIVITIES		
Withdrawal (placement) in restricted cash	425,219	(2,840,373)
Withdrawal (placement) in term deposits	1,853,635	(970,597)
Investment in interest in a joint venture	–	(169,168)
Investment in associate	(1,617,060)	–
Investments in securities	(30,000)	(20,000)
Purchase of intangible assets	(675,150)	(239,833)
Purchase of property, plant and equipment and construction in progress	(1,656,955)	(1,861,443)
Proceeds on disposal of property, plant and equipment	2,918	23,839
Increase in deposit for acquisition of property, plant and equipment	(474,169)	–
Increase in long term receivables	(400,822)	(1,222,254)
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	370,735	339,849
NET CASH USED IN INVESTING ACTIVITIES	(1,185,219)	(6,959,980)

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – CONTINUED

FOR THE PERIOD ENDED 30 JUNE 2018

	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
FINANCING ACTIVITIES		
Distribution paid to holders of perpetual capital securities and subordinated capital notes	(300,379)	–
Contribution from non-controlling interests	–	325,450
Dividend paid to non-controlling shareholders	(557,067)	(301,612)
Dividends paid	(2,399,474)	(250,756)
Repayments of borrowings	(46,560,909)	(5,473,886)
Proceeds from bank borrowings	45,152,119	3,641,668
Proceeds from issuance of guaranteed notes	2,000,582	7,500,000
Proceeds from issuance of perpetual capital securities	5,000,000	3,417,351
Redemption of perpetual capital securities	(4,037,500)	–
Redemption of subordinated capital notes	(3,102)	–
Customers' deposits for financing business received	1,533,111	–
Repayment of guaranteed notes	(4,027,607)	(4,500,000)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(4,200,226)	4,358,215
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,556,356	48,386
CASH AND CASH EQUIVALENTS, AT BEGINNING OF THE PERIOD	21,073,256	16,422,769
Effect of foreign exchange rate	117,561	288,533
CASH AND CASH EQUIVALENTS, AT END OF THE PERIOD, represented by bank balances and cash	23,747,173	16,759,688

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE PERIOD ENDED 30 JUNE 2018

1. GENERAL

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

On 24 January 2017, the American 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, 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 2018 has been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the HKEX. They do not include all of the information required in annual financial statements in accordance with IFRSs, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017. The interim financial information is unaudited.

3. SIGNIFICANT ACCOUNTING POLICIES

The interim financial information has been prepared in accordance with the accounting policies adopted in the Group’s annual financial statements for the year ended 31 December 2017.

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 2017, except a number of accounting policies that are adopted by the Group and effective for annual periods beginning on or after 1 January 2018.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In the current period, the Group had applied, for the first time, the new standards and interpretations and revised/amended standards and interpretations (the new “IFRSs”) issued by the IASB and the International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB, which are effective for the financial year beginning on 1 January 2018. The new IFRSs relevant to these interim financial statements are as follows:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IAS 28	As part of Annual Improvements to IFRSs 2014 – 2016 Cycle
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 40	Transfers of Investment Property
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of IFRS 9 resulted in changes in the Group’s accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. The new accounting policies are set out in below.

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

IFRS 9 *Financial Instruments*

IFRS 9 replaced IAS 39 *Financial Instruments: Recognition and Measurement*, and introduces new requirements for the 1) classification and measurement of financial assets and financial liabilities, 2) impairment of financial assets and 3) general hedge accounting. The Group has applied IFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under IFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings and other components of equity as at 1 January 2018.

Classification and measurements

At the date of initial application of IFRS 9, the Group’s management has reviewed and assessed all financial assets held by the Group on the basis of the Group’s business model for managing these financial assets and their contractual cash flow characteristics, and has classified its financial assets and financial liabilities into the appropriate categories of IFRS 9, as explained below:

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

IFRS 9 *Financial Instruments* (Continued)

Classification and measurements (Continued)

Equity investments previously classified as available-for-sales investments carried at fair value:

For the available-for-sale equity investments amounting to approximately RMB2,278,296,000 carried at fair value, the Group has not elected the option for designation at fair value through other comprehensive income (“FVTOCI”) and reclassified them to financial assets at fair value through profit or loss (“FVTPL”). Upon initial application of IFRS 9, investment revaluation reserve relating to these financial assets amounting to approximately RMB150,562,000 was transferred to retained earnings at 1 January 2018.

Debt investments previously classified as held-to-maturity investments:

The debt investments amounting to approximately RMB69,427,000 as at 31 December 2017 are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these investments continue to be subsequently measured at amortised cost and were reclassified to financial assets at amortised cost upon adoption of IFRS 9.

Impairment of financial assets

The Group has the following type of financial instruments that are subject to the new impairment requirements under IFRS 9.

