兖州煤业股份有限公司
Yanzhou Coal Mining Company Limited

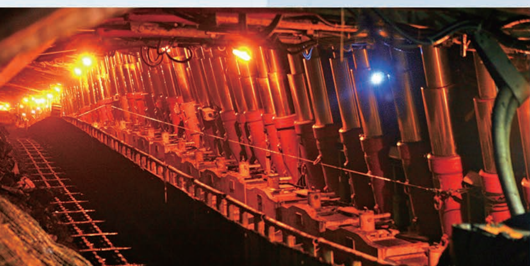
(a joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code : 1171



20th Anniversary 週年

2018
Annual Report



Important Notice

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

The 2018 Annual Report of Yanzhou Coal Mining Company Limited has been approved by the twenty-fourth meeting of the seventh session of the Board. All eleven Directors of quorum attended the meeting.

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

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

The Board of the Company proposed a cash dividend of RMB5.40 per 10 shares (tax inclusive) on the basis of 4,912,016,000 shares, which is the total share capital of the Company as at 31 December 2018.

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

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

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

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

Contents

Chapter 01

Definitions

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

"Yanzhou Coal", "Company"or "the Company"	Yanzhou Coal Mining Company Limited, a joint stock limited company incorporated under the laws of the PRC in 1997 and the H Shares and A Shares of which are listed on the Stock Exchange of Hong Kong and the Shanghai Stock Exchange, respectively;
"Group" or "the Group"	The Company and its subsidiaries;
"Yankuang Group" or "the Controlling Shareholder"	Yankuang Group Company Limited, a company with limited liability reformed and established under the laws of the PRC in 1996, being the Controlling Shareholder of the Company directly and indirectly holding 51.81% of the total share capital of the Company as at the end of the reporting period;
"Yulin Neng Hua"	Yanzhou Coal Yulin Neng Hua Company Limited, a company with limited liability incorporated under the laws of the PRC in 2004 and a wholly-owned subsidiary of the Company, which is mainly engaged in the production and operation of the methanol project in Shaanxi Province;
"Heze Neng Hua"	Yanmei Heze Neng Hua Company Limited, a company with limited liability incorporated under the laws of the PRC in 2004 and a 98.33% owned subsidiary of the Company, which is mainly engaged in the development and operation of coal resources and electric power business in Juye coal field, Heze City, Shandong Province;
"Shanxi Neng Hua"	Yanzhou Coal Shanxi Neng Hua Company Limited, a company with limited liability incorporated under the laws of the PRC in 2002 and a wholly-owned subsidiary of the Company, which is mainly engaged in the management of the projects invested in Shanxi Province by the Company;
"Hua Ju Energy"	Shandong Hua Ju Energy Company Limited, a joint stock limited company incorporated under the laws of the PRC in 2002 and a 95.14% owned subsidiary of the Company, which is mainly engaged in the thermal power generation with gangue and coal slurry and heating supply business;

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

"Yancoal Australia"	Yancoal Australia Limited, a company with limited liability incorporated under the laws of Australia in 2004 and a 62.26% owned subsidiary of the Company as at the disclosure date of this annual report, the shares of which are traded on the Australian Securities Exchange and the HKEX respectively;
"Yancoal International"	Yancoal International (Holding) Company Limited, a company with limited liability incorporated under the laws of Hong Kong in 2011 and a wholly-owned subsidiary of the Company;
"Yancoal International Resources"	Yancoal International Resources Development Company Limited, a company with limited liability incorporated under the laws of Hong Kong in 2011 and a wholly-owned subsidiary of Yancoal International;
"C&A"	Coal & Allied Industries Limited, a company with limited liability incorporated under the laws of Australia and a wholly-owned subsidiary of Yancoal Australia
"Railway Assets"	The railway assets specifically used for coal transportation of the Company, which are located in Jining City, Shandong Province;
"H Shares"	Overseas listed foreign invested shares in the ordinary share capital of the Company, with nominal value of RMB1.00 each, which are traded on the HKEX;
"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;
"PRC"	The People's Republic of China;
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC;
"CASs" or "ASBEs"	Accounting Standards for Business Enterprises and the relevant regulations and explanations issued by the Ministry of Finance of the PRC;
"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board;

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

Chapter 02

Group Profile and Major Financial Indicators

I. INFORMATION OF THE COMPANY

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

II. CONTACT DETAILS

Secretary to the Board/Company Secretary:	Jin Qingbin
Address:	Office of the Secretary to the Board, 298 Fushan South Road, Zoucheng City, Shandong Province, PRC
Tel:	(86 537) 538 2319
Fax:	(86 537) 538 3311
E-mail Address:	yzc@yanzhoucoal.com.cn
Representative of Shanghai Stock Exchange:	Xiang Ying
Address:	Office of the Secretary to the Board, 298 Fushan South Road, Zoucheng City, Shandong Province, PRC
Tel:	(86 537) 538 4451
Fax:	(86 537) 538 3311
E-mail Address:	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 Address:	yzc@yanzhoucoal.com.cn

IV. INFORMATION DISCLOSURE AND PLACE FOR DOCUMENT INSPECTION

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

V. CORPORATE STOCKS

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

VI. OTHER INFORMATION

Certified Public Accountants (Domestic)

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

Certified Public Accountants (Overseas)

Name:	SHINEWING (HK) CPA Limited
Office Address:	43/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
Signing Auditors:	Lau Kai Wong

Domestic Legal Advisor

Name:	King&Wood Mallesons, PRC Lawyers, Beijing
Office Address:	18/F, East Tower, World Financial Center, 1 East 3rd Ring Middle Road, Chaoyang District, Beijing, PRC

Hong Kong Legal Advisor

Name:	Baker & McKenzie
Office Address:	14/F, Block 1, Taikoo Place, 979 King's Road, Quarry bay, Hong Kong

Shanghai Share Registrar

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

Hong Kong Share Registrar

Name:	Hong Kong Securities Clearing Company Ltd.
Office Address:	Rooms 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

Liaison Office in Hong Kong

Office Address:	40/F, Sunshine Centre, 248 Queen's Road East, Wanchai, Hong Kong
Contact Person:	Leung Wing Han Sharon
Tel:	(852) 3912 0800
Fax:	(852) 3912 0801

VII. FINANCIAL HIGHLIGHTS OF THE LAST FIVE YEARS

(Prepared in accordance with the IFRS)

The financial highlights were prepared based on the financial information set out in the audited consolidated income statements, consolidated balance sheets and the consolidated cash flow statements of the Group from 2014 to 2018.

(I) Operating Results

Unit: RMB'000

	Year ended 31 December				
	2018	2017	2016	2015	2014
Sales income	**67,447,104**	52,672,105	33,272,432	36,404,086	60,370,764
Gross profit	**24,306,538**	18,915,405	9,463,988	6,153,611	7,481,414
Financing cost	**–3,612,394**	–3,255,404	–2,501,016	–2,484,411	–2,183,581
Profit before tax	**15,931,098**	11,278,241	2,695,112	622,257	1,599,910
Net profit attributable to shareholders	**8,582,556**	7,362,675	1,649,391	164,459	766,158
Earnings per share	**RMB1.75**	RMB 1.50	RMB0.34	RMB0.03	RMB0.16
Dividend per share [Note]	**RMB 0.54**	RMB 0.48	RMB0.12	RMB0.01	RMB0.02

Note:

① In 2018, the Company consolidated the financial statements of Yankuang (Hainan) Intelligent Logistics Co., Ltd. In 2017, the Company consolidated the financial statements of Yanzhou Coal Blue Sky Clean Energy Co., Ltd., Yanzhou Coal Mining Engineering Co., Ltd., Wuxi Dingye Energy Co., Ltd. ("Wuxi Dingye") and Yankuang Finance Company. In 2016, the Company consolidated the financial statements of Shandong Yanmei Property Services Co., Ltd., Shandong Zhongyin International Trade Co., Ltd. and Duanxin Investment Holding (Shenzhen) Co., Ltd. In 2015, the Company consolidated the financial statements of Shandong Duanxin Supply Chain Management Co., Ltd., Donghua Heavy Industry and Qingdao Vast Lucky International Trade Co., Ltd. ("Qingdao Vast Lucky"). In 2014, the Company consolidated financial statements of Shandong Zhongyin Logistics and Trade Co., Ltd., Zhongyin Financial Leasing and Duanxin Beijing.

② The dividend per share for the year 2018 is the recommended dividends to be declared. For details, please refer to the section headed *Profit Distribution Plan for 2018* in this report.

(II) Assets and Liabilities

Unit: RMB'000

	31December				
	2018	2017	2016	2015	2014
Net current assets	**5,230,224**	1,523,280	(9,872,437)	6,754,770	10,756,460
Net value of property, plant and equipment	**45,296,120**	46,267,729	31,023,022	28,659,378	30,051,838
Total assets	**206,003,615**	197,312,624	147,455,472	142,471,875	133,098,114
Total borrowings	**68,677,923**	70,360,694	65,577,791	69,479,805	61,438,088
Equity attributable to Shareholders	**52,077,360**	47,410,866	37,138,676	35,369,901	38,725,846
Net asset value per share	**RMB10.60**	RMB9.65	RMB7.56	RMB7.20	RMB7.87
Return on net assets (%)	**16.48**	15.53	4.44	0.46	1.98

Note: The Group has adjusted items listed in "net value of property, plant and equipment" since 2016, and has made adjustments to the relevant items from 2014 to 2015 correspondingly.

(III) Summary of Cash Flow Statement

Unit: RMB' 000

	Year ended 31 December				
	2018	2017	2016	2015	2014
Net cash from operating activities	**18,243,311**	12,161,766	11,220,674	3,849,356	3,928,286
Net increase (decrease) in cash and cash equivalents	**6,180,131**	4,900,230	–3,695,940	7,217,642	4,329,190
Net cash flow per share from operating activities	**RMB3.71**	RMB2.48	RMB2.28	RMB0.78	RMB0.80

Note: The Group has adjusted items listed in cash flow statement since 2016, and has made adjustments to relevant items from 2014 to 2015 correspondingly, which has no impact on net increase (decrease) in the cash and cash equivalents.

VIII. QUARTERLY FINANCIAL DATA OF 2018

(Prepared in accordance with the CASs)

Unit: RMB'000

	Quarter 1 (Jan-Mar)	Quarter 2 (Apr-Jun)	Quarter 3 (Jul-Sep)	Quarter 4 (Oct-Dec)
Operating income	32,333,709	43,974,484	42,882,292	43,817,987
Net profit attributable to shareholders of the listed company	2,227,536	2,113,743	1,162,735	2,404,890
Net profit attributable to shareholders of the listed company after deducting extraordinary gains and losses	2,166,053	2,368,022	1,351,076	2,606,302
Net cash flow from operating activities	3,270,162	6,293,210	3,089,707	9,779,317

Chapter 03

Business Highlights

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

(I) Main Business and Business Model

1. Coal business

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

2. Coal chemicals business

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

3. Mechanical and electrical equipment manufacturing business

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

4. Power generation and heat business

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

(II) Industry Situation Analysis

In 2018, benefit from the government's continued efforts in reform and opening up, and in-depth supply-side structural reform, the supply and demand in coal market became basically balanced, coal price maintained at a medium and high level, and the profitability of coal industry continuously increased.

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

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

For the details of changes and cause analysis on long-term equity investment and construction in progress of the Company during the reporting period, please refer to “Chapter 5 Board of Directors’ Report”.

Including: Overseas assets of RMB79.098 billion, representing 38.4% of total assets, no significant change compared with that of last year. Since 2004, while relying mainly on Yancoal Australia and Yancoal International, the Company has set up related overseas investment management platforms through various ways, such as overseas assets or equity acquisition, company establishment, stock swap and merger etc. For the details in relation to the production and operation of Yancoal Australia and Yancoal International, please refer to “Chapter 5 Board of Directors’ Report”.

III. CORE COMPETITIVENESS ANALYSIS DURING THE REPORTING PERIOD

In 2018, the Group, by seizing policy opportunities of supply-side structural reform and capacity swap in coal industry, increased mine capacity, optimized production management, put all the three 10Mt coal mines into operation, and gradually released the incremental potential of high-quality coal resources. The coal chemical industry, by giving full play to “high-end cluster”, realized the efficient operation of “safety, stability, long-lasting, full-load and excellence”, accelerated the two phase II projects of Rongxin Chemicals belong to Ordos Neng Hua and Yulin Neng Hua, which will be put into production soon. The scale efficiency advantage of Shaanxi-Inner Mongolia base gradually emerged, which continued to strengthen the momentum of development. The coal sales volume of the Company continued to rise at high level, which significantly enhanced the ability to increase revenue and efficiency. The Group steadily promoted financial investment, implemented the holding of Linshang Bank, increased the holdings of Zheshang Bank, which consolidated and enhanced the ability to increase efficiency by financial investment. Yancoal Australia was successfully listed on HKEX and become the first state-controlled-enterprise with its shares listed on Australian Securities Exchange and HKEX, capital use efficiency was further improved. The Australia base gave full play to the synergic effect of resources integration, promoted global resource allocation, and further enhanced price negotiating strength in Asia-pacific maritime coal market and the international competitiveness. The Company comprehensively reviewed and revised company governance policies, screened and rectified subsidiaries, implemented the share incentive scheme and the Group’s development quality has been further improved.

Chapter 04

Chairman's Statement

Mr. Li Xiyong
Chairman

Respected Shareholders,

I, on behalf of the Board, would like to present the 2018 annual report of the Company and our development plan for the year 2019 to all Shareholders.

In 2018, affected by international trade frictions and other factors, the world economy saw slow recovery and China experienced downward pressure in economy development. The Chinese government, with adherence to the general principle of pursuing growth while ensuring stability, has maintained sustainable and sound economic development by further implemented stable tactics in employment, financial sector, foreign trade, foreign investment, domestic investment and economic expectations. The supply and demand of the coal market was basically balanced and the coal price remained at a medium-high level. However, the government has imposed stricter regulatory policies on coal industry, thus the coal industry faces complex situation of both opportunities and challenges.

Confronted with profound changing macro-economic situation, by actively seizing development opportunities such as the release of policy benefits, favorable coal market and replacement of old growth drivers with new ones, basing on strengthening the main coal industry and related industries, implementing policies on an accurate and efficient manner, expanding external market and enhancing quality, tapping internal potentials while saving cost and increasing profit, the Group has maintained a steady growth in total assets and production volumes with dramatic increase in income and overall improvement in operation quality.

During the reporting period, the Group produced 105.9 million tonnes of raw coal and 1.66 million tonnes of methanol; sold 113.94 million tonnes of salable coal and 1.64 million tonnes of methanol; recorded sales income of RMB67.447 billion, gross profit of RMB24.307 billion, profit before tax of RMB15.931 billion, net income attributable to shareholders of parent company amounted to RMB8.583 billion, and total assets reached RMB206.004 billion with the coal production, operating income and total assets hit a new historic record.

Coordinated development in leading industries and overall promotion in development quality. Adhering to the principle of "based on coal industry, extending coal industry chain and develop beyond coal industry", concentrating superior resources, optimizing industrial layout, the Company has constructed a new strategic industrial layout of coal industry as the pillar and synergic development of high-end chemicals industry and other related industries. **As for the coal industry,** the headquarters base fulfilled stable production and efficiency by implementing "three reduction & three improvements" (i.e. reduce development headings, work faces and mining systems; improve efficiency, quality and profit) to further improve coal production system, unit production, unit workface development and production per man to maintain stable production. Shaanxi-Inner Mongolia base accelerated the construction and formalities of 10 million tonnes coal mines, accelerated the release of superior production capacity to achieve incremental improvements. The Australia base actively exerted the synergy effect of integration, and the asset quality, efficiency and production were significantly improved. **Regarding the chemicals industry,** the two Phase I chemicals projects of Ordos Neng Hua and Yulin Neng Hua have realized the "safe, stable, long-term, full-load and high-quality" operation of the system, and exceeded the production plan. Meanwhile, the Company promoted the construction of two Phase II projects in an orderly manner to ensure that the high-end chemicals park of Shaanxi-Inner Mongolia Base can put into operation on schedule. **As to the related industries,** the Company gave full play to the supporting role of logistics, trade and financial investment in the main industry to achieve synergy.

Deepen and expand lean management and general promotion in both profitability and efficiency. The Company effectively utilized the global resource element allocation and fully optimized the assets structure. Yancoal Australia successfully listed on the HKEX and became the first state-owned holding company dual primary listing on both the HKEX and the Australian Securities Exchange ("ASX"). The Company speeded up the elimination of backward and ineffective assets, promoted the management of unprofitable enterprises in an orderly manner, and achieved the goal of dual decreasing in both loss scales and loss amount. The Company adopted a number of measures to reduce and replace loans and successfully reduced the asset-liability ratio by 2 percentage points. The Company further implemented "three reductions & three improvements"to optimize the production system and labor organization. The Company continuously reduced the cost and improved efficiency, and carried out the benchmarking activities of material consumption, equipment energy consumption, equipment utilization rate and idle rate, so that material consumption and cost were effectively controlled. The Company introduced the concept of marketization into operation management and comprehensively promoted the monetization of posts, so that the remuneration of employees was linked to job responsibilities, labor value and enterprise benefits.

In-depth implementation of operational mechanism reform and comprehensive enhancement in underlying management capabilities. The Company improved the management and control system of listed companies, revised the corporate governance system, and further established a fully compliant and efficient corporate governance structure. The Company insisted on highlighting the main business and cleaned up companies with no prospects and less correlation with the main business to improve industrial concentration and operational quality. The Company gave full play of the role of sharing platform in coordinating funds, equipment, taxation, manpower and other resources to improve resource allocation efficiency. The Company strengthened its internal control system, improved investment decision-making, market analysis and risk prevention and control mechanisms so as to improve investment quality and investment returns. The Company strengthened the management of the appointed "directors, supervisors and senior management" to effectively prevent investment risks. The Company actively promoted the "Double Hundred Actions" for the reform of state-owned enterprises, improved the supporting policies for mixed ownership reform, and made major breakthroughs in the reform of the Company's system and mechanism through attracting investment, recruiting talents and complementing synergies.

Vigorously perform social responsibility and jointly promote harmonious development between locals and enterprises. With adherence to the concept of safety and efficient development, the Company improved safety management in an all-round way by strengthening the implementation of safety measures based on stringent safety bottom line. The Company implemented a new round of environmental protection actions, formulated a comprehensive plan for mine ecological management, vigorously promoted the construction of key environmental protection projects, and strived to build an environment-friendly, resource-saving, clean and low-carbon demonstration enterprise. The Company launched the "Blue Sky Project" to build itself into a comprehensive green clean energy supplier. The Company fulfilled the mission and social responsibility of a state-owned enterprise, deeply participated in the local "precise poverty alleviation" motivation, increased the contribution to the society, and promoted the win-win development of the local and enterprise.

In 2018, by virtue of the sound performance and standard corporate governance, Yanzhou Coal successively won various honors including the "Best Board of Directors in Investor Relations among China Listed Companies on the Main Board", the "Taurus Foundation Evergreen Awards among China Listed Companies", "Top 100 Enterprises in China", the "Gold Round Table Award for the Best Board of Directors among China Listed Companies", the "Gold Hong Kong Shares-Listed Company with the Most Valuable Energy and Resources Shares", "A Class for Information Disclosure", etc., ranking No. 74 among 2018 Top 100 Global Energy Companies.

Looking forward to 2019, given the accelerated adjustment of industrial structure and the complicated and volatile macroeconomic environment, the Chinese government will continue to adhere to the general tone of steady growth, to realize progress and growth in economic development while maintaining stable in the long run. It is expected that the supply and demand in coal market will maintain an overall balance in 2019, and coal prices will be basically stable at current levels.

The Year of 2019 is the beginning year of the third decade of listing of Yanzhou Coal. After 20 years of intensive cultivation, transformation and upgrading, the Group as a whole has entered the "release period" of potential, the "speed up period" of transformation and the "rise period" of economic benefits. Standing on a new starting point and embarking on a new journey, the Group will adhere to the new development concept, fully highlight the main business of coal, extend the high value-added industrial chain, and promote the Group's new round of high quality and efficient development. In 2019, the Group plans to sell 100 million tons of self-produced coal.

Focus on quality and efficient development of the main business, make the three bases better and stronger. In the headquarters base, the Company will, by fully implement measures of "three reduction & three improvements" and "four modernization"(i.e. automation, informationization, intelligentization and marketization), comprehensively improve the reliability of mining equipment, the optimization and upgrading of production system, the quality efficiency of coal preparation system as well as the efficiency of workforce to ensure stable production. In the Shaanxi-Inner Mongolia base, the Company will speed up the production commission of the three 10Mt coal mines, carefully build two large-scale high-end chemical parks, and strive to build it into a new industrial cluster as an economic development pole and profit-making source as soon as possible. In the Australia base, the Company will maintain the development momentum and improve overall operation and performance by taping its potentials to optimize incremental production, decrease less efficient production and revitalize existing assets. At the same time, the Company will actively cooperate with external companies to enhance the pricing power of the marine coal market in the Asia Pacific region.

Focus on improving business performance by doing a good job in production, cost and profit. Increase production: The Company will fully release the incremental potential of three 10Mt coal mines in Inner Mongolia, and commission the advantageous production capacity of Moolarben, MTW and HVO in Australia. The Company will coordinate the coal production and project construction of two high-end chemical parks in an overall consideration to ensure the safe, stable and long cycle operation of the production system. **Reduce cost:** The Company will establish a comprehensive lean cost management and control system to further reduce product unit consumption, management expenses and purchase price, and strive to keep the cost of major products stable. The Company will implement a "strict constraint" system for asset-liability ratio and financial expenses in order to continuously optimize the structure of assets and liabilities. The Company will further reduce labor costs. **Increase efficiency:** The Company will continue to optimize product structure and carry out customized coal services to maximize the potential added value of coal. The Company will extend the chemical industry chain and develop coal and methanol further processing industries to increase product added value.

Focusing on promoting high quality and efficient development by strengthening three major support guarantees. Strengthen corporate management: The Company will continue to improve the internal control system and standardize the management of the holding subsidiaries to improve the effectiveness of management. The Company will take advantage of the shared platform and strictly control all kinds of capital expenditures to further reduce the controllable expenses. The Company will keep up with the new trends of the times and carry out big data engineering construction to improve management efficiency, economic performance and competitiveness. **Strengthen institutional reform:** The Company will take advantage of "Double Hundred Actions", the national initiative for the reform of state-owned enterprises, to launch a new round of institutional reforms, form a flat management structure, and improve business efficiency. The Company will adhere to the full market orientation and reform the remuneration distribution system to enhance the efficiency of all staff. **Strengthen safe production and environment protection:** The Company will firmly establish the concept of "less operators on sites, less safety hazards" and accelerate the construction of intelligent workface to enhance the level of intrinsic safety. The Company will speed up the construction of key environmental protection projects and carry out the management of subsidence rehabilitation to build a safe, green and efficient coal enterprise.

Start a new journey given the complicated environment, work harder with a mission in mind in the crucial time. In 2019, Yanzhou Coal will keep up with the development trend of the new era with open-minded, seize strategic opportunities of high-quality development, gather strength to tackle difficulties, develop and improve quality, and strive to make itself a global mining group and a green energy supplier that is leading in the industry, trusted by shareholders, welcomed by the communities and proud of our employees.

On behalf of the Board
Li Xiyong
Chairman

Zoucheng City, PRC
29 March 2019

Chapter 05

Board of Directors' Report

Mr. Wu Xiangqian
General Manager

I. MANAGEMENT DISCUSSION AND ANALYSIS

Main business

		Unit	2018	2017	Increase/ Decrease	Increase/ Decrease (%)
1.	**Coal Business**					
	Raw coal production	kilotonne	**105,895**	85,620	20,275	23.68
	Salable coal production	kilotonne	**95,101**	79,924	15,177	18.99
	Salable coal sales volume	kilotonne	**113,942**	96,802	17,140	17.71
2.	**Railway Transportation Business**					
	Transportation volume	kilotonne	**19,879**	14,385	5,494	38.19
3.	**Coal Chemicals Business**					
	Methanol production	kilotonne	**1,656**	1,614	42	2.60
	Methanol sales volume	kilotonne	**1,645**	1,611	34	2.11
4.	**Power Generation Business**					
	Power generation	10,000KWh	**277,533**	267,434	10,099	3.78
	Electricity sold	10,000KWh	**171,197**	165,492	5,705	3.45

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

In 2018, the Group sold 113.94 million tonnes of salable coal, including: 93.63 million tonnes of self-produced coal, accounting for 93.6% of annual self-produced coal sales plan; 1.65 million tonnes of methanol, accounting for 106.5% of annual methanol sales plan.

II. MAIN BUSINESS DURING THE REPORTING PERIOD

(I) The Operation of Business Segments

1. Coal Business

(1) Coal Production

In 2018, the Group produced 105.90 million tonnes of raw coal, representing an increase of 20.28 million tonnes or 23.7% as compared with that of last year; produced salable coal of 95.10 million tonnes, representing an increase of 15.18 million tonnes or 19.0% as compared with that of last year.

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

			2018 (kilotonne)	2017 (kilotonne)	Increase/ Decrease (kilotonne)	Increase/ Decrease (%)
I.	**Raw Coal Production**		**105,895**	85,620	20,275	23.68
	1.	The Company	**32,482**	32,237	245	0.76
	2.	Shanxi Neng Hua	**1,730**	1,347	383	28.43
	3.	Heze Neng Hua①	**3,267**	2,397	870	36.30
	4.	Ordos Neng Hua	**14,874**	12,137	2,737	22.55
	5.	Haosheng Company②	**3,286**	6,096	–2,810	–46.10
	6.	Yancoal Australia③	**43,784**	24,103	19,681	81.65
	7.	Yancoal International	**6,472**	7,303	–831	–11.38
II.	**Salable Coal Production**		**95,101**	79,924	15,177	18.99
	1.	The Company	**32,474**	32,214	260	0.81
	2.	Shanxi Neng Hua	**1,714**	1,319	395	29.95
	3.	Heze Neng Hua	**3,247**	2,368	879	37.12
	4.	Ordos Neng Hua	**14,851**	12,118	2,733	22.55
	5.	Haosheng Company	**3,286**	6,096	–2,810	–46.10
	6.	Yancoal Australia	**33,599**	19,266	14,333	74.40
	7.	Yancoal International	**5,930**	6,543	–613	–9.37

Notes:

① Raw coal and salable coal production volume of Heze Neng Hua increased as compared with that of last year. This was mainly due to the fact that coal production was limited by geological conditions in 2017 but resumed to normal in 2018.

② Raw coal and salable coal production volume of Haosheng Company decreased as compared with that of last year. This was mainly due to the fact that the production of Shilawusu coal mine owned by Haosheng Company was constrained by the safety and environmental protection policies.

③ Raw coal and salable coal production volume of Yancoal Australia increased as compared with that of last year. This was mainly due to the fact that the underground project of Moolarben coal mine was put into commercial operation in the second half of 2017 and the coal mine production volume owned by C&A was consolidated into Yancoal Australia's statements in September 2017, resulting production enhancement in 2018 as compared with that of last year.

(2) Coal Prices and Marketing

In 2018, the Group sold a total of 113.94 million tonnes of coal, representing an increase of 17.14 million tonnes or 17.7% as compared with that of last year. This was mainly due to the fact that: Yancoal Australia completed the acquisition of C&A in September 2017, as a result, the coal production and marketing capacity was enhanced and the sales volume of salable coal increased by 14.35 million tonnes as compared with that of 2017.

In 2018, the Group realized sales income of coal business of RMB62.428 billion, representing an increase of RMB13.956 billion or 28.8% as compared with that of last year.

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

		2018				2017			
		Coal Production (kilotonne)	Sales Volume (kilotonne)	Sales Price (RMB/tonne)	Sales Income (RMB' 000,000)	Coal Production (kilotonne)	Sales Volume (kilotonne)	Sales Price (RMB/tonne)	Sales Income (RMB' 000,000)
1.	The Company	32,474	32,260	599.36	19,335	32,214	31,746	584.82	18,565
	No. 1 clean coal	792	797	893.49	712	230	184	897.67	165
	No. 2 clean coal	8,626	8,684	843.44	7,325	9,064	8,977	784.53	7,043
	No. 3 clean coal	2,654	2,553	660.61	1,686	2,239	2,339	639.26	1,495
	Lump coal	2,225	2,230	717.51	1,600	2,207	2,276	664.07	1,511
	Sub-total of clean coal	14,297	14,264	793.83	11,323	13,740	13,776	741.47	10,214
	Screened raw coal	18,177	17,996	445.23	8,012	18,474	17,970	464.73	8,351
2.	Shanxi Neng Hua	1,714	1,727	341.28	589	1,319	1,318	347.65	458
	Screened raw coal	1,714	1,727	341.28	589	1,319	1,318	347.65	458
3.	Heze Neng Hua	3,247	2,880	981.70	2,828	2,368	2,153	996.99	2,147
	No. 2 clean coal	2,619	2,635	1,033.61	2,723	2,081	2,132	1,002.59	2,138
	Screened raw coal	628	245	424.42	105	287	21	424.48	9
4.	Ordos Neng Hua	14,851	13,776	259.98	3,582	12,118	10,568	248.69	2,628
	Screened raw coal	14,851	13,776	259.98	3,582	12,118	10,568	248.69	2,628
5.	Haosheng Company	3,286	3,302	300.87	993	6,096	6,060	296.07	1,794
	Screened raw coal	3,286	3,302	300.87	993	6,096	6,060	296.07	1,794
6.	Yancoal Australia	33,599	33,654	623.21	20,974	19,266	19,308	540.38	10,434
	Semi-hard coking coal	87	87	828.74	72	169	169	815.82	138
	Semi-soft coking coal	2,744	2,748	869.62	2,390	800	801	835.17	669
	PCI coal	2,416	2,420	866.71	2,097	2,647	2,653	768.47	2,039
	Thermal coal	28,352	28,399	578.00	16,415	15,650	15,685	483.78	7,588
7.	Yancoal International	5,930	6,026	405.95	2,446	6,543	6,595	363.13	2,395
	Thermal coal	5,930	6,026	405.95	2,446	6,543	6,595	363.13	2,395
8.	Traded coal	–	20,317	574.95	11,681	–	19,054	527.47	10,051
9.	Total for the Group	95,101	113,942	547.90	62,428	79,924	96,802	500.73	48,472

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

	Impact of Changes on Coal Sales Volume (RMB'000,000)	Impact of Changes on the Sales Price of Coal (RMB'000,000)
The Company	301	469
Shanxi Neng Hua	142	–11
Heze Neng Hua	725	–44
Ordos Neng Hua	798	156
Haosheng Company	–817	16
Yancoal Australia	7,752	2,788
Yancoal International	–207	258
Traded Coal	665	965

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

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

	2018		2017	
	Sales Volume (kilotonne)	**Sales Income (RMB' 000,000)**	Sales Volume (kilotonne)	Sales Income (RMB' 000,000)
1. China	**77,673**	**41,370**	68,325	34,395
East China	**50,217**	**28,490**	44,053	25,169
South China	**5,955**	**3,122**	574	210
North China	**14,182**	**6,662**	19,795	7,565
Northwest China	**4,704**	**1,383**	351	93
Other regions	**2,615**	**1,713**	3,552	1,358
2. Japan	**7,726**	**6,261**	4,966	3,137
3. South Korea	**4,288**	**3,175**	3,629	1,966
4. Singapore	**11,030**	**5,622**	4,045	1,409
5. Australia	**10,518**	**4,724**	6,973	2,803
6. Others	**2,707**	**1,276**	8,864	4,762
7. Total for the Group	**113,942**	**62,428**	96,802	48,472

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

The following table sets out the Group's coal sales by industries for the year 2018:

	2018		2017	
	Sales Volume (kilotonne)	**Sales Income (RMB'000,000)**	Sales Volume (kilotonne)	Sales Income (RMB'000,000)
1. Power	**50,978**	**25,631**	35,790	15,436
2. Metallurgy	**6,859**	**6,147**	6,011	5,161
3. Chemicals	**9,406**	**7,347**	8,190	6,481
4. Trade	**46,299**	**23,063**	46,063	20,952
5. Others	**400**	**240**	748	442
6. Total for the Group	**113,942**	**62,428**	96,802	48,472

(3) **The Cost of Coal Sales**

In 2018, the Group's cost of coal sales amounted to RMB36.002 billion, representing an increase of RMB7.826 billion or 27.8% as compared with that of last year. The increase was mainly attributed to the rise of saleable coal volume as compared with that of the same period of last year.