Bills and accounts receivables at amortised cost:

The Group applied the simplified approach to provide for expected credit losses (“ECL”) under IFRS 9 and recognised lifetime expected losses for all bills and accounts receivables. The bills and accounts receivables are grouped based on shared credit risk characteristics for measuring ECL.

Classification and measurement of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities’ original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. During the year ended 31 December 2017, terms of certain of the Group’s borrowings were modified which did not result in the derecognition of original borrowings and the recognition of modified borrowings under the requirements of IAS 39. Since such borrowings remain in force as at 1 January 2018, the Group reassessed the impact of such modification of terms upon the initial application of IFRS 9 on 1 January 2018 and recognised a gain of approximately RMB81,637,000 under retained earnings.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

IFRS 9 Financial Instruments (Continued)

Effect of changes in accounting policies

The following table summarises the opening balance adjustments recognised for each line item in the condensed consolidated statement of financial position on initial application of IFRS 9:

	Held-to- maturity investment RMB'000	Financial assets at amortised cost required by IAS 39/IFRS 9 RMB'000	Investment revaluation reserve RMB'000	Retained earnings RMB'000
Closing balance as at				
31 December 2017 – IAS 39	69,427	–	221,364	38,566,866
Effect arising from initial application of IFRS 9:				
Adjustment to financial liabilities of interest structure	–	–	–	81,637
Reclassification of available-for-sale investments to financial assets at FVTPL	–	–	(150,562)	150,562
Reclassification	(69,427)	69,427	–	–
Opening balance as at 1 January 2018	–	69,427	70,802	38,799,065

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

4. SEGMENT INFORMATION

The Group is engaged primarily in the mining business. The Group is also engaged in the coal railway transportation business. The Group does not currently have direct export rights in the PRC and all of its export sales is made through China National Coal Industry Import and Export Corporation (“National Coal Corporation”), Minmetals Trading Co., Ltd. (“Minmetals Trading”) or Shanxi Coal Imp. & Exp. Group Corp. (“Shanxi Coal Corporation”). The exploitation right of the Group’s foreign subsidiaries is not restricted. The final customer destination of the Group’s export sales is determined by the Group, National Coal Corporation, Minmetals Trading or Shanxi Coal Corporation. Certain of the Company’s subsidiaries and associates are engaged in trading and processing of mining machinery and the transportation business via rivers and lakes and financial services in the PRC. No separate segment information about these businesses is presented in these financial statements as the underlying gross sales, results and assets of these businesses, which are currently included in the mining business segment, are insignificant to the Group. Certain of the Company’s subsidiaries are engaged in production of methanol and other chemical products, and invest in heat and electricity. Upon the acquisition of Yankuang Donghua Heavy Industry Limited (“Donghua”), the Group is also engaged in the manufacturing of comprehensive coal mining and excavating equipment.

Gross revenue disclosed below is same as the turnover (total revenue).

For management purposes, the Group is currently organised into four operating divisions-coal mining, coal railway transportation, methanol, electricity and heat supply and equipment manufacturing. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:

Coal mining	–	Underground and open-cut mining, preparation and sales of coal and potash mineral exploration
Coal railway transportation	–	Provision of railway transportation services
Methanol, electricity and heat supply	–	Production and sales of methanol and electricity and related heat supply services
Equipment manufacturing	–	Manufacturing of comprehensive coal mining and excavating equipment

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

4. SEGMENT INFORMATION – CONTINUED

(a) **Segment revenues and results**

Segment information about these businesses is presented below:

	For the period ended 30 June 2018						
	Coal mining	Coal railway transportation	Methanol, heat supply	Equipment manufacturing	Unallocated	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
SEGMENT REVENUE							
External	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)	-
Total	33,095,259	250,107	2,217,994	281,861	-	(3,625,125)	32,220,096
RESULTS							
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	387,093		30,397		295,495		712,987
Share of profit of joint ventures	140,537						140,537
Finance costs							(1,815,566)
Profit before tax							8,414,665
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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

4. SEGMENT INFORMATION – CONTINUED

(a) Segment revenues and results – CONTINUED

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

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

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

5. FINANCE COSTS

	Period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest expenses on:		
– Bank and other borrowings	1,852,559	1,263,038
– Bills receivable discounted without recourse	–	298
– Others	–	201,300
	1,852,559	1,464,636
Less: interest expenses capitalised into construction in progress	(36,993)	(141,693)
	1,815,566	1,322,943

6. PROFIT BEFORE TAX

	Period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	2,444,134	1,843,970
Amortisation of intangible assets	755,915	437,209
Total depreciation and amortisation	3,200,049	2,281,179
Dividends and interest income	(380,646)	(490,292)
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	13,094
Loss (gain) on disposal of property, plant and equipment, net	26,848	(9,916)
Impairment (gain) loss recognised in respect of inventories	(3,984)	17,716
Exchange loss, net	357,346	243,329
Provision of impairment loss on accounts and other receivables	98,103	162,448
Reversal of impairment loss on accounts and other receivables	–	(73,261)

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

7. INCOME TAX EXPENSES

	Period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Income taxes:		
Current taxes	1,915,301	1,242,985
Deferred taxes	578,778	(112,250)
	2,494,079	1,130,735

8. DIVIDEND

	Period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Final dividend approved, RMB0.48 (2017: RMB0.12) per share	2,357,768	589,442

Pursuant to the annual general meeting held on 25 May 2018, a final dividend of RMB0.48 per share in respect of the year ended 31 December 2017 was approved.