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

		Unit	2018	2017	Increase/ Decrease	Increase/ Decrease (%)
The Company	Total cost of sales	RMB million	**8,752**	8,133	619	7.61
	Cost of sales per tonne	RMB/tonne	**270.07**	254.48	15.59	6.13
Shanxi Neng Hua	Total cost of sales	RMB million	**431**	297	134	45.12
	Cost of sales per tonne	RMB/tonne	**249.89**	225.50	24.39	10.82
Heze Neng Hua	Total cost of sales	RMB million	**1,523**	1,151	372	32.32
	Cost of sales per tonne	RMB/tonne	**466.38**	468.66	–2.28	–0.49
Ordos Neng Hua	Total cost of sales	RMB million	**2,648**	1,789	859	48.02
	Cost of sales per tonne	RMB/tonne	**192.24**	169.30	22.94	13.55
Haosheng Company	Total cost of sales	RMB million	**1,294**	1,025	269	26.24
	Cost of sales per tonne	RMB/tonne	**391.97**	169.09	222.88	131.81
Yancoal Australia	Total cost of sales	RMB million	**9,231**	5,444	3,787	69.56
	Cost of sales per tonne	RMB/tonne	**274.30**	281.95	–7.65	–2.71
Yancoal International	Total cost of sales	RMB million	**1,373**	1,591	–218	–13.70
	Cost of sales per tonne	RMB/tonne	**227.82**	241.25	–13.43	–5.57
Traded coal	Total cost of sales	RMB million	**11,107**	9,708	1,399	14.41
	Cost of sales per tonne	RMB/tonne	**546.71**	509.49	37.22	7.31

The reason for the change of sales cost per ton in Haosheng Company was mainly due to the decrease of saleable coal as compared with the previous year caused by constraints of governmental polices in relation to environmental protection and safety production..

2. *Railway Transportation Business*

In 2018, the transportation volume of the Company's Railway Assets was 19.88 million tonnes, representing an increase of 5.49 million tonnes or 38.2% as compared with that of last year. The income from railway transportation services was RMB420 million, representing an increase of RMB117 million or 38.6% as compared with that of last year. The cost of railway transportation services was RMB175 million, representing an increase of RMB2.887 million or 1.7%as compared with that of last year.

3. *Coal Chemicals Business*

The following table sets out the Group's methanol business for 2018:

	Methanol Production Volume (kilotonne)			**Methanol Sales Volume (kilotonne)**		
	2018	2017	Increase/ Decrease (%)	**2018**	2017	Increase/ Decrease (%)
1. Yulin Neng Hua	**706**	705	0.14	**696**	700	–0.57
2. Ordos Neng Hua	**950**	909	4.51	**949**	911	4.17

	Sales Income (RMB'000)			**Cost of Sales (RMB'000)**		
	2018	2017	Increase/ Decrease (%)	**2018**	2017	Increase/ Decrease (%)
1. Yulin Neng Hua	**1,484,529**	1,352,786	9.74	**1,004,898**	1,048,972	–4.20
2. Ordos Neng Hua	**2,010,362**	1,756,135	14.48	**1,293,953**	1,195,099	8.27

4. *Power Generation Business*

The following table sets out the operation of the Group's power business for the year 2018:

	Power Generation (10,000KWh)			**Power Output Dispatch (10,000KWh)**		
	2018	2017	Increase/ Decrease (%)	**2018**	2017	Increase/ Decrease (%)
1. Hua Ju Energy	**88,502**	82,106	7.79	**28,571**	27,755	2.94
2. Yulin Neng Hua	**30,048**	29,692	1.20	**2,720**	1,820	49.45
3. Heze Neng Hua	**158,983**	155,636	2.15	**139,906**	135,917	2.93

	Sales Income (RMB'000)			Cost of Sales (RMB'000)		
			Increase/ Decrease			Increase/ Decrease
	2018	2017	(%)	**2018**	2017	(%)
1 Hua Ju Energy	**112,929**	113,860	–0.82	**109,904**	99,112	10.89
2 Yulin Neng Hua	**5,103**	3,396	50.27	**11,210**	8,440	32.82
3 Heze Neng Hua	**474,045**	445,876	6.32	**424,493**	463,102	–8.34

Note: During the reporting period, the sales volume of electric power as well as income generated by Yulin Neng Hua dramatically increased as compared with that of the previous year, which was mainly due to the increase of external sales volumes of electric power as compared with the same period of last year.

5. *Heat Business*

Hua Ju Energy generated heat energy of 1.37 million steam tonnes and sold 240 thousand steam tonnes in 2018, realizing sales income of RMB34.324 million, with cost of sales at RMB18.699 million.

6. *Electrical and Mechanical Equipment Manufacturing Business*

The income from electrical and mechanical equipment manufacturing business was RMB477 million, with cost of sales at RMB349 million.

7. *Equity Investment*

In 2018, the equity investment by the Group realized profit before tax of RMB15.34 million.

(II) Analysis of Main Business

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

Unit: RMB million

Items	2018	2017	Increase/ Decrease (%)
Sales income	**67,447**	52,672	28.05
Sales cost	**39,390**	31,327	25.74
Selling, general and administrative expenses	**10,660**	9,259	15.13
Investment gains from associates	**1,296**	683	89.75
Income tax	**4,608**	2,715	69.72
Net cash from operating activities	**18,243**	12,162	50.00
Cash flow for investment	**-10,172**	-30,841	–
Cash flow from financing activities	**-1,891**	23,580	-108.02

1. *Analysis on Income and Cost*

Reasons for changes in sales income: ① the rise of sales price of self-produced coal resulted in the increase of RMB3.632 billion in sales income as compared with that of 2017; the increase of sales volume of self-produced coal resulted in the increase of RMB8.694 billion in sales income as compared with that of 2017; ② sales income of traded coal increased by RMB1.630 billion as compared with that of 2017.

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

Unit: RMB 1 million

Main business by industries

By industries	Sales Income	Cost of Sales	Gross Profit (%)	Increase/ Decrease in sales income as compared with that of last year (%)	Increase/ Decrease in cost of sales as compared with that of last year (%)	Increase/Decrease in gross profit as compared with that of last year (%)
1. Coal business	62,428	36,002	42.33	28.79	27.78	Increased by 0.46 percentage points
Of which, self-produced coal business	50,747	24,895	50.94	32.08	34.80	Decreased by 0.99 percentage points
Traded coal business	11,681	11,107	4.91	16.23	14.41	Increased by 1.51 percentage points
2. Railway transportation business	420	175	58.33	38.61	1.74	Increased by 15.01 percentage points
3. Coal chemicals business	3,495	2,299	34.22	12.42	2.45	Increased by 6.40 percentage points
4. Power generation business	592	546	7.77	5.15	−4.38	Increased by 9.11 percentage points
5. Heat business	34	19	44.12	47.83	46.15	Increased by 0.60 percentage points
6. Electrical and mechanical equipment manufacturing business	478	349	26.99	135.47	131.13	Increased by 1.68 percentage points

Main business by products

By products	Sales Income	Cost of Sales	Gross Profit (%)	Increase/ Decrease in sales income as compared with that of last year (%)	Increase/ Decrease in cost of sales as compared with that of last year (%)	Increase/Decrease in gross profit as compared with that of last year (%)
1. Coal business	62,428	36,002	42.33	28.79	27.78	Increased by 0.46 percentage points
Of which, self-produced coal	50,747	24,895	50.94	32.08	34.80	Decreased by 0.99 percentage points
Traded coal	11,681	11,107	4.91	16.23	14.41	Increased by 1.51 percentage points
2. Railway transportation business	420	175	58.33	38.61	1.74	Increased by 15.01 percentage points
3. Coal chemicals	3,495	2,299	34.22	12.42	2.45	Increased by 6.40 percentage points
4. Power generation	592	546	7.77	5.15	–4.38	Increased by 9.11 percentage points
5. Heat	34	19	44.12	47.83	46.15	Increased by 0.60 percentage points
6. Electrical and mechanical equipment manufacturing	478	349	26.99	135.47	131.13	Increased by 1.68 percentage points

Main business by regions

By regions	Sales Income	Cost of Sales	Gross Profit (%)	Increase/ Decrease in sales income as compared with that of last year (%)	Increase/ Decrease in cost of sales as compared with that of last year (%)	Increase/Decrease in gross profit as compared with that of last year (%)
Domestic	39,049	23,815	39.01	9.15	19.14	Decreased by 5.11 percentage points
Overseas	28,398	15,575	45.15	68.06	37.38	Increased by 12.24 percentage points

Explanation on main business by industries, products or regions

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

(2) **Production and sales volume analysis**

Unit: Kilotonne

Main products	Production volume	Sales volume	Inventory	Increase/ Decrease in production volume as compared with that of 2017 (%)	Increase/ Decrease in sales volume as compared with that of 2017(%)	Increase/Decrease in inventory as compared with the beginning of 2017 (%)
Self-produced salable coal	95,101	93,625	4,931	18.99	20.42	16.24
Methanol	1,656	1,645	50	2.60	2.11	28.21

Explanation on production and sales volume

For details of the production and sales volume changes of main products, please refer to the section headed "The Operation of Business Segments" in this chapter.

(3) **Cost analysis**

Unit: RMB'000,000

Cost components	2018	Percentage of total cost in 2018 (%)	2017	Percentage of total cost in 2017(%)	Increase/ Decrease as compared with that of 2017(%)
I. Self-produced coal cost	**24,895**	100.00	18,468	100.00	34.80
1. Materials	**3,962**	15.91	3,204	17.35	23.66
2. Salary and employee benefit	**6,288**	25.26	4,159	22.52	51.19
3. Electricity	**861**	3.46	652	3.53	32.06
4. Depreciation	**2,793**	11.22	1,909	10.34	46.31
5. Subsidence expense	**1,266**	5.09	1,025	5.55	23.51
6. Amortization of mining rights	**1,354**	5.44	1,019	5.52	32.88
7. Labor cost	**2,204**	8.85	785	4.25	180.76
8. Sales tax and surcharges	**2,288**	9.19	2,987	16.17	–23.40
9. Others	**3,879**	15.58	2,728	14.77	42.19
II. Traded coal cost	**11,107**	–	9,708	–	14.41
III. Total	**36,002**	–	28,176	–	27.78

Other explanations

① Reason for changes in sales cost: cost of coal sales increased by RMB 7,826 million as compared with that of the previous year.

② Cost of coal sales account for 91.4% of the Group's total sales cost, so that cost component by industries listed in the table above only refers to the cost component of the Group's coal sales during the reporting period.

(4) **Major Customers and Suppliers**

The sales value to the top five customers is RMB11.962 billion, accounting for 17.7% of total annual sales, among which: the sales value to connected parties of the top five customers was RMBO, accounting for 0% of the total annual sales.

The purchase from the top five suppliers is RMB4.025 billion, accounting for 21.9% of total annual purchases, among which: the purchase from connected parties of the top five suppliers was RMBO, accounting for 0% of the total annual purchases.

Other explanation

(i) The top five customers and suppliers are mainly related to the self-produced products of the Group.

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

2. *Analysis on changes in expenses and others*

Analysis on the reasons for changes in the investment income from associated companies: ① During the reporting period, the Group received investment income of RMB764 million from participating shares investment in Zheshang Bank; ② During the reporting period, the Group obtained investment income of RMB196 million from participating shares investment in Inner Mongolia Yitai Zhundong Railroad Co., Ltd.

Explanation on changes of income tax: The taxable income of the Group increased as compared with that of the previous year.

3. *Research and Development Expenditure*

Table of Research and Development (R&D) Expenditure

Unit: RMB million

Expensing R&D expenditure in 2018	158
Capitalized R&D expenditure in 2018	0
Total	158
Percentage of total R&D expenditure to revenue (%)	0.23
Number of R&D staff	2,944
Percentage of R&D staff to the total employees (%)	4.57
Percentage of capitalized expenditure of R&D (%)	0

Explanation

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

In 2018, the Group completed 83 items of scientific and technological achievements, among which, 19 items reached the international advanced level, 139 items obtained patents and 22 items won the provincial science and technology awards. As at the end of the reporting period, the Group had 2,944 research and development staff.

4. *Cash Flow*

Change reason for net cash flow from operating activities: during the reporting period, the increase of coal sales volume and sales price of the Group resulted in the rise of net operating cash inflow of the Company as compared with that of the corresponding period of last year.

Change reason for net cash flow from investing activities: ① net cash outflow for acquisition of subsidiaries decreased by RMB14.164 billion as compared with that of the corresponding period of last year; ② income from sold off property, machinery and equipment increased by RMB3.081 billion as compared with that of the corresponding period of last year.

Change reason for net cash flow from financing activities: ① cash obtained from bank loans decreased by RMB11.889 billion as compared with that of the corresponding period of last year.; ② cash from ordinary share issuance by subsidiaries of the Company decreased by RMB8.238 billion as compared with that of the corresponding period of last year.

Financial resources and utilisation

In 2018, the Group's principal financial resources were the cash flow from operations, bond issuance and bank loans. The Group has utilized its capital mainly for the payment of operating expenses, purchase of property, machinery and equipment, payment of dividends to the Shareholders, repayment of bank loans, payment of the acquisition of assets and equities.

The Group's capital expenditure for the purchase of property, machinery and equipment for the year 2018 was RMB10.809 billion, representing an increase of RMB3.906 billion or 56.6% as compared with 2017.

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

1. During the reporting period, the investment income from the associates and the joint ventures increased by RMB679 million as compared with that of the previous year.

2. Yancoal Australia acquired C&A in 2017 and recognized one-off gains of subsidiary at the same period of last year, resulting in a decrease of net income attributable to shareholders of the Company by RMB458 million as compared with that of the previous year.

3. The Group paid for repair and maintenance expenses for separation and transfer of assets related to "water supply, power supply, heat supply and property management during the reporting period, resulting in a decrease of net income attributable to shareholders of the Company by RMB539 million as compared with that of the previous year.

4. The provision for assets impairment accrued in mining right of Wenyu Coal Mine decreased by RMB1.211 billion, resulting in an increase of net income attributable to shareholders of the Company by RMB1.029 billion as compared with that of the previous year.

(IV) Assets and Liabilities

1. *Table for the analysis of changes in assets and liabilities items*

Unit: RMB million

Items	Closing amount of 2018	Percentage to total assets in 2018(%)	Closing amount of 2017	Percentage to total assets in 2017(%)	Percentage of increase/ decrease in closing amount (%)	Notes
Bills and accounts receivable	9.157	4.45	12,991	6.58	–29.51	Payment by acceptance bills for Phase II coal chemicals project of Ordos Neng Hua resulted a decrease of bills receivable by RMB4.712 billion as compared with the same period of last year.
Inventories	4,069	1.98	3,079	1.56	32.15	①Inventory of Yancoal Australia increased by RMB327 million; ②Inventory of Donghua Heavy Industry increased by RMB 292 million; ③Inventory f Haosheng Company increased by RMB132 million.
Construction in progress	10,896	5.29	4,516	2.29	141.28	①The Phase II coal chemical project of Ordos Neng Hua caused an increase of RMB3,867 million in project under construction; ②The Phase II coal chemical project of Yulin Neng Hua caused an increase of RMB1,256 million in project under construction; ③The construction of Wanfu coal mine caused an increase of RMB588 million in project under construction;
Interests in the associates	16,024	7.78	8,654	4.39	85.16	①the shares the Company held in Zheshang Bank was transferred as the interests in associated companies, causing an increase of RMB4,399 million in interests in the associates; ②The Company purchased equity shares of Linshang Bank, causing an increase of RMB2,163 million in the interests in the associates.
Bills and accounts payables	12,514	6.07	8,973	4.55	39.46	①The notes payable and accounts payable of the Company increased by RMB986 million; ②The notes payable and accounts payable of Ordos Neng Hua increased by RMB1,990 million; ③The notes payable and accounts payable of Yulin Neng Hua increased by RMB723 million;

Other explanation

(1) Debt to equity ratio

As at 31 December 2018, the equity attributable to Shareholders and the bank loans amounted to RMB52.077 billion and RMB68.678 billion respectively, representing a debt to equity ratio of 131.9%.

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

(2) Contingent liabilities

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

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

(Prepared under the CASs)

As at the end of 2018, the restricted assets of the Group were RMB71.427 billion, mainly including the restricted cash for specific purpose, the restricted accounts receivable and related pledged assets for bank loans. For details, please refer to Note headed Notes to the Consolidated Financial Statements-Ownership or utilization right of the restricted assets to the financial statements prepared under the CASs.

3. Other explanations

Not applicable.

(V) Analysis of Industrial Business Information

Analysis of Coal Business

1. Main Situation of Coal Business

For details of the main situation of coal business for the year 2018, please refer to the section headed "The Operation of Business Segments" in this chapter.

2. *Coal Reserves*

Major coal mine	Location	Coal type	In-situ Coal reserve (million tons)	Recoverable reserve (million tons)
Coal mines belong to the Company	Jining city, Shandong Province	Thermal coal	797	296
Coal mines belong to Heze Neng Hua	Heze City, Shandong Province	1/3 coking coal	88	24
Coal mines belong to Shanxi Neng Hua	Heshun County, Shanxi Province	Thermal coal	28	13
Coal mines of Ordos Neng Hua	Ordos, Inner Mongolia	Thermal coal	363	212
Coal mines of Yancoal Australia	Queensland and New South Wales	PCI coal, thermal coal, semi-soft coking coal, semi-hard coking coal,	8,878	1,763
Coal mines of Yancoal International	Queensland and Western Australia	PCI coal, thermal coal,	1,585	231
Total	–	–	11,739	2,539

Notes:

① As per the requirement of the Hong Kong Stock Exchange, the Group made assessment on the resources/reserves of its subordinate coal mines located in China in accordance with international standard (JORC 2012).

② The coal mines in the above table are those in production of the Group. Their In-situ Resources and Recoverable Reserves of coal are estimated in accordance with 100% equity and JORC Code 2012 as at 31 December 2018, of which, In-situ Resources and Recoverable Reserves from China domestic coal mines are based upon the competent person's report prepared by John T. Boyd Company in March 2019 and overseas In-situ Resources and Recoverable Reserves are based on the report prepared by competent persons appointed by overseas subsidiary.

③ The aggregate retained resources and reserves of Yingpanhao Coal Mine of Ordos Neng Hua and Shilawusu Coal Mine of Haosheng Company are approximately 4.605 billion tonnes and 2.016 billion tonnes, respectively as at 31 December 2018 according to National standard of the P.R.C-GB/T17766-1999 Classification of Solid Mineral Resources/Reserves. Resource assessment according to international standards has not been conducted for, respectively, due to the ongoing permitting process through administrative authorities.

④ The in-situ resources and recoverable reserves of the coal mines of Yancoal Australia on equity basis, include data on Middlemount and three coal mines owned by Watagan Mining Pty Ltd. Middlemount Coal Mine is a joint venture company established and operated by Yancoal Australia and a third party and is not consolidated into the consolidated financial statements of the Group. Watagan Mining Pty Ltd. is a special purpose company and is not incorporated into the consolidated financial statements of the Group.

3. *Other Explanations*

(1) The surrounding transportation of main mining areas

The Group's mines located in Shandong are mainly directly connected to users through road and its own railway network or connected to national railways, and meanwhile connected to riverside regions or coastal regions through Beijing-Hangzhou Grand Canal or Rizhao Port. In Shanxi Province, the Group transports coal to ports of Hebei, Shandong and other regions through Yangquan-Shexian railway located around Tianchi Coal Mine, which belongs to Shanxi Neng Hua. In Inner Mongolia Autonomous Region, the Group transports the coal produced by Ordos Neng Hua and Haosheng Company to surrounding users through road, Dongshang-Wuhai Railway, Baoton-xi'an Railway, Zhundong Railway, and then, transports to East China, South China, North China and other regions.

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

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

In 2018, the coal exploration expenditure of the Group was RMB48.914 million, mainly including MTW underground mine exploration and Moolarben new underground mine exploration project; Capital expenditure on coal development and mining was RMB4,202 million, mainly including mine property, machinery and equipment investment and other mining expenditure in existing coal mines and the development expenditure of Wanfu coal mine.

(3) Major mine construction project

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

No.	Project	Designed Capacity (10,000 Tonnes/Year)	Investment Amount as at the End of the Reporting Period (RMB100 million)	Construction Progress
1	Wanfu Coal Mine	180	24.75	Construction approval has been obtained, expected to trial production in 2021
	Total	180	24.75	—

(VI) Analysis of Investment

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

1. Significant equity investment

The total amount of significant equity investment of the Group is RMB3,921 million, including HKD2.018 billion for purchasing the additional shares issued by Zheshang Bank, which is RMB1.768 billion in equivalent.

Please refer to the following table for details of major investment.

No.	External equity investment	Total investment (RMB 100 million)	The Group's total investment in 2018 (RMB 100 million)	The company invested	Main business
1	Subscription of the additional shares issued by Zheshang Bank	17.68	17.68	Zheshang Bank	commercial banking business
2	Subscription of equity shares of Linshang Bank	21.53	21.53	Linshang Bank	commercial banking business
	Total	39.21	39.21	–	–

Note: The fund for the external equity investment in above table are fund owned by the Company itself, and none of each involves lawsuit.

As far as the Company is aware, there is no significant operational risk in the above-mentioned external investment projects in the future.

2. Major non-equity investment

Not applicable.

3. Financial assets measured at fair value

As at the end of the reporting period, the Group's financial assets measured at fair value and recorded in current profit and loss mainly include the royalty receivable of Middlemount coal mine, acquired asset management scheme, equity investment and etc. The initial investment is RMB1,168 million and the balance as at the end of the reporting period is RMB1,059 million. The liabilities mainly are currency forward contract, and the balance as at the end of the reporting period is RMB1.254 million.

As at the end of the reporting period, the Group's financial assets measured at fair vale and recorded in other comprehensive income mainly include the equity instrument investment. The initial investment is RMB4.588 million, and the balance as at the end of the reporting period is RMB5.246 million.

For details of the amount of the financial assets measured at fair value and its changes, please refer to the notes headed Tradable Financial Assets, Other Equity Instrument Investment, Other Non-current Financial Assets and Transactional Financial Liabilities to the consolidated financial statements prepared in accordance with CASs.

(VII) Disposal of Material Assets and Equity

Not applicable.

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

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

1. Major controlled companies

In 2018, the controlled companies having significant impacts on the net profit attributable to the listed company are as follows:

Unit: RMB million

Name of company	Registered capital	As 31 December 2018 Total asset	Net asset	Net profit for the year 2018
Yancoal Australia	AUD6,027 million	58,926	27,436	4,273
Yancoal International	USD689 million	20,172	5,215	1,113
Heze Neng Hua	3,000	8,150	5,946	1,009

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

Yancoal Australia

In 2018, Yancoal Australia achieved a net profit of RMB4,273 million, an increase of RMB3,455 million or 422.4% as compared with net profit of RMB818 million of 2017. The main reasons include: (i) the coal price increase as compared with that of 2017; (ii) The Moolarben underground coal mine of Yancoal Australia was put into production and the merge and acquisition of C&A, which significantly improved the profitability.

Yancoal International

In 2018, Yancoal International realized net profit of RMB1,113 million, representing an increase of RMB1,467 million as compared with net loss of RMB355 million in 2017. The main reasons include: (i) obtained investment income of RMB764 million by stock-participating investment in Zheshang Bank; (ii) the changes of foreign exchange rate caused an increase of RMB594 million in net income.

For detailed information on the operation of Yanzhou Coal and Yancoal International, please refer to the section headed *Main Business During the Reporting Period*.

2. Major stock-participating companies

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

3. Yankuang Finance Company

As at the end of the reporting period, the Company directly held 90% equity interests of Yankuang Finance Company.

(1) Governance of Yankuang Finance Company

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

(2) Risk management and internal control

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

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

(3) **Deposits and loans during the reporting period**

Unit: RMB million

	31 December 2018	31 December 2017	Increase/ Decrease (%)
Deposit, balance	**21,623**	10,918	98.05
Loan, balance	**7,551**	5,547	36.13

(4) **Major operational indicators during the reporting period**

Unit: RMB million

Major operational indicators	2018	2017	Increase/ Decrease (%)
Operating income	**467**	306	52.61
Net profit	**196**	148	32.43

	31 December 2018	31 December 2017	Increase/ Decrease (%)
Net asset	**1,488**	1,728	–13.88
Total asset	**23,146**	12,672	82.66

(IX) Entities Controlled by the Company

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

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

(I) Industry Competition Pattern and Development Tendency

For details of the industry competition pattern and development tendency of the Company, please refer to the section headed "Chapter 4 Chairman's Statement".

(II) Development Strategy of the Company

For details of the development strategy of the Group, please refer to the section headed "Chapter 4 Chairman's Statement".

(III) Operating Plan

For details of operation plan of the Group, please refer to the section headed "Chapter 4 Chairman's Statement". Relevant operation plan cannot be regarded as the Company's performance commitments to investors. Investors are reminded to keep enough risk awareness and understand the difference between operation plan and performance commitments.

(IV) Capital Expenditure Plan

The Group's capital expenditure for the year 2019 is expected to be RMB9.024 billion, which is mainly sourced from the Group's internal capital, bank loans and bond issue.

The capital expenditure for the year 2018 and the estimated capital expenditure for the year 2019 of the Group are set out in the following table:

	2019 (Estimated) (RMB0'000)	2018 (RMB0'000)	Main Items
The Company	**237,888**	242,587	Care and maintenance, safety and technical revamp input
Ordos Neng Hua	**263,272**	400,077	Investment for Phase II coal chemical project construction, investment for coal mine project
Yulin Neng Hua	**97,563**	128,349	Investment for Phase II coal chemical project of, Care and maintenance, safety investment
Heze Neng Hua	**64,754**	107,696	Investment for mine construction
Hua Ju Energy	**3,030**	3,959	Care and maintenance
Haosheng Company	**34,531**	25,124	Investment for coal mine project and construction investment for coal transporting trestle
Donghua Heavy Industry	**27,712**	17,319	technical revamp input for products optimization and upgrading
Shanxi Neng Hua	**5,039**	2,347	Care and maintenance, safety input
Yancoal Australia	**141,329**	104,137	Care and maintenance, development, safety, environment and rules compliance input
Yancoal International	**26,471**	19,973	Care and maintenance
Other Subsidiaries	**821**	29,312	Capital expenditure of other subsidiaries
Total	**902,410**	1,080,880	

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

(V) Possible Risks

Risks arising from safety management

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

Counter measures: The Company will adhere to develop the risk pre-control system and comprehensively deepen the dual prevention mechanism; will prevent and control major risks in advance, strictly carry out annual and special safety risk identification and evaluation, and formulate control measures for major risks; will deepen safety technical evaluation, organize expert diagnostic evaluation focus on risk control, disaster prevention and control, process control from system risk, scheme design, operation mechanism and other aspects; will improve the equipment support system, improve automation, informatization, intelligent; will reinforce the development of an assessment and accountability system, strictly intensify grid security supervision, enhance the effectiveness of safety inspection, strengthen safe accountability and safety performance evaluation.

Risks arising from trade

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

Countermeasures: The Company will strictly examine customer admittance, strengthen credit investigation of business partners, establish customer files for long-term cooperative customers, and improve customer evaluation mechanism; will accurately evaluate market information, do well in market research and market analysis; will determine credit standards and credit periods reasonably according to the nature of the business and the credit conditions of the partners, and use credit policies prudently; will improve the risk prevention and control system, strengthen the supervision and inspection of key links such as business decision-making and contract signing, and strengthen the risk prevention and control in the business process; will strengthen the dynamic tracking of contract performance, and take timely measures to deal with abnormal conditions to avoid risks.

Risks arising from exchange rate

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

Counter measures: The Company will strengthen foreign exchange staff training, introduce external personnel proficient in foreign exchange management, improve the Company's foreign exchange management capabilities; will explore to establish cooperation mechanisms with professional institutions to strengthen the ability to predict and give early warning of exchange rate fluctuations; In the international trade business, will use forward exchange settlement to deal with the exchange rate fluctuations within the settlement time difference.

Risks arising from environmental protection

Currently, the state, provinces and municipalities have continuously introduced new laws, regulations and policies related to environmental protection, and the requirements for environmental protection have been continuously improved, which has further increased the risk of environmental protection. Once environmental protection risks occur, production may be interrupted and economic losses may be caused to the Company. In the event of a serious environmental incident, the Company will also face penalties imposed by the competent authorities of the government, such as fines, suspension of production for rectification, and even criminal accountability by the judicial department, which will have a negative impact on the Company's reputation.