9. EARNINGS PER SHARE

The calculation of the earnings per share attributable to equity holders of the Company for the six months ended 30 June 2018 is based on the profit for the period of approximately RMB4,622,671,000 (2017: approximately RMB3,451,199,000) and on the weighted average of 4,912,016,000 shares (2017: 4,912,016,000 shares) in issue during the period ended 30 June 2018 and 30 June 2017 respectively.

Diluted earnings per share for the six months ended 30 June 2018 approximates the basic earnings per share as the conversion of outstanding subordinated capital notes during the period does not have material impact on the profit attributable to the equity holders of the Company.

Diluted earnings per share for the six months ended 30 June 2017 equal to the basic earnings per share as there was no dilutive effect of subordinated capital notes.

10. 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.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

11. BILLS AND ACCOUNTS RECEIVABLES

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Accounts receivables	4,208,412	4,117,707
Less: Impairment loss	(281,799)	(272,569)
	3,926,613	3,845,138
Bills receivables	6,855,632	9,146,320
Total bills and accounts receivables, net	10,782,245	12,991,458

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.

According to the credit rating of different customers, the Group allows a range of credit periods to its trade customers not exceeding 180 days.

The following is an aged analysis of bills and accounts receivables, net of provision for impairment, based on the invoice dates at the reporting dates:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
0-90 days	7,518,111	7,979,670
91-180 days	628,536	1,122,141
181-365 days	1,743,415	3,366,423
Over 1 year	892,183	523,224
	10,782,245	12,991,458

The Group does not hold any collateral over these balances.

The Group has provided fully for all receivables over 3 years because historical experience is such that receivables that are past due beyond 3 years are generally not recoverable. For receivable aged over 4 years and considered irrecoverable by the management will be written off.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

11. BILLS AND ACCOUNTS RECEIVABLES – CONTINUED

An analysis of the impairment loss on accounts receivable for 30 June 2018 and 31 December 2017 are as follows:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
At the beginning of period	272,569	151,812
Provided for the period	9,230	120,757
At the end of period	281,799	272,569

Included in the impairment loss on bills and accounts receivables is a balance of approximately RMB281,799,000 (2017: approximately RMB272,569,000) for individually impaired trade receivables, which are mainly due from corporate customers in the PRC and considered irrecoverable by the management after consideration on the credit quality of those individual customers, the ongoing relationship with the Group and the aging of these receivables. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the amounts.

12. PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Advance to suppliers	5,621,123	4,293,661
Less: Impairment loss on advance to suppliers	(1,329,993)	(1,365,448)
	4,291,130	2,928,213
Prepaid relocation costs of inhabitants	2,706,538	2,706,538
Other taxes	604,759	628,179
Dividend receivable	228,740	51,316
Loan receivables	6,259,500	4,982,251
Interest receivable	94,357	100,966
Others	2,732,455	3,343,070
Less: Impairment loss on other receivables	(413,311)	(288,983)
	16,504,168	14,451,550

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

12. PREPAYMENTS AND OTHER RECEIVABLES – CONTINUED

An analysis of the impairment loss on advances to suppliers and other receivables for 30 June 2018 and 31 December 2017 are as follows:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
At the beginning of period	1,654,431	1,046,678
Provided for the period	88,873	607,753
At the end of period	1,743,304	1,654,431

Included in the above balances as of 30 June 2018 is individually impaired advances to suppliers is a balance of approximately RMB1,329,993,000 (31 December 2017: approximately RMB1,365,448,000). The Group has provided fully for all receivables over 3 years because historical experience is such that receivables that are past due beyond 3 years are generally not recoverable. Receivable will be written off, if aged over 4 years and considered irrecoverable by the management after considering the credit quality of the individual party and the nature of the amount overdue. During the period ended 30 June 2018 and 31 December 2017, there was no written off against prepayments and other receivables.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment with a cost of approximately RMB1,774,365,000 (2017: approximately RMB1,293,145,000). Items of property, plant and equipment with a net book value of approximately RMB29,766,000 were disposed of during the six months ended 30 June 2018 (2017: approximately RMB13,923,000), resulting in a loss (2017: gain) on disposal of approximately RMB26,848,000 (2017: approximately RMB9,916,000).