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

(VI) Others

1. *The Impact of Exchange Rate Changes*

The impacts of exchange rate fluctuations on the Group were mainly reflected in:

(1) The overseas coal sales income as the overseas coal sales of the Group are denominated in U.S. dollars and Australian dollars;

(2) The exchange gains and losses of the foreign currency deposits and borrowings;

(3) The cost of imported equipment and accessories of the Group.

Affected by the fluctuations in foreign exchange rates, the Group had exchange loss of RMB260 million during the reporting period.

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

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

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

2. *Taxation*

In 2018, some domestic subsidiaries of the Company incorporated in the PRC are subject to an income tax rate of 10% or 15% on their taxable profits under preferential income tax policy, the Company and other subsidiaries incorporated in the PRC are subject to an income tax rate of 25% on their taxable profits. Yancoal Australia and Yancoal International are subject to a tax rate of 16.5% and 30%, respectively, on their taxable profits.

For details of preferential income tax policies and tax rate for domestic subsidiaries, please refer to the note Tax Reduction and Exemption to the consolidated financial statements prepared in accordance with CASs.

3. *Employees' Pension Scheme*

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

4. *Housing Scheme*

According to the Provision of Labor and Services Agreement (which is referred to in the section headed *Major Connected/Related Transaction under Chapter 6 Significant Events)*, Yankuang Group is responsible for providing dormitories to its own employees and the employees of the Group. The Group and Yankuang Group share the sundry expenses relating to the provision of such dormitories on a pro-rata basis based on their respective numbers of employees and the amount negotiated by the parties. Such expenses amounted to RMB137 million and RMB137 million in 2018 and 2017, respectively.

Since 2002, the Group has been paying to its employees a housing allowance for the purchase of employee residences, which is based on a fixed percentage of the employees' wages. In 2018, the employees' housing allowances paid by the Group amounted to RMB400 million in total.

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

5. *Donation*

The Group made donations in an aggregate amount of RMB32.056 million in 2018.

6. *Environmental policy and performance*

Please refer to the section headed *Social Responsibility* and *Environmental Information* under *Chapter 6 Significant Events*.

7. *Compliance with laws, regulations and rules*

Please refer to the section headed *Compliance with laws, regulations and rules* under *Chapter 6 Significant Events*.

8. *Significant Events after the reporting period*

Please refer to the section headed *Other Significant Events* under *Chapter 6 Significant Events*.

IV. EXPLAINATIONS AND REASONS FOR FAILURE TO MAKE DISCLOSURE IN PURSUANT TO THE RELEVANT RULES OR NATIONAL OR BUSINESS SECRETS

Not applicable.

Chapter 06

Significant Events

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

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

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

The 2017 annual general meeting of the Company held on 25 May 2018 approved the Company to distribute 2017 cash dividends of RMB2,357.8 million (tax inclusive) to the Shareholders, i.e., RMB0.48 per share (tax inclusive). As at the date of this annual report, the 2017 cash dividends have been distributed to the Shareholders.

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

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

Unit: RMB100 million

Year for Cash Dividend	Amount of Share Dividends for Every 10 Shares (shares)	Amount of Cash Dividends per Every 10 Shares (RMB) (tax inclusive)	Shares Transferred for Every 10 Shares (shares)	Amount of Cash Dividend (tax inclusive)	Net Income Accounted for by the Equity Holders of the Company in the Condensed Consolidated Statements during the Cash Dividend Distribution Year	Percentage of Net Income (%) Accounted for by the Equity Holders of the Company in the Condensed Consolidated Statements
2018	**0**	**5.40**	**0**	**26.525**	**79.089**	**33.54**
2017	0	4.80	0	23.578	67.706	34.82
2016	0	1.20	0	5.894	16.494	35.73

Note: The "Net Income Accounted for by the Equity Holders of the Company in the Condensed Consolidated Statements during the Cash Dividend Distribution Year" for the year 2016 is the net earnings in the audited consolidated financial statement of the same year prepared in accordance with the IFRS. The "Percentage of Net Income (%) Accounted for by the Equity Holders of the Company in the Condensed Consolidated Statements" for the year 2017 and 2018 is the net profit in the audited consolidated financial statement of the same year prepared in accordance with the CASs.

1. *Profit Distribution Plan for 2018*

(Prepared in accordance with CASs)
Unit: RMB'000

Undistributed profits at the beginning of the year	37,957,065
Add: Net profit attributable to the shareholders of the Company	7,908,904
Less: Withdrawal of statutory surplus reserve	324,265
Provision for general risks	2,114
Ordinary shares dividends payable	2,357,768
Other	40,322
Undistributed profits at the end of the year	43,141,500
of which: cash dividends proposed after the balance sheet date	2,652,489

In return for the long-term support of the Shareholders, the Board proposed to declare a cash dividend payable of RMB2.6525 billion (tax inclusive), i.e., RMB0.54 per share (tax inclusive) for the year 2018. This dividend distribution plan shall be submitted to the Shareholders for consideration at the 2018 annual general meeting and then distributed to the Shareholders within two months upon approval. The cash dividend for the year 2018 is expected to be distributed on 24 July 2019.

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

2. *Reserves*

For details of the changes of reserves for 2018 and distributable reserves as at 31 December 2018, please refer to Notes "Equity interests of Shareholders" and "Company Information" to the consolidated financial statements prepared in accordance with the IFRS.

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

Not applicable.

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

Not applicable.

(V) Matters in Relation to Tax and Tax Relief

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

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

According to the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which came into effect on 1 January 2008 and other relevant rules and regulations, the Company is required to withhold and pay enterprise income tax at the rate of 10% before distributing the 2018 final dividend to non-resident enterprise shareholders as appearing on the H share register of members of the Company. Any shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the enterprise income tax.

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

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

① For individual H Shareholders who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual H Shareholders in the distribution of final dividend.

② For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of the individual H Shareholders in the distribution of final dividend. If the applicable tax rate of the country (region) of domicile of individual holders as appeared on the Company's register of members of H Shares is less than 10% under tax treaty, such individual holders must submit to the H Share Registrar a written authorization and relevant application documents. The Company will forward such application documents to the applicable tax authorities for approval. After receiving such approval, the Company will, for and on behalf of such individual holders, effect the preferential treatments in accordance with the relevant tax treaty and pursuant to the relevant regulations promulgated by the PRC tax authorities.

③ For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of final dividend.

④ For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the individual H Shareholders in the distribution of final dividend.

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

Pursuant to the relevant requirements under the "Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect" (Caishui [2014] No. 81) and the "Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect" (Caishui [2016] No. 127) jointly issued by the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission, for dividends to be paid to the individual investors in the PRC from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the Company shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends to be paid to securities investment funds in the PRC from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The Company will not withhold and pay the income tax of dividends for enterprise investors in the PRC and those domestic enterprise investors shall report and pay the relevant tax themselves.

2. ***For the details of withholding and payment of dividend income tax and tax deduction for investors of A Shares, please see the Company's Announcement of 2017 Annual Equity Distribution Implementation of Yanzhou Coal Mining Co., Ltd. dated 4 June 2018. This announcement was posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company and/or China Securities Journal, Shanghai Securities News and Securities Times.***

II. PERFORMANCE OF THE UNDERTAKINGS

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

Background	Type	Undertaker	Undertakings	Date of Undertaking and Performance Deadline	With Performance Deadline or Not	Perform Timely and Strictly or Not	Reasons for Failure of Performance Timely	Measures in Case of Failure of Performance Timely
Undertakings Related to IPO	Resolve horizontal competition	Yankuang Group	Avoidance of horizontal competition: Yankuang Group and the Company entered into the Restructuring Agreement when the Company was carrying out the restructure in 1997, pursuant to which, Yankuang Group undertook that it would take various effective measures to avoid horizontal competition with the Company.	Year 1997 Long-term effective	None	Yes	Under normal performance	No
Undertakings Related to Refinancing	Other	Yankuang Group	**The compensational measures to the diluted prompt return due to the Company's non-public issuance of A Shares:** 1) Undertakes not to excessively intervene to the Company's operation and management activities or encroach on the Company's interests; 2) From the date of the undertaking made to the date of completion of non-public issuance, if CSRC publishes new regulations about compensational in return measures and other undertakings, and the above undertakings cannot meet the such regulations of CSRC, then supplementary undertakings shall be made as per the new regulations of CSRC.	31 March 2017 Long-term effective	None	Yes	Under normal performance	No

Background	Type	Undertaker	Undertakings	Date of Undertaking and Performance Deadline	With Performance Deadline or Not	Perform Timely and Strictly or Not	Reasons for Failure of Performance Timely	Measures in Case of Failure of Performance Timely
	Other	Directors and Senior Management of the Company	**The compensational measures to the diluted prompt return due to the Company's non-public issuance of A Shares:** 1) Undertakes not to convey interests to other unit or individuals free of charge or under unfair conditions, or to damage the Company's interests in other ways; 2) Undertakes to constraint the position-related consumptions; 3) Undertakes not to use the Company's assets for investment, consumption activities which has nothing to do with their duty performance in the Company; 4) Undertakes that the salary system set by the Board or Remuneration Committee is linked up with the Company's executions of compensational returns; 5) Undertakes to link up the power exercising conditions of equity incentive set by the Company with the implementation of the Company's compensational returns, if the Company implements the equity incentive in future; 6) Undertakes to implement effectively the relative compensational returns set by the Company and any undertakings made by individuals for compensational returns. Undertakes to be liable to the compensations to the Company or investors, if in violation of such undertakings or causing damage to the Company or investors; 7) From date of the undertaking made to the date of the completion of non-public issuance, if CSRC publishes new regulations about compensational return measures and other undertakings, and the above undertakings cannot meet the such regulations of CSRC, then supplementary undertakings shall be made as per the new regulations of CSRC.	31 March 2017 Long-term effective	None	Yes	Under normal performance	No

Background	Type	Undertaker	Undertakings	Date of Undertaking and Performance Deadline	With Performance Deadline or Not	Perform Timely and Strictly or Not	Reasons for Failure of Performance Timely	Measures in Case of Failure of Performance Timely
	Other	Yankuang Group, Directors, Supervisors and senior management of the Company	Self-inspection undertaking 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.	From 24 April 2018 to the end of refinancing	Yes	Yes	Under normal performance	No
Other undertakings	Other	Yankuang Group and Yankuang Group (Hong Kong) Limited, the person acting in concert	Undertaking made as to increase shareholding of the H shares of the Company: Except that the exchangeable corporate bonds issued by Yankuang Group may affect the Yankuang Group's shareholding of the Company, undertook not to decrease shareholding of the Company on its own accord before the announcement in relation to completing the increase of shareholding or relevant statutory period.	From 11 July 2018 to 11 January 2019	Yes	Yes	Completed	No

Background	Type	Undertaker	Undertakings	Date of Undertaking and Performance Deadline	With Performance Deadline or Not	Perform Timely and Strictly or Not	Reasons for Failure of Performance Timely	Measures in Case of Failure of Performance Timely
Other undertakings	Other	Yankuang Group	**Yankuang Group and Yankuang Finance Company have made undertakings in relation to finance business as followings.** 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 decide the financial business between Yankuang Finance Company and Yankuang Group on its own based on the requirements of business development in compliance with relevant supervisory regulations and the rules of procedures for decision-making as stipulated in the Articles and the Articles of Yankuang Group Finance Company Limited; 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 misappropriate the Company's fund through Yankuang Finance Company or in any other forms. 3) In case Yankuang Group or its controlled companies misappropriate 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. 4) Yankuang Group undertakes to strictly abide by the relevant rules and regulations of CSRC, Shanghai Stock Exchange and the Articles, exercise the shareholder's rights and perform the shareholder's obligations as equally as other shareholders, and neither seek unfair interest by use of the position of controlling shareholder, nor impair the legal interests of Yanzhou Coal and other public shareholders.	27 July 2018 Long-term effective	None	Yes	Under normal performance	None

Background	Type	Undertaker	Undertakings	Date of Undertaking and Performance Deadline	With Performance Deadline or Not	Perform Timely and Strictly or Not	Reasons for Failure of Performance Timely	Measures in Case of Failure of Performance Timely
Other undertakings	Other	Yankuang Group and Yanzhou Coal	**The Company made following undertakings in relation to sale or pledge of its equity shares in Yancoal Australia to the HKEX within twelve months commencing the listing of Yancoal Australia in HKEX:** 1. not to sell or pledge its equity shares in Yancoal Australia stipulated in the listing documents in any form unless the specific prerequisites are satisfied. 2. Yanzhou Coal shall instantly inform Yanzhou Australia the cases that Yanzhou Coal pledged its equity shares in Yancoal Australia to any institute confirmed by HKEX, or the sale of the pledged shares by the person with pledging rights.	From 6 December 2018 to 6 December 2019	Yes	Yes	Under normal performance	None

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

Not applicable.

(III) Whether the Undertakings of Company Results can be Achieved or Not and Its Influence to the Goodwill Impairment Test

Not applicable.

III. FUNDS APPROPRIATIONS AND CLEARING PROGRESS DURING THE REPORTING PERIOD

Not applicable.

IV. EXPLANATION ON "NON-STANDARD ADVICE OF AUDITOR'S REPORTS" OF CERTIFIED PUBLIC ACCOUNTANTS BY THE COMPANY

Not applicable.

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

(I) Analysis and Elaboration on Reasons and Influence of Accounting Policies and Accounting Estimate Changes

1. *Significant Accounting Policy Changes*

In the current year, the Group has applied the new and amendments to International Financial Reporting Standards issued by the International Accounting Standards Board. Details refer to "APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS" in the Consolidated Financial Statements.

2. *Significant Accounting Estimate Changes*

Not applicable.

(II) Analysis and Elaboration on Reasons and Influence of Correction of Significant Accounting Errors

Not applicable.

(III) Communications with Former Auditors

Not applicable.

(IV) Other Explanation

Not applicable.

VI. APPOINTMENT AND DISMISSAL OF AUDITORS

Unit: RMB10 thousand

	Current Appointment
Name of the Certified Public Accountants (Domestic)	Shine Wing Certified Public Accountants (special general partnership)
Remuneration of the Certified Public Accountants (Domestic)	600 (include remuneration internal control)
Audit Service Term of the Certified Public Accountants (Domestic)	Since June 2008
Name of the Certified Public Accountants (Overseas)	SHINEWING (HK) CPA Limited
Remuneration of the Certified Public Accountants (Overseas)	180 (include remuneration internal control)
Audit Service Term of the Certified Public Accountants (Overseas)	Since March 2017

	Name	Remuneration
Internal Control Auditors	Shine Wing Certified Public Accountants (Special General Partnership)	150

The explanation on the appointment and dismissal of accountants

As approved by the 2017 annual general meeting held on 25 May 2018, the Company engaged Shine Wing Certified Public Accountants (Special General Partnership) and SHINEWING (HK) CPA Limited as its domestic and overseas auditors, respectively, with an engagement term from the conclusion date of the 2017 annual general meeting to the conclusion date of the 2018 annual general meeting, which is responsible for the financial statements auditing, examination and internal control audit evaluation of the Company for the year 2018.

The Company shall pay RMB7.80 million for the domestic and overseas audit services of 2018, including RMB6.00 million to Shine Wing Certified Public Accountants (Special General Partnership) for domestic service and RMB1.80 million to SHINEWING (HK) CPA Limited for overseas service. The Company undertakes auditors' on-site audit accommodation and meal expenses, do not undertake any other related expenses such as travelling expenses. The Board was authorized to decide the fees paid for increased follow-up audit, internal control audit and other services due to the Company's new subsidiaries or changes of regulations.

The Company's subsidiary, Yancoal Australia paid RMB8.97 million of the audit for the year ended 31 December 2018.

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

The explanation on the change of auditors during the auditing period

Not applicable.

VII. CIRCUMSTANCES ON FACING THE RISK OF SUSPENSION OF LISTING

(I) Causes for Suspension of Listing

Not applicable.

(II) Countermeasures for Suspension of Listing

Not applicable.

VIII. CIRCUMSTANCES AND REASONS ON FACING THE TERMINATION OF LISTING

Not applicable.

IX. RELATED MATTERS ON BANKRUPTCY AND REORGANIZATION

Not applicable.

X. SIGNIFICANT LITIGATION AND ARBITRATION EVENTS

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

Overview and Types of the Event	Query Index
Contract dispute between Xiamen Xinda Co., LTD. ("Xiamen Xinda”) and Yanzhou Coal, Shandong Zhongyin Logistics Co., LTD. (“Zhongyin Logistics”) In March 2017, citing the contract dispute, Xiamen Xinda sued against the Company and Zhongyin Logistics to Xiamen Intermediate People’s Court (“Xiamen Intermediate Court”) in three cases, requiring Zhongyin Logistics to return principal of goods payment RMB164 million and its corresponding interest and requiring the Company to bear joint liability. In June 2017, the Company lodged an appeal to Fujian Province High People’s Court ("Fujian High Court”) for objection to jurisdiction, Fujian High Court ruled that two of the three cases shall be merged into one (with total amount of RMB102.5 million) and heard by Fujian High Court, and the remaining one case and others in relation to Xiamen Xinda’s appeal against Yanzhou Coal and Zhongyin Logistics for contract disputes shall be merged and heard by Xiamen Intermediate Court. On July 3, 2018, at the first trial by Fujian High Court, both parties jointly applied to the court for postponement of the trial. The court agreed to adjourn the hearing until further notice. On July 17, 2018, as for the case to be heard by Xiamen Intermediate Court, Xiamen Intermediate Court organized the litigants to participate in a pre-trial cross-examination of the case, and then suspended the trial after cross-examination. In accordance with the investigation and verification of the Company, among the relevant evidences provided by the plaintiff, the seals of the Company and Zhongyin Logistics were forged. The third party and the relevant persons in charge were suspected to forge seals and carry out contract fraud. Yanzhou Coal has reported and filed a case in public security organs while responding to the court and the public security organ has implemented criminal procedures to the case. Due to the pending procedure of the first instance, the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit.	For details, please refer to the lawsuit announcement dated 25 April 2017. The above announcement was also posted on the websites of the Shanghai Stock Exchange, the HKEX and the Company and/or China Securities Journal and Shanghai Securities News.

Overview and Types of the Event	Query Index
The Arbitration for contract dispute between Shanxi Neng Hua and Shanxi Jinhui Coking Chemical Co., Ltd. ("Shanxi Jinhui") Due to the fact that Shanxi Jinhui unilaterally terminated to fulfill the Raw and Auxiliary Material Supply Agreement and suspended the gas supply, Shanxi Tianhao Chemicals Co., Ltd. ("Tianhao Chemicals"), a controlled son company of Shanxi Neng Hua, ceased overall production of methanol in April 2012. On 26 September 2013, Shanxi Neng Hua submitted the arbitration to Beijing Arbitration Commission, requesting Shanxi Jinhui to make compensation for the loss in accordance with the contracts. In order to fully protect the interests of the Company and the shareholders, Shanxi Neng Hua applied to Beijing Arbitration Commission for withdrawal of the request for arbitration in August 2015 and got approved. The Company 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 the Shareholders. In July 2017, Shanxi Neng Hua and Tianhao Chemicals jointly lodged arbitration to Beijing Arbitration Commission, requiring Shanxi Jinhui to make compensation of RMB341 million in total to Shanxi Neng Hua and Tianhao Chemicals. Due to the huge amount of compensation and disagreement between parties involved, Beijing Arbitration Commission postponed the hearing five times, and no ruling was given currently. As the case is in the progress of arbitration hearing procedure, the Company is unable to accurately estimate the impact of the arbitration on the current profit and future profit.	For details, please refer to the lawsuit announcement dated 7 September 2017. The above announcement was also posted on the websites of the Shanghai Stock Exchange, the HKEX and the Company and/or China Securities Journal and Shanghai Securities News.

Overview and Types of the Event	Query Index
Arbitration involving Inner Mongolia New Changjiang Mining & Investment Co., Ltd. ("New Changjiang") and Yanzhou Coal In April 2018, New Changjiang submitted an arbitration application to China International Economic and Trade Arbitration Commission ("CIETAC") for the violation of the relevant equity transfer agreements by Yanzhou Coal and requested Yanzhou Coal to pay a total of approximately RMB1.435 billion, comprising the consideration for the equity transfer of RMB749 million, the corresponding compensation for breach of agreement of RMB656 million, and the legal fees, arbitration fees and preservation fees involved in this case. CIETAC made two hearings on the case on 12 October 2018 and 17 December 2018, respectively, and no ruling was given yet. As the case is in the progress of arbitration procedure, the Company is unable to accurately estimate the impact of the arbitration on the current profit and future profit.	For details, please refer to the arbitration announcement dated 9 April 2018. The above announcement was also posted on the websites of the Shanghai Stock Exchange, the HKEX and the Company and/or China Securities Journal, Shanghai Securities News and Securities Times.

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

During the reporting period:

Plantiff (applicant)	Respondent	Joint and several liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgement and impact	Judgement execution
Jinan Railway Coal Trade Group Co., LTD. ("Jinan Railway Trade")	Yanzhou Coal	No	Litigation	In October 2015, citing the sales contract dispute, Jinan Railway Trade sued against Yanzhou Coal to Jinan Railway Transportation Court, requiring Yanzhou Coal to repay a loan of RMB19.9498 million. According to the investigation and verification of the Company, the Company never signed sales contract involved in the case with Jinan Railway Trade. The Company was disputed on the case of action of Jinan Railway Trade. In October 2017, the Company lost the lawsuit at the first instance and Jinan Railway Transportation Court ruled that the Company shall bear responsibility of compensation. In November 2017, the Company lodged an appeal to Jinan Railway Transportation Intermediate Court ("Railway Intermediate Court"), which ruled the Company should bear responsibility of compensation in March 2019.	RMB 19.9498 million	No	The second trial being the final.	Currently the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit.	The Company had paid Jinnan Railway Trade according to the judgement.

Plantiff (applicant)	Respondent	Joint and several liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgement and impact	Judgement execution
China Construction Bank Jining Dongcheng Sub-branch ("CCB Jining Dongcheng Sub-branch")	Yanzhou Coal	Chai Tao and other 4 persons with several and joint liability	Litigation	In November 2015, CCB Jining Dongcheng Sub-branch sued seven defendants, including Hengfeng and Yanzhou Coal, to Jining Intermediate People's Court ("Jining Intermediate Court") on the grounds of financial loan contract disputes, requesting Hengfeng to repay the loan principal of RMB59.669 million and corresponding interest. As Hengfeng pledged its account receivables payable by Yanzhou Coal of RMB79.1312 million (suspected for counterfeiting) to CCB Jining Dongcheng Sub-branch, CCB Jining Dongcheng Sub-branch requested Yanzhou Coal to repay as per the pledged accounts receivable of RMB79.1312 million. In April 2018, Jining Intermediate Court ruled that Yanzhou Coal should bear the priority liability of repayment in an amount within the pledged accounts receivable of RMB79.1312 million. In May 2018, Yanzhou Coal lodged an appeal to Shandong Province High People's Court ("Shandong High Court"). On 28 December 2018, Shandong High Court ruled that the case shall be reheard by Jining Intermediate Court, and no ruling has been given by Jining Intermediate Court.	RMB 59.669 million	No	In the retrial procedure at the first instance	The case is currently in the progress of retrial procedure at the first instance, and it's unable for the Company to accurately estimate the impact of the suit on its current profit and future profit.	–
Yanzhou Coal	Jinan Railway Trade	No	Litigation	In April 2016, the Company, as the plaintiff, brought a civil litigation against Jinan Railway Trade at Jining Intermediate Court, suing Jinan Railway Trade to refund payment of goods of RMB80 million and related interests accrued to the Company. On July 2017, Jining Intermediate Court ruled that Jinan Railway Trade shall repay the payment for goods of RMB80 million and related interests accrued to the Company. Jinan Railway Trade lodged an appeal against the first judgement at Shandong High Court. In February 2018, Shandong High Court ruled the case to be reheard by Jining Intermediate Court. In March 2019, Jining Intermediate Court ruled that the Company's appeal was rejected and the Company has lodged an appeal to Shandong High Court.	RMB80 million	No	In the trial Procedure at the second instance	The case is currently in the progress of trial procedure at the second instance, and it's unable for the Company to accurately estimate the impact of the suit on its current profit and future profit.	–

Plantiff (applicant)	Respondent	Joint and several liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgement and impact	Judgement execution
China Construction Sixth Engineering Division Civil Engineering Co., Ltd. ("China Construction Sixth")	Shandong Coal Trade Center Co., Ltd. ("Trade Center")	No	Litigation	On 14 January 2016, China Construction Sixth, as the plaintiff, brought a civil litigation against Trade Center, a controlled subsidiary of the Company, as the defendant, at Jining Intermediate Court, suing Coal Trade Center to pay arrears of project fund and financial charges of RMB57.457 million and related interest. In July 2016, Jining Intermediate Court made the judgement at the first instance and ruled that Trade Center shall pay China Construction Sixth RMB52.8769 million and relevant interests, RMB344.3 thousand litigation fee and RMB5,000 preservation fee. The Company lodged an appeal at Shandong High Court, which ruled at the second trial that the appeal was rejected and the first instance judgement was upheld in 2018. At present Trade Center has signed reconciliation agreement with China Construction Sixth.	RMB 57.457 million	No	The second trial being the final	The second trial being the final	Trade Center had paid RMB3 million to China Construction Sixth in pursuant to the judgement and the reconciliation agreement.
Shandong Yanmei Rizhao Port Coal Storage and Blending Co., Ltd. ("Rizhao Coal Storage and Blending")	Rizhao Tengtu Investment Company Limited ("Tengtu Company")	Shandong YabinEnergy Co., Ltd. and other 8 joint guarantors with joint and several liability	Litigation	In February 2017, Rizhao Coal Storage and Blending, as the plaintiff, brought a civil litigation against Tengtu Company, Shandong YabinEnergy Co., Ltd. and other 8 joint guarantors at Rizhao City Intermediate People's Court ("Rizhao Intermediate Court"), in pursuant to which requesting Tengtu Company repay payment of goods of RMB37.4251 million and the related interests, and other 8 joint guarantors bear the joint and several liabilities. On 20 December 2018, Rizhao Coal Storage and Blending received the judgement at the first trial and Rizhao Coal Storage and Blending won the suit. Tengtu Company lodged an appeal at Shandong High Court and no judgement was given yet.	RMB 37.4251 million	No	In the second trial	As the case is in the second trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently.	–
Yanzhou Coal	Rizhao Shanneng International Logistics Co., Ltd. ("Shanneng International")	No	Litigation	On 23 November 2016, citing Shanneng International breaching the *Coal Sales Contract* signed between the Company and Shanneng International, the Company appealed to Rizhao Intermediate Court, requesting Shanneng International shall repay RMB80 million to the Company as goods payment and corresponding interest. On 9 November 2018, the Company received the judgement at the first trial that Yanzhou Coal won the suit. Shanneng International lodged an appeal at Shandong High Court and no ruling was given yet.	RMB80 million	No	At the second trial	As the case is at the second trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently.	–

Plantiff (applicant)	Respondent	Joint and several liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgement and impact	Judgement execution
Yanzhou Coal	Yichang Xingfa Group Co., Ltd. ("Yichang Xingfa")	No	Litigation	On 20 January 2017, citing Yichang Xingfa breaching the Coal Sales Contract signed between the Company and Yichang Xingfa, the Company appealed to Jining Intermediate Court, requiring Yichang Xingfa shall repay RMB35.0239 million of goods payment and corresponding interest to the Company. In May 2018, Jining Intermediate Court made the first judgement that Yanzhou won the suit, and Yichang Xingfa appealed to Shandong High Court. On 16 October 2018, the Company received the second judgement that Yanzhou Coal won the suit. On 19 December 2018, the Company received RMB38.3937 million as principle, relevant interests and preservation fee of lawsuit of the case.	RMB 35.0239 million	No	Settled	The case was settled and Yanzhou Coal has taken back the principle, relevant interests and preservation fee of lawsuit of the case.	Executed
Rizhao Coal Storage and Blending	Wuxi City Shengluda Power Fuel Co., Ltd. ("Wuxi Shengluda")	Wuxi City Xinan Fuel Co., Ltd. and 5 natural persons with joint and several liabilities	Litigation	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 Rizhao Intermediate Court, requiring Wuxi Shengluda shall repay RMB27.8274 million of goods payment and corresponding interest. As per the first-instance judgement, Rizhao Storage and Blending won the suit, and now the announcement of judgement is in progress of delivery.	RMB 27.8274 million	No	In the first-instance trial	As the case is in the first instance trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently.	–
Rizhao Coal Storage and Blending	Hangzhou City Fuyang Tianwang Coal Co., Ltd. ("Fuyang Tianwang")	No	Litigation	In January 2017, alleging the breach of coal sales contract, Rizhao Coal Storage and Blending sued against Fuyang Tianwang to Rizhao Intermediate Court, requiring Fuyang Tianwang to repay RMB68.01 million of goods payment and corresponding interest. Since Fuyang Tianwang is in bankruptcy proceedings, the case was suspended. After cautious consideration, Rizhao Coal Storage and Blending withdrew the case.	RMB 68.01 million	No	withdrawal	As the case is withdrawal, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently.	–

Plantiff (applicant)	Respondent	Joint and several liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgement and impact	Judgement execution
China Construction Bank Jining Guhuailu Branch ("CCB Jining Guhuailu Branch")	Yanzhou Coal	Jining Liaoyuan Trade Co., Ltd. ("Jining Liaoyuan") and other 6 guarantors with joint and several liability	Litigation	On 29 June 2017, citing the financial loan contract dispute, CCB Jining Guhuailu Branch, as the plaintiff, sued against 8 defendants including Jining Liaoyuan and Yanzhou Coal to Jining Intermediate Court, requiring Jining Liaoyuan to repay loan principal of RMB95.8596 million and corresponding interest. Since Jining Liaoyuan pledged accounts receivables of RMB90.52 million by Yanzhou Coal (suspect of counterfeit) to CCB Jining Guhuailu Branch, CCB Jining Guhuailu Branch required the Company to make repayment within scope of the accounts receivable. On 24 January 2018, Jining Intermediate Court made first trial of the case. The Company applied for judicial authentication of the seals and signatures in relevant evidences at the court. The judicial authentication verified that the signatures are real and the seals are forged. On 6 November 2018, the Company lose the suit at the first trial. On 12 November 2018, the Company lodged an appeal to Shandong High Court and no ruling has been given yet.	RMB 90.52 million	No	In the second trial	As the case is in the second trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently.	–
Jining High-Tech Urban Construction Investment Co., Ltd. ("Jining Urban Construction Investment")	Trade Center	No	Litigation	On 18 April 2017, Jining Urban Construction Investment, as the plaintiff, brought a lawsuit to Jining Intermediate Court against Trade Center, alleging Trade Center to pay balance of RMB65.1431 million for transfer of Jining High-Tech District Innovation Mansion and corresponding default fines. It is the view of Trade Center that according to *Jining High-Tech District Innovation Mansion Transfer Agreement* signed by both parties on 19 April 2013, it is not in the appropriate condition for payment of the balance. On 20 December 2017, it was the final judgement of Shandong Provincial Higher People's Court at the second instance trial and ruled Trade Center lost the case.	RMB 65.1431 million	No	Judgement Execution	The second-instance judgement being the final	Trade Center is in the progress of judgement execution.