14. BILLS AND ACCOUNTS PAYABLES

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Accounts payables	6,440,020	6,437,858
Bills payables	2,578,464	2,535,580
	9,018,484	8,973,438

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

14. BILLS AND ACCOUNTS PAYABLES – CONTINUED

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

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
0 – 90 days	6,944,587	6,522,555
91 – 180 days	901,694	1,017,014
181 – 365 days	228,641	779,190
Over 1 year	943,562	654,679
	9,018,484	8,973,438

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

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

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
At the beginning of period	3,975,612	3,306,880
Exchange re-alignment	(62,941)	11,575
Acquisition of subsidiaries	–	713,319
Transfer to liabilities associated with assets held-for-sale	–	(145,338)
Additional provision in the period	134,518	1,825,361
Utilisation of provision	(237,525)	(1,736,185)
At the end of period	3,809,664	3,975,612
Presented as:		
Current portion	2,440,080	2,679,015
Non-current portion	1,369,584	1,296,597
	3,809,664	3,975,612

Provision for land subsidence, restoration, rehabilitation and environmental costs has been determined by the directors of the Company based on their best estimates. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the near term.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

16. BORROWINGS

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Current liabilities		
Bank borrowings		
– Unsecured borrowings (i)	7,740,367	7,023,710
– Secured borrowings (ii)	6,687,453	7,560,588
Loans pledged by machineries (iii)	1,200,000	1,000,000
Finance lease liabilities (iv)	129,610	176,316
Guaranteed notes (v)	10,942,466	11,990,684
	26,699,896	27,751,298
Non-current liabilities		
Bank borrowings		
– Unsecured borrowings (i)	12,240,000	8,574,000
– Secured borrowing (ii)	20,087,356	22,968,621
Loans pledged by machineries (iii)	–	600,000
Finance lease liabilities (iv)	61,222	20,813
Guaranteed notes (v)	8,522,779	10,445,962
	40,911,357	42,609,396
Total borrowings	67,611,253	70,360,694

(i) Unsecured borrowings are repayable as follows:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Within one year	7,740,367	7,023,710
More than one year, but not exceeding two years	2,170,000	1,802,000
More than two years, but not more than five years	1,070,000	772,000
More than five years	9,000,000	6,000,000
	19,980,367	15,597,710

As at 30 June 2018, unsecured short term borrowings carried interests at fixed rates at a range of 2.05%-6.00% (31 December 2017: 2.90%-4.35%) per annum.

As at 30 June 2018, unsecured long term borrowings of approximately RMB12,240,000 carried interest at fixed rates at a range of 4.51%-5.90% (31 December 2017: 4.51%-5.90%) per annum while the remaining unsecured long term borrowings carried interest at floated rates at a range of nil (31 December 2017: three-months LIBOR plus a margin of 1.35%) per annum.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

16. BORROWINGS – CONTINUED

(ii) Secured borrowings are repayable as follows:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Within one year	6,687,453	7,560,588
More than one year, but not exceeding two years	684,080	919,599
More than two years, but not more than five years	18,044,208	20,019,005
More than five years	1,359,068	2,030,017
	26,774,809	30,529,209

As at 30 June 2018, secured short term borrowings carried interest at fixed rates at a range of 2.11%-4.80% (31 December 2017: 1.90%-5.60%) per annum.

As at 30 June 2018, secured long term borrowings of approximately RMB20,087,000 carried interest at a range of 4.70%-8.70% (31 December 2017: 4.51%-8.70%) per annum while the remaining secured long term borrowings carried interest at a range of six-months LIBOR plus a margin of 1.20%-3.00% (31 December 2017: six-months LIBOR plus a margin of 1.20%-3.20%) per annum.

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

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Present value of minimum payments		
Within one year	1,200,000	1,000,000
More than one year, but not exceeding two years	–	600,000
	1,200,000	1,600,000
Less: Amounts due within one year and included in current liabilities	(1,200,000)	(1,000,000)
Amounts due after one year and included in non-current liabilities	–	600,000

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

16. BORROWINGS – CONTINUED

(iv) Finance lease liabilities are repayable as follows:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Minimum lease payments		
Within one year	136,058	185,088
More than one year, but not exceeding two years	20,239	7,015
More than two years, but not more than five years	49,571	16,711
	205,868	208,814
Less: Future finance charges	(15,036)	(11,685)
Present value of lease payments	190,832	197,129
	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Present value of minimum lease payments		
Within one year	129,610	176,316
More than one year, but not exceeding two years	18,367	6,366
More than two years, but not more than five years	42,855	14,447
	190,832	197,129
Less: Amounts due within one year and included in current liabilities	(129,610)	(176,316)
Amounts due after one year and included in non-current liabilities	61,222	20,813

Finance lease liabilities of approximately RMB190,832,000 (31 December 2017: approximately RMB197,129,000) carried interest at a range of 4.75%-5.23 % per annum (31 December 2017: 5.52% per annum).