Plantiff (applicant)	Respondent	Joint and several liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgement and impact	Judgement 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") and Jiangsu Jicao Biological Science Co., Ltd ("Jiangsu Jicao")	Litigation	On 13 August 2017, Yanmei Dongqi, a wholly-owned subsidiary of Rizhao Coal Storage and Blending (a wholly-owned subsidiary of the Company), as the plaintiff, brought a civil litigation against Greenland Linggang, Zhenjiang Tianyun and Jiangsu Jicao to Shanghai Municipal No.1 Intermediate People's Court ("Shanghai Intermediate Court"), requiring the court to terminate the *Coal Supply and Demand Contract* between Qingdao Dongqi and Greenland Linggang, and requiring Greenland Linggang to repay paid goods payment of RMB82.2062 million and related interest, and Zhenjiang Tianyun and Jiangsu Jicao shall bear joint and several liabilities. On 6 June 2018, Shanghai Intermediate Court gave the first-instance judgement and Yanmei Dongqi won the suit, and in view which did not fully satisfy the purpose of the lawsuit, Yanmei Dongqi lodged an appeal to Shanghai City High People's Court. On 3 December 2018, Yanmei Dongqi received the second-instance judgement from Shanghai City High People's Court, which rejected Yanmei Dongqi's appeal.	RMB 82.2062 million	No	The second trial being the final	It's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently.	–
Xiamen Xinda	Zhongyin Logistics	Yanzhou Coal	Litigation	In June 2017, citing the sales contract dispute, Xiamen Xinda appealed against Zhongyin Logistics and the Company to Xiamen Municipal Huli District People's Court in three cases, requiring Zhongyin Logistics to return goods principal of RMB31.7116 million and corresponding interest and requiring the Company to bear joint liability. In June 2017, the Company made objection to the jurisdiction, and the court ruled that the three cases together with another relevant case (a sales contract dispute between Xiamen Xinda as the plantiff and Zhongyin Logistics and Yanzhou Coal as the respondent) were merged into one and transferred to Xiamen Intermediate Court for trial, with total amount of principal of RMB91.1 million. On 17 July 2018, Xiamen Intermediate Court hold a trial on the case, and no ruling has been given yet. In accordance with the investigation and verification of the Company, among the relevant evidences provided by the plaintiff, the seals of the Company and Zhongyin Logistics were forged. The third party and related persons involving the case were suspected to forge seals to carry out contract fraud. The Company has reported to public security organs while responding to the court and public security organ has implemented criminal procedures to related suspects.	RMB 91.10 million	No	In the first trial	Since the case in the first trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently.	–

Plantiff (applicant)	Respondent	Joint and several liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgement and impact	Judgement execution
Weihai Commercial Bank Co., Ltd ("Weihai Commercial Bank")	Yanzhou Coal	Shandong Hengfeng Power Fuel Co., Ltd. ("Hengfeng Company") and other 6 parties with joint and several liabilities	Litigation	On 9 October 2015, citing the financial loan contract dispute, Weihai Commercial Bank appealed to Jining Intermediate Court against 8 defendants including Hengfeng and Yanzhou Coal, requiring Hengfeng Company to repay the principal of RMB99.119 million and corresponding interest. Because Hengfeng Company made a pledge to the plaintiff through its account receivables of RMB103.42 million by Yanzhou Coal (suspect of counterfeit), Weihai Commercial Bank required Yanzhou Coal bear the liability of repayment within the amount of the account receivables. On 25 October 2018, the Company received the first-instance judgement and lost at the first instance. On 5 November 2018, the Company lodged an appeal to Shandong High Court and no ruling has been given yet.	RMB 99.1190 million	No	In the second trial	Since the case in the second trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently.	–
Zhonghuixintong Business Factoring Co., LTD. ("Zhonghui Xintong")	Yanzhou Coal	Hengfeng Company	Litigation	In November 2015, citing the factoring business contract dispute, Zhonghui Xintong appealed to Beijing No.3 Intermediate People's Court ("Beijing No.3 Intermediate Court") against Hengfeng Company and the Company, requiring Hengfeng Company to repay factorage financing of RMB159.9770 million and related interests. Because Hengfeng Company had transferred its accounts receivable of RMB145 million payable by Yanzhou Coal (counterfeited) to Zhonghui Xintong, Zhonghui Xintong required the Company to bear the liability of repayment within the amount of the accounts receivable. The Company applied for judicial authentication of the seals and signatures of the relevant evidence by Beijing No.3 Intermediate Court. The judicial authentication verified the seals and signatures were both. On 23 November 2018, Beijing No.3 Intermediate Court hold a hearing on the case, Zhonghui Xintong withdrew the suit at the court. On 1 February 2019, the Company received the judgement given by Beijing No.3 Intermediate Court, which ruling that Yanzhou Coal was exempted from the liability.	RMB145 million	No	Settled	Zhonghui Xintong withdrew the suit and the Company was exempted from the liability. The suit will not make any impact on the current profit and future profit of the Company.	–

Plantiff (applicant)	Respondent	Joint and several liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgement and impact	Judgement execution
Luxing Property Co., LTD. ("Luxing Property")	Yanzhou Coal	Hengfeng Company and related companies	Litigation	In July 2017, citing debt assignment agreement dispute, Luxing Property appealed 7 cases against Hengfeng Company and related companies to Jining Intermediate Court (4 cases) and Jining Rencheng District People's Court ("Rencheng Court") (3 cases), alleging Hengfeng Company and its related companies repay principle of RMB277.09 million and related interests. In view that Hengfeng Company and its related companies transferred accounts receivable of RMB352.78 million payable by Yanzhou Coal (suspect of counterfeit) to Luxing Property, Luxing Property required the Company to bear the liability of payment within the amount of the accounts receivable and related interests. The Company applied to Jining Intermediate Court for judicial authentication of the seals of the relevant evidence. And the authentication verified that both the seals and signatures are forged. In November 2018, the Company received the first-instance judgement from Jining Intermediate Court in relation to the 4 cases, Yanzhou Coal won the suits. In March 2019, the Company received the first-instance judgement from Rencheng District Court in relation to the 3 cases, Yanzhou Coal won the suits.	RMB 277.09 million	No	The Company won the suit in the first trial.	Since the Company won the suitis in the first trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently.	–
Yanzhou Coal	Shandong Changjinhao Coal Mining Co., Ltd. ("Changjinhao")	Wang Fuen and other 2 persons with joint and several liabilities	Litigation	In December 2018, citing the coal sales contract dispute, the Company appealed to Jining Intermediate Court against Changhaojin, alleging Changjinhao shall pay RMB56.3893 million of goods payment and related interests to the Company, while Wang Fuen, Ji Jianyong and Wu Zhaobin shall bear joint and several liabilities. In December 2018, the case was filed in Jining Intermediate Court and the trial will be held a trial in 22 May 2019.	RMB 56.3893 million	No	In the first trial	Since the case is in the first trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently.	–
Shanghai Jiaorun International Trade Co., Ltd ("Shanghai Jiaorun")	Qingdao Zhongyan Trading Co., Ltd. ("Qingdao Zhongyan")	Zhongyuan Huijin Logistics (Tianjin) Co., Ltd ("Zhongyuan Huijin") with joint and several liabilities	Litigation	In December 2018, alleging coal sales contract dispute, Shanghai Jiaorun brought a lawsuit to Qingdao Intermediate People's Court against Qingdao Zhongyan, a wholly-owned subsidiary of the Company and Zhongyuan Huijin, who bearing joint and several responsibilities, requiring Qingdao Zhongyan and Zhongyuan Huijin refund RMB80 million of goods payment, contract breach fines and related losses accrued. On 22 January 2019, Qingdao Intermediate People's Court held a hearing on the case, and no ruling was given currently.	RMB80 million	No	In the first trial	Since the case is in the first trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently.	–

Plantiff (applicant)	Respondent	Joint and several liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Judgement and impact	Judgement execution
Rizhao Coal Storage and Blending	Zoucheng City Pengxiang Industry and Trade Co., Ltd ("Zoucheng Pengxiang")	Zoucheng City Wangsheng Real Estate Development Co., Ltd	Litigation	In November 2018, citing coal sales contract dispute, Rizhao Coal Storage and Blending sued against Zoucheng Pengxiang at Rizhao Intermediate Court, requiring Zoucheng Pengxiang to refund RMB35.15 million of good payment and related interests to the Company. Rizhao Intermediate Court has not given judgement yet.	RMB 35.15 million	No	In the first trial	Since the case is in the first trial, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently.	

(III) Other Explanation

Not applicable.

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

Not applicable.

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

Not applicable.

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

(I) Share Incentive Scheme Disclosed in Extraordinary Announcement with no Progress or Changes

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

Abstract of the 2018 A Share Option Scheme of the Company (the "Share Option Scheme")

1. The purpose of the Share Option Scheme

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

2. The scope of eligible participants

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

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

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

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

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

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

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

6. The date of exercise under the Share Option Scheme

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

(I) Within thirty (30) days before the announcement of periodic report, or from thirty (30) days before the scheduled date of announcement of periodic report to the day before actual date of periodic report in case of postponed announcement due to certain reasons;

(II) Within ten (10) days before the announcement of the Company's results forecast and performance news;

(III) A period commencing from the date of significant events occurred or proposed for review and approval, which may have severe impacts on the trading price of the shares and its derivatives of the Company, till two (2) days after the announcement disclosed in pursuant to relevant laws.

(IV) Any other period as stipulated by CSRC and Shanghai Stock Exchange.

The "significant events", "significant matters" or "significant events may have severe impacts on share price" are matters or other significant events shall be disclosed in accordance with Rules Governing the Listing of Stocks of the Shanghai Stock Exchange.

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

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

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

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

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

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

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

   (1) the average trading price of the A Shares on the trading day immediately preceding the date of announcement of the Scheme, being RMB8.92 per A Share;

(2) the average trading price of the A Shares for the 20 trading days immediately preceding the date of announcement of the Scheme, being RMB9.58 per A Share;

(3) the closing price of the A Shares on the trading day immediately preceding the date of announcement of the Scheme, being RMB8.75 per A Share; and

(4) the average closing price of the A Shares for the 30 trading days immediately preceding the date of announcement of the Scheme, being RMB9.64 per A Share.

9. The validity period of the Share Option Scheme

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

Long-term Incentive Scheme of Yancoal Australia

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

For details, please refer to the resolution announcement of Yancoal Australia 2018 Annual General Meeting dated 30 May 2018, the performance announcement of the year ending 31 December 2018 on 25 February 2019 and the announcement of the rights to issuing performance shares dated 4 March 2019. The above announcements were also posted on the websites of Yancoal Australia, the Australia Stock Exchange and/or the HKEX.

Employee Shareholding Scheme

Not applicable.

Other Incentive Schemes

Not applicable.

XIV. MAJOR CONNECTED/RELATED TRANSACTIONS

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

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

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

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

Not applicable.

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

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

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

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

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

The sales of goods and provision of services by the Group to its Controlling Shareholder amounted to RMB3.557 billion in 2018. The goods and services provided by the Controlling Shareholder to the Group amounted to RMB2.710 billion.

The following table sets out the continuing connected/related transactions of the supply of materials and services between the Group and the Controlling Shareholder in 2018:

	2018		2017		
	Amount (RMB'000)	Percentage of operating revenue (%)	Amount (RMB'000)	Percentage of operating revenue (%)	Increase/decrease of connected/related Transactions (%)
Sales of goods and provision of services by the Group to its Controlling Shareholder	**3,556,594**	**2.18**	1,577,829	1.04	125.41
Sales of goods and provision of services by the Controlling Shareholder to the Group	**2,710,218**	**1.66**	3,146,214	2.08	-13.86

The table below shows the effect on the Group's profits from sales of coal by the Group to the Controlling Shareholder in 2018:

	Sales income (RMB'000)	Sales cost (RMB'000)	Gross profit (RMB'000)
Coal sold to the Controlling Shareholder	2,269,360	1,248,148	1,021,212

Pursuant to the Provision of Insurance Fund Administrative Services Agreement, the Controlling Shareholder shall provide free management and transfering 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 fund (the "Insurance Fund"). The actual amount of the Insurance Fund paid by the Group for the year 2018 was RMB901 million.

② Continuing connected/related transaction of financial services

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

As at 31 December 2018, the balance of principal and interest of deposit of Yankuang Group in Yankuang Finance Company was RMB9.986 billion, the comprehensive credit balance was RMB 7.453 billion, and the financial service fee occurred in 2018 was RMB1.67 million.

③ Continuing connected/related transaction of clean energy technology

As reviewed and approved by the twenty-fifth meeting of the sixth session of the Board held on 11 October 2016, Yanzhou Coal Blue Sky Clean Energy Co. Ltd. ("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 determined mainly based on the actual cost plus reasonable profit.

As at the end of the reporting period, no relevant expenses were occurred in 2018.

④ Continuing connected/related transaction of entrusted management of coal chemical projects

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

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

As at the end of the reporting period, the Group paid RMB17.549 million of entrusted management fee to Yankuang Group in 2018.

⑤ Continuing connected/related transaction of commissioned management of the subordinate of Yankuang Group

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

In pursuant to the Commissioned Management Agreement, the Group will provide professional management over 7 subordinate of Yankuang Group. Yankuang Group will pay commissioned management fee of RMB7.3 million to Yanzhou Coal within one month since the audited annual reports of the 7 companies above were issued.

Commissioned Management Agreement will be effective since 1 January 2019.

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

No.	Type of connected/related transaction		Agreement	Annual Transaction Cap for the Year 2018 (RMB'000)	Actual Transaction Amount for the Year 2018 (RMB'000)
1	Material and facilities provided by Yankuang Group		Provision of Materials Supply Agreement	300,000	296,747
2	Labor and services provided by Yankuang Group		Mutual Provision of Labor and Services Agreement	2,907,000	2,235,266
3	Labor and services provided to Yankuang Group			177,100	48,908
4	Insurance fund management and payment services provided by Yankuang Group (free of charge) for the Group's staff		Provision of Insurance Fund Administrative Services Agreement	1,379,400	900,552
5	Sale of products, material and equipment lease provided to Yankuang Group		Provision of Products, Material and Equipment Leasing Agreement	3,837,300	3,507,686
6	Procurement of bulk commodities from Yankuang Group		Bulk Commodities Sales and Purchase Agreement	4,500,000	160,656
	Sale of bulk commodities to Yankuang Group			3,641,000	0
7	Financial services to Yankuang Group	Deposit	Financial Services Agreement	10,000,000	9,985,986
		Comprehensive Credit		7,500,000	7,453,287
		Financial service fee		3,900	1,670
8	Clean energy technology licensing		Know-How Licensing Agreement	5,000	0
9	Commissioned management service of chemical projects by Yankuang Group		Chemical Projects Entrusted Management Agreement	5,500	4,603
	Marketing and sales agent service by Yankuang Group			14,500	12,946

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

At the 2018 first extraordinary general meeting of the Company held on 26 January 2018, "Bulk Commodities Mutual Supply Agreement" between the Company and Century Ruifeng (Century Ruifeng is a substantial shareholder of the Company's subsidiary and connected person of the Company), together with the annual caps for such transactions for a period from 2018 to 2020 were approved. The 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 RMB139 million in 2018, representing 0.09% of the operating revenue of the Group of 2018. The aggregate amount of commodity sold by Century Ruifeng to the Group was RMB842 million in 2018, representing 0.7% of the total purchase of the Group of 2018.