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

16. BORROWINGS – CONTINUED

(v) Guaranteed notes are detailed as follows:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Guaranteed notes denominated in RMB repayable within one year	10,942,466	11,990,684
Guaranteed notes denominated in USD repayable within two to five years	1,400,410	1,487,320
Guaranteed notes denominated in RMB repayable within two to five years	4,662,099	5,927,450
Guaranteed notes denominated in RMB repayable over five years	2,460,270	3,031,192
	19,465,245	22,436,646

17. SHAREHOLDERS' EQUITY

Share capital

The Company's share capital structure at the reporting date is as follows:

	Domestic invested shares A shares	Foreign invested shares H shares (including H shares represented by ADS)	Total
Number of shares			
At 1 January 2017 (audited), 31 December 2017 (audited) and 30 June 2018 (unaudited)	2,960,000,000	1,952,016,000	4,912,016,000
	Domestic invested shares A shares RMB'000	Foreign invested shares H shares (including H shares represented by ADS) RMB'000	Total RMB'000
Registered, issued and fully paid			
At 1 January 2017 (audited), 31 December 2017 (audited) and 30 June 2018 (unaudited)	2,960,000	1,952,016	4,912,016

Each share has a par value of RMB1.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

17. SHAREHOLDERS' EQUITY

Reserves

Future Development Fund

Pursuant to regulation in the PRC, the Company, Shanxi Tianchi and Heze are required to transfer an annual amount to a future development fund at RMB6 per tonne of raw coal mined (Xintai and Ordos: RMB6.5 per tonne of raw coal mined). The fund can only be used for the future development of the coal mining business and is not available for distribution to shareholders.

From 2008 onwards, Shanxi Tianchi is required to transfer an additional amount at RMB5 per tonne of raw coal mined as coal mine transformation fund. Pursuant to the Shanxi Provincial Government's decision, coal mine transformation fund was suspended since 1 August 2013.

Pursuant to the regulations of the Shandong Province Finance Bureau, State-owned Assets Supervision and Administration Commission of Shandong Province and the Shandong Province Coal Mining Industrial Bureau, the Company is required to transfer an additional amount at RMB5 per tonne of raw coal mined from 1 July 2004 to the reform specific development fund for the future improvement of the mining facilities and is not distributable to shareholders. No further transfer to the reform specific development fund is required from 1 January 2008.

In accordance with the regulations of the State Administration of Work Safety, the Company's subsidiaries, Hua Ju Energy, Shanxi Tianhao and Yulin, have a commitment to incur Work Safety Cost at the rate of: 4% of the actual sales income for the year below RMB10 million; 2% of the actual sales income for the year between RMB10 million and RMB100 million (included); 0.5% of the actual sales income for the year between RMB100 million and RMB1 billion (included); 0.2% of the actual sales income for the year above RMB1 billion.

Retained earnings

In accordance with the Company's Articles of Association, the profit for the purpose of appropriation will be deemed to be the lesser of the amounts determined in accordance with (i) PRC accounting standards and regulations and (ii) IFRS or the accounting standards of the places in which its shares are listed.

The Company can also create a discretionary reserve in accordance with its Articles of Association or pursuant to resolutions which may be adopted at a meeting of shareholders.

The Company's distributable reserve as at 30 June 2018 is the retained earnings computed under IFRS which amounted to approximately RMB41,454,245,000 (31 December 2017: approximately RMB37,896,674,000).

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

18. PERPETUAL CAPITAL SECURITIES

	Non-controlling interests		Total RMB'000
	Perpetual capital securities issued by the Company RMB'000 (note i to iv)	Perpetual capital securities issued by a subsidiary RMB'000 (note v)	
At 1 January 2017 (audited)	6,662,191	–	6,662,191
Issuance of perpetual capital securities	5,000,000	3,417,351	8,417,351
Dividend to holders of perpetual capital security	496,258	131,612	627,870
Distribution paid to holders of perpetual capital security	(423,800)	(131,612)	(555,412)
Redemption of perpetual capital security (note i)	(2,485,000)	–	(2,485,000)
At 31 December 2017 and 1 January 2018 (audited)	9,249,649	3,417,351	12,667,000
Issuance of perpetual capital security	5,000,000	–	5,000,000
Profit attributable to holders of perpetual capital security	302,984	82,579	385,563
Distribution paid to holders of perpetual capital security	(217,800)	(82,579)	(300,379)
Redemption of perpetual capital security (note ii)	(4,037,500)	–	(4,037,500)
At 30 June 2018 (unaudited)	10,297,333	3,417,351	13,714,684

- (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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

18. 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 period ended 30 June 2018, 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 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

19. SUBORDINATED CAPITAL NOTES

On 31 December 2014, Yancoal SCN Limited, a wholly owned subsidiary of Yancoal Australia issued 18,005,102 Subordinated Capital Notes (“SCN”) at USD100 each. Each SCN is convertible into 1,000 Yancoal Australia ordinary shares and is traded on ASX. The distribution rate is set at 7% per annum, with interest will be paid half a year at Yancoal Australia’s discretion and the rate is resettable to the 5 year USD mid-swap plus the initial margin per annum every 5 years.