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

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

The 2018 annual cap for coal sales of the Group to Glencore and its subsidiaries was USD350 million. In 2018, the Group has sold coal to Glencore and its subsidiaries amounting approximately USD297 million, representing 1.25% of operating revenue of the Group of 2018.

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

The 2018 annual transaction amount for coal purchase (on equity basis) of the Group from Glencore under HVO Sales Contract was USD750 million. In 2018, the Group purchased coal from Glencore amounting around USD551 million, representing 3.1% of total purchase amount of the Group of 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, 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 and its subsidiaries under the Glencore Coal Purchase Agreement was USD350 million. In 2018, the Group has purchased coal from Glencore Coal Pty Ltd and its subsidiaries amounting about USD105 million, representing 0.6% of total purchase amount of the Group of 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, together with the estimated maximum annual transaction amounts for such transaction for the years of 2018 to 2020 were approved. According to this agreement, HV Operations Pty Ltd, a controlled subsidiary of Yancoal Australia, shall pay the follows to Glencore: (1) all costs, charges and expenses incurred in providing services to HVO Joint Venture or HVO Coal Sales Pty Ltd; (2) all off-site costs, charges and expenses ("general expenses") incurred by Glencore in providing services. The determination of general expenses is based on the principle of fairness and reasonableness and with reference to all costs, charges and expenses incurred by Glencore in providing similar services without particular sites. Both parties agreed that Glencore provide monthly invoice to HV Operations Pty Ltd and HV Operations Pty Ltd shall finish the payment within 5 business days after receiving such invoice.

The 2018 maximum annual transaction amount for service purchase of the Group from Glencore was USD18 million. In 2018, this connected/related transaction involved approximately USD6.47 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: i: Yancoal Australia – Sojitz Coal Sales Agreement between Yancoal Australia and Sojitz, (Sojitz is a substantial shareholder of the Company's subsidiary and a connected person of the Company) together with the annual caps for such transaction for the years of 2018 to 2020. ii: 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 2018, the Group has sold coal to Sojitz and its subsidiaries amounting approximately USD133 million, representing 0.56% of operating revenue of the Group of 2018.

(5) **Opinion of the Independent Non-executive Directors**

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

The Company's independent non-executive Directors have reviewed the Group's continuing connected/related transactions with the Controlling Shareholder for the year 2018 and confirm that: i, all such connected transactions have been: (i) entered into by the Group in its ordinary and usual course of business; (ii) conducted either on normal commercial terms, or where there are not sufficient comparable transactions to determine whether they are on normal commercial terms, on terms no less favorable to the Group than terms available to or from independent third parties; and (iii) entered into in accordance with the relevant governing agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole; ii, the amount of the related transactions stated under the section headed "Connected/Related Transactions Performance in relation to Daily Operation" above did not exceed the annual transaction caps approved by independent Shareholders and the Board.

(6) **Opinion of the Auditors**

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

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*

Equity Acquisition of Warkworth Joint Venture

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

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

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

Not applicable.

3. *Matters not disclosed in extraordinary announcement*

Unit: RMB1,000

Related parties	Relationship	Transaction	Transaction details	Pricing principle of related transaction	Book value of transferred assets	Appraisal value of transferred asset	Consideration	Settlement way	Earning from assets transfer	Impact of transaction on operating result and financial conditions	Reasons for significant difference between transaction price and book value or appraisal value, market fair value
Yankuang Science & Technology Co., Ltd	A wholly-owned subsidiary of the Controlled Shareholder	Equity acquisition	19% equity acquisition of Blue Sky Company held by Yankuang Science & Technology Co., Ltd	pricing based on value assessment	6,891	8,254	8,254	installment	Not applicable.	There won't have unfavorable impact on operating result and financial conditions of the Company at present and in the future.	Not applicable.

Related parties	Relationship	Transaction	Transaction details	Pricing principle of related transaction	Book value of transferred assets	Appraisal value of transferred asset	Consideration	Settlement way	Earning from assets transfer	Impact of transaction on operating result and financial conditions	Reasons for significant difference between transaction price and book value or appraisal value, market fair value
Shandong Rongyujingu Venture Capital Co., Ltd.	A controlled subsidiary of the Controlled Shareholder	Equity acquisition	10% equity acquisition of Blue Sky Company held by Shandong Rongyujingu Venture Capital Co., Ltd.	pricing based on value assessment	3,627	4,344	4,344	installment	Not applicable.	There won't have unfavorable impact on operating result and financial conditions of the Company at present and in the future.	Not applicable.
Yankuang Ke'ao Aluminum Co., Ltd	A controlled subsidiary of the Controlled Shareholder	Land usage right acquisition	Land usage right acquisition held by Yankuang Ke'ao Aluminum Co., Ltd	pricing based on value assessment	8,667	21,470	21,470	installment	Not applicable.	There won't have unfavorable impact on operating result and financial conditions of the Company at present and in the future.	Not applicable.
Shandong Chuangyuan Property Management Services Co., Ltd	A wholly-owned subsidiary of the controlled shareholder	Equity sale	4.5% equity Sale of held by the Company in Shandong Zoucheng Rural Bank Co., Ltd	pricing based on value assessment	4,957	4,968	4,968	Lump sum	Not applicable.	There won't have unfavorable impact on operating result and financial conditions of the Company at present and in the future.	Not applicable.
Yankuang Group	Controlled shareholder	Equity sale	4.29% equity Sale of held by Huaju Energy in Yankuang Guohong Chemicals Co, Ltd.	pricing based on value assessment	-78,846	-78,847	0.001	Lump sum	Not applicable.	There won't have unfavorable impact on operating result and financial conditions of the Company at present and in the future.	Not applicable.

Explanation on connected/related transactions of asset acquisition/sales

(1) As considered and reviewed at the general manager work meeting held on 30 July 2018, the Blue Sky 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 Rongyujingu Venture Capital Co., Ltd, for a total consideration of RMB12.598 million.

(2) As considered and reviewed at the general manager work meeting held on 30 July 2018, the Company was approved to acquire land usage right of Yankuang Ke'ao Aluminum Co., Ltd. for a consideration of RMB21.47 million.

(3) As considered and reviewed at the general manager work meeting held on 13 August 2018, the Company was approved to sell 4.5% equity interests in Shandong Zoucheng Rural Bank Co., Ltd to Shandong Chuangyuan Property Management Services Co., Ltd, for a consideration of RMB4.968 million.

(4) As considered and reviewed at the general manager work meeting held on 29 October 2018, the Company was approved sell 4.29% equity interests in Yankuang Guohong Chemicals Co., Ltd to Yankuang Group, totaling RMB1.

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.

(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	Relationship	Fund provided to connected parties: Balance at the beginning	Fund provided to connected parties: Amount occurred	Fund provided to connected parties: Closing balance	Fund provided to the Company: Balance at the beginning	Fund provided to the Company: Amount occurred	Fund provided to the Company: Closing balance
Yankuang Group	Controlled shareholder	63.97	114.17	72.23	103.75	106.64	123.26
Century Ruifeng	Other related party	3.18	9.97	0	0	5.26	0.14
Glencore and its subsidiaries	Other related party	0	18.10	0	0.55	39.16	0
Sotijz and its subsidiaries	Other related party	0	8.16	0.39	0	0	0
Total		67.15	150.40	72.62	104.30	151.04	123.4

Reasons for credit and debt obligation among connected parties	Mutual sale of goods and provision of services, etc.
Impact on the operating result and financial conditions of the Company by credit and debt obligation	No significant impact

(V) Others

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

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

XV. MATERIAL CONTRACTS AND PERFORMANCE

(I) Trust, Contract or Lease

1. Trust

Not applicable.

2. Contract

Not applicable.

3. Lease

Not applicable.

(II) Guarantees

Unit: RMB 100 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 and its subsidiaries	
Total amount of guarantee to subsidiaries during the reporting period	114.37
Total balance of guarantee to subsidiaries by the end of the reporting period (B)	327.78
Total guarantees (including guarantees to subsidiaries)	
Total amount of guarantees (A+B)	327.78
Percentage of total amount of guarantee in the net assets of the Company (%)	53.74
Of which:	
Amount of guarantees to Shareholders, actual controllers and related parties (C)	0
Amount of guarantees directly or indirectly to guaranteed parties with a debt-to-assets ratio exceeding 70% (D)	83.95
Total amount of guarantee exceeding 50% of net assets (E)	65.67
Total amount of the above 3 categories guarantees (C+D+E)	149.62
Explanation on unexpired guarantee that may be subject to joint and several liability	–

Guarantee explanations

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

As approved at the 2011 annual general meeting, Yancoal Australia took a bank loan of USD3.04 billion for acquisition of equity interests in Yancoal Resources Co. Ltd. As at 31 December 2018, the balance of the above bank loan was USD1.575 billion. The Company provided the guarantees of USD956 million and RMB4.651 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 31 December 2018, the balance of the above guarantee was USD104 million.

As approved at the 2016 annual general meeting, the Company provided guarantees to its wholly-owned subsidiary, Yancoal International Resources, for issuing USD500 million corporate bonds. As at 31 December 2018, the balance of the above guarantee was USD500 million.

As approved at the 2016 annual general meeting, the Company provided guarantee of RMB1.13 billion and USD33 million to Zhongyin Financial Leasing. As at 31 December 2018, the balance of the above guarantee was RMB1.13 billion and USD33 million, respectively.

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"). As at 31 December 2018, the balance of the above guarantee was RMB1 billion.

As of 31 December 2018, Yancoal Australia and its subsidiaries produced performance deposits and performance guarantees in a total of AUD752 million due to operational necessity.

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

As reviewed and approved at the 2016 annual general meeting of the Company, the Company has provided guarantees to its controlled subsidiaries, Qingdao Vast Lucky and Zhongyin Financing Leasing of RMB1.3 billion and RMB1.15 billion respectively; the Company has provided to its wholly-owned subsidiaries Qingdao Zhongyan and Yancoal International Trading Co., Ltd of RMB750 million and USD50 million respectively; and the Company has provided guarantees to its wholly-owned subsidiary, Yancoal International of USD190 million and HKD of 1.569 billion during the reporting period.

As reviewed and approved at the 2017 annual general meeting of the Company, the Company has provided guarantees to its controlled subsidiary, Qingdao Vast Lucky of RMB1.4 billion and USD50 million and wholly-owned sub-company, Qingdao Zhongyan of RMB580 million, and to its wholly-owned subsidiary, Yancoal International Resources of USD335 million during the reporting period.

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 AUD123 million due to operational necessity.

Note: The table above was prepared in accordance with the CASs and calculated at USD/RMB exchange rate of 6.8632 and AUD/RMB exchange rate of 4.8250 and HKD/RMB exchange rate of 0.8762.

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

(III) Entrusted Cash and Assets Management

1. Entrusted wealth management

(1) General information on entrusted wealth management

Not applicable.

Other cases

Not applicable.

(2) Specific entrusted wealth management

Not applicable.

Other cases

Not applicable.

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

Not applicable

2. Entrusted Loan

(1) General information on entrusted loan

Unit: RMB100 million

Consigner	Source of fund	Amount	Outstanding balance	Amount due but not taken back
Heze Neng Hua	self-owned fund	8.90	0	0

Other information

Not applicable.

(2) **Specific entrusted loan**

Unit: RMB100 million

Consignee	Type of entrusted loan	Amount of entrusted loan	Valid from	Maturity date	Source of fund	Use of fund	Yield determination	Annual return ratio	Expected return (if yes)	Actual return or loss	Actual amount taken back	Whether passed legal procedures	Whether has plan of entrusted loan in the future	Provision for impairment of loss of asset (if yes)
Jining Branch of Bank of China	Entrusted loan	8.90	15 March, 2016	15 March, 2021	Self-owned fund	Construction of Zhaolou coalmine and preparation plant	Interest	4.90%	2.21	1.02	9.92	Yes	No	0

Note: As at the end of the reporting period, the Company has taken back all principles and corresponding interests of the above-mentioned entrusted loan.

Other information

Not applicable.

(3) **Entrusted loan impairment provision**

Not applicable.

3. Other information

Not applicable.

(IV) Other Significant Contract

Not applicable

(V) Repurchase, Sale or Redemption of Securities

During the reporting period, the Company or its subsidiaries have made no repurchase, sale or redemption of the listed securities of the Company.

XVI. EXPLANATION ON OTHER SIGNIFICANT EVENTS

(I) Non-public issuance of A shares

As reviewed and approved at the 2017 second extraordinary general meeting, the 2017 third class meeting of holders of A Shares and the 2017 third class meeting of the holders of H Shares held on 25 August 2017, the Company will issue non-public A Shares in an amount not exceeding 647 million shares (including 647 million shares) to specific investors, with the fund financed 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.

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, 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 and the issuance is to be implemented upon review and approval by CSRC.

For details, please refer to the announcements dated 31 March 2017, 28 April 2017, 29 June 2017, 25 August 2017 and 15 December 2017 in relation to the non-public issuance of A shares, respectively, the announcement in relation to "Notice of Acceptance of the Application for 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 HKEX, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times.

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

As reviewed and approved at the seventh meeting of the seventh session of the Board dated 27 November 2017, the Company subscribed for 400 million shares privately placed by Linshang Bank at a price of RMB3.00 per share, and acquired 377 million shares transferred from five existing shareholders at a price of RMB3.00 per share ("this transaction").

In December 2018, the parties completed share transfer and industrial and commercial change registration in accordance with related agreement. Upon this transaction, the Company holds 717.7 million shares of Linshang Bank, accounting for 19.75%.

For details, please refer to the announcement in relation to the resolutions passed at the seventh meeting of the seventh session of the Board and the announcement in relation to investment in Linshang Bank Co. Ltd. dated 27 November 2017, and announcement in relation to equity transfer completion in Linshang Bank investment dated 6 December 2018, which were also posted on the websites of the Shanghai Stock Exchange, the HKEX, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times.

(III) 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.

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 HKEX, the Company's website and/or China Securities Journal and Shanghai Securities News and Securities Times.

(IV) 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.

As reviewed and approved at the twentieth meeting of the seventh session of the Board of the Company held on 5 December 2018, Electromechanical & EP Department was renamed as Electromechanical Management Department and Safety Supervision Department was renamed as Safety Supervision Department (EP Department) and the former functions of EP and supervision as well as personnel were assigned to this department. Accounting Service Center was renamed as Sharing Center.

For details, please refer to the announcements of resolutions passed at the tenth and twentieth meetings of the seventh session of the Board of the Company held on 13 February 2018 and 5 December 2018, respectively, which were posted on the websites of the Shanghai Stock Exchange, the HKEX