SCN do not have any fixed maturity date and do not have to be redeemed except in a winding up of the Issuer or Yancoal Australia. Conversion occurs at a fixed price so the value of the Yancoal Australia ordinary shares issued on conversion may be more or less than the face value of the SCN converted. Note holders will be permitted to convert the SCN into Yancoal Australia ordinary shares after 40 days until the 30 years conversion period ends. The SCN will be initially convertible into Yancoal Australia ordinary shares at a conversion price of USD0.10 per share. Almost all the notes were purchased by the Company and only RMB3,102,000 of the note is issued to other third parties. The SCN do not contain any contractual obligation to pay cash or other financial assets in accordance with IFRS, they are classified as equity.

In accordance with the Terms of Issue of the SCN issued by Yancoal SCN Limited in December 2014, a distribution at a rate of 7% per annum totalling USD34,000 was made in 2017 to the third party holders of SCN.

The subordinated capital notes are perpetual, subordinated, convertible, unsecured capital notes of face value US 100 per note. The subordinated capital notes entitle holders to receive fixed rate distribution payments, payable semi-annually in arrear unless deferred. The distribution rate is set at 7% per annum, the rate is resettable to the 5 year USD mid-swap plus the initial margin per annum every 5 years. The SCN Notes are convertible at the option of the holders to Yancoal Australia Ltd ordinary shares within 30 years.

During the period ended 30 June 2018, Yancoal SCN Limited has fully redeemed all outstanding SCNs at their principal amount.

20. FAIR VALUES

The fair value of available-for-sales investment is determined with reference to quoted market price. The fair values of the forward foreign exchange contracts are estimated based on the discounted cash flows between the contract forward rate and spot forward rate. The fair values of interest rate swap contracts are estimated based on the discounted cash flows between the contract floating rate and contract fixed rate. The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial information approximate their fair values.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

20. FAIR VALUES – CONTINUED

Fair values of financial assets and financial liabilities are determined as follows:

The following table presents the carrying value of financial instruments measured at fair value across the three levels of the fair value hierarchy. The levels of fair value are defined as follows:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	At 30 June 2018 Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Assets				
Investments in securities – financial assets at fair value through profit or loss				
– Investments in securities listed on the SSE	307	–	–	307
– Investment in unlisted investment portfolio	–	–	249,890	249,890
Financial assets at fair value through profit or loss				
– Royalty receivable (1)	–	–	961,930	961,930
	307	–	1,211,820	1,212,127
Liabilities				
Derivative financial instruments				
– Forward foreign exchange contracts	–	98	–	98
	–	98	–	98

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

20. FAIR VALUES – CONTINUED

	Level 1	Level 2	Level 3	At 31 December 2017 Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(audited)
Assets				
Investments in securities – available-for-sale investments				
– Investments in securities listed on the SSE	424	–	–	424
– Investment in unlisted investment portfolio	1,877,228	–	–	1,877,228
Financial assets at fair value through profit or loss				
– Forward foreign exchange contracts	–	21,888	–	21,888
– Royalty receivable (i)	–	–	1,016,446	1,016,446
	<u>1,877,652</u>	<u>21,888</u>	<u>1,016,446</u>	<u>2,915,986</u>

During the six months ended 30 June 2018 and the year ended 31 December 2017, there are no change in categories between level 1 and level 2 and no movement from or into level 3.

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

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

21. 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. As at 31 December 2017, the assets and liabilities relating to the 16.6% interest were presented as assets and liabilities associated with assets classified as held for sale. 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.

The net assets disposed at the disposal date are as follows:

	RMB'000
Cash consideration	2,767,218
Non-contingent royalties	423,107
Working capital and shares of net cash outflows adjustment	(170,264)
Total disposal consideration	3,020,061

The net assets derecognised at the disposal date are as follows

Bank balance and cash	63,223
Inventories	58,360
Bills and accounts receivable	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
	3,020,061
Net cash inflow arising on disposal	
Cash received on disposal	2,767,218
Less: Bank balances and cash derecognised	(63,223)
	2,703,995

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

21. MAJOR ACQUISITIONS AND DISPOSALS – CONTINUED

(b) Acquisition of Warkworth Joint venture

The acquisition of the 28.9% interest in Warkworth Joint Venture for USD230 million was completed on 7 March 2018. Upon completion of the Acquisition, the interest of Yancoal Australia in Walkworth Joint Venture increases to approximately 84.5%, and Yancoal Australia's share of coal production from Mount Thorley Walkworth operations increases from 64.1% to 82.9%. Before and after the acquisition, Walkworth 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
Bill and accounts payables	(209,122)
Provisions	(77,813)
Net asset acquired	1,716,745
Net cash outflow arising on acquisition	
Cash paid on acquisition	1,716,745
Less: Bank balance and cash acquired	(29,180)
	1,687,565

(c) Subscription of shares in Zheshang Bank

On 23 March 2018, the Group entered into placing agreement to subscribe for 420 million shares in Zhezhang Bank for a cash consideration of HK\$2.02 billion (equivalent to approximately RMB1.61 billion). Following the completion of the subscription, the Group's interest in Zheshang Bank will be increased to 20.51%, resulting in the Group being able to exercise significant influence over Zheshang Bank. Accordingly, the investment in Zheshang Bank amounted to approximately RMB3,593,000 as at 23 March 2018 was reclassified from financial assets at fair value through other comprehensive income as interest in an associate.

CHAPTER 9 CONDENSED 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. In accordance with Main Board Listing Rules Chapter 14A, continuing connected transactions are disclosed below:

Balances and transactions with related parties

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Nature of balances (other than those already disclosed)		
Bills and accounts receivables		
– Parent Company and its subsidiaries	404,908	804,258
– Joint ventures	2,421	56,892
– Associates	53,355	–
Prepayments and other receivables		
– Parent Company and its subsidiaries	293,658	267,730
– Associates	92,927	93,762
Long-term receivables		
– Parent Company and its subsidiaries	17,948	13,599
– Associates	3,550,137	–
Bills and accounts payables		
– Parent Company and its subsidiaries	424,926	693,014
– Joint ventures	4,060	–
– Associates	–	1,287
Other payables and accrued expenses		
– Parent Company and its subsidiaries	11,854,951	9,681,685
– Associates	7,014	–

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

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

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:

	Period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Income		
Sales of coal	637,959	1,217,054
Sales of heat and electricity	344,685	40,090
Sales of auxiliary materials	43,738	209,857
Sales of methanol	–	4,033
Provision of coal mine management service	–	173,922
Royalty income	–	65,934
Expenditure		
Utilities and facilities	6,140	32,677
Purchases of supply materials and equipment	218,873	1,835,532
Repair and maintenance services	6,770	6,101
Social welfare and support services	783,825	852,448
Construction services	326,076	160,225
Coal processing service	17,046	41,312
Coal train convoy services	17,804	8,840
Port services	109,082	236,191

Expenditures for social welfare and support services (excluding medical and child care expenses) are approximately RMB110,234,000 and approximately RMB105,246,000 for each of the six months period ended 30 June 2018 and 2017. These expenses will be negotiated with and paid by the Parent Company each year.

As at 30 June 2018, the Parent Company and its subsidiaries (other than the Group) had deposited approximately RMB12,241,443,000 (31 December 2017: approximately RMB8,171,447,000) to Yankuang Group Finance Co., Limited. During the period, interest income and interest expense to the Parent Company and its subsidiaries (other than the Group) amounted to 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.

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.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

22. RELATED PARTY BALANCES AND TRANSACTIONS – CONTINUED

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

	Period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Trade sales	3,073,799	1,259,681
Trade purchases	1,425,889	1,929,895

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

	At 30 June	At 31 December
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(audited)
Amounts due to other state-controlled entities	279,119	334,708
Amounts due from other state-controlled entities	539,698	158,013

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

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors of the Company are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations and no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the year.

Balances and transactions with a joint venture and an associate

	At 30 June	At 31 December
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(audited)
Due from a joint venture and an associate	3,698,840	5,316,205

The amount due from a joint venture is unsecured and interest is calculated at commercial rate. Interest received by the Group in the current period amounting to approximately RMB156,540,000 (2017: approximately RMB337,676,000).

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

22. RELATED PARTY BALANCES AND TRANSACTIONS – CONTINUED

Compensation of key management personnel

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

	Period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Directors' fee	750	861
Salaries, allowance and other benefits in kind	695	739
Retirement benefit scheme contributions	197	224
	1,642	1,824

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	At 31 December
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial information		
(a) Acquisition of property, plant and equipment		
– the Group	12,270,113	12,935,792
– share of joint operations	149,234	122,405
– others	64,192	10,822
(b) Intangible assets		
– share of joint operations	4,675	46,497
(c) Exploration and evaluation		
– share of joint operations	3,972	241
	12,492,186	13,115,757

(a) Pursuant to the regulations issued by the Shandong Province Finance Bureau, the Group has to pay a deposit to the relevant government authority, which secured for the environmental protection work done. As at 30 June 2018, the Group is committed to further make security deposit of approximately RMB1,387 million (31 December 2017: approximately RMB1,584 million).

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

24. OPERATING LEASE COMMITMENTS

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Within one year	137,955	261,814
More than one year, but not more than five years	749,715	769,294
	887,670	1,031,108

Operating leases have average remaining lease terms of 1 to 5 years. Items that are subject to operating leases include mining equipment, office space and small items of office equipment.

25. CONTINGENT LIABILITIES

(i) Guarantees

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
(a) The Group		
Performance guarantees provided to daily operations	989,250	1,792,067
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	524,067	405,331
Guarantees provided in respect of land acquisition	–	255
(b) Joint operations		
Performance guarantees provided to external parties	730,077	993,247
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	1,293,113	1,265,436
(c) Related parties		
Performance guarantees provided to external parties	540,356	557,606
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	269,603	287,618
	4,346,466	5,301,560

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

25. CONTINGENT LIABILITIES – CONTINUED

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

On 13 January 2017, the ATO verbally advised YAL the audit for the year 31 December 2012 has been completed. And YAL has agreed to reverse tax deductions totalling AUD26.5m (AUD8 million tax effected at 30%) and depreciate this cost over the relevant life of mine (LOM) from 31 December 2012.

- (iii) Yancoal Australia has issued a letter of support dated 27 February 2015 to Middlemount, a joint venture confirming:

- It will not demand the repayment of any loan due from Middlemount, except to the extent that Middlemount agrees otherwise or as otherwise provided in the loan agreement; and
- It will provide financial support to Middlemount to enable it to meet its debts as and when they become due and payable, by way of new shareholder loans in proportion to its share of the net assets of Middlemount.

This letter of support will remain in force whilst the Yancoal Australia is a shareholder of Middlemount or until notice of not less than 12 months is provided or such shorter period as agreed by Middlemount.

26. SUBSEQUENT EVENTS

Issuance of the first tranche of medium term notes

On 11 July 2018, the Company issued the 2018 first tranche of medium term notes. The amount of the issuance is RMB1.5 billion and the Company has received such amount by 13 July 2018. The proceeds from the issuance will be used to supplement the working capital, and to repay the loans to financial institutions and issued bonds.

CHAPTER 9 CONDENSED 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 of are required to be included in the condensed consolidated balance sheet of the Group at historical cost. The difference between the historical cost of their assets and liabilities acquired and the purchase price paid is recorded as an adjustment to shareholders' equity.

(3) Deferred taxation due to differences between the financial statements prepared under IFRS and PRC GAAP

(4) Reversal of impairment loss on intangible assets in Yancoal Australia

(4a) Under IFRS, the reversal of impairment loss on mining reserves was classified as other income in income statement.

Under PRC GAAP, no reversal of impairment loss on mining reserves was recognised.

CHAPTER 9 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

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

(5) Classification of perpetual capital security due to differences between the financial statements prepared under IFRS and PRC GAAP

(5a) Under IFRS, the perpetual capital security issued by the Company was classified as equity instrument and separated from net assets attributable to equity holders of the Company.

Under PRC GAAP, the perpetual capital security issued by the Company was classified as owners' equity.

The following table summarises the differences between condensed consolidated financial information prepared under IFRS and those under PRC GAAP:

	Net income attributable to equity holders of the Company For the six months ended 30 June 2018 RMB'000 (unaudited)	Net assets attributable to equity holders of the Company As at 30 June 2018 RMB'000 (unaudited)
As per condensed consolidated financial information prepared under IFRS	4,622,671	48,659,547
Impact of IFRS adjustments in respect of:		
– future development fund charged to income before income taxes	(422,809)	–
– reversal of provision of work safety cost	36,596	(96,987)
– fair value adjustment and amortisation	5,000	(245,052)
– goodwill arising from acquisition of Jining II, Railway Assets, Heze, Shanxi Group, Hua Ju Energy, Beisu and Yangcun	–	(899,403)
– acquisition of Donghua	1,021	(423,738)
– Pre-acquisition profit of Yankuang Finance	–	(16,966)
– deferred tax	93,439	219,872
– perpetual capital security	–	10,297,333
– impairment loss and related amortisation on intangible assets of Yancoal Australia	5,361	(765,297)
– others	–	647,648
As per condensed consolidated financial information prepared under PRC GAAP	4,341,279	57,376,957

CHAPTER 10 DOCUMENTS AVAILABLE FOR INSPECTION

Documents Available
for Inspection

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

Li Xiyong

Chairman of the Board

Date of approval for submission:

24 August 2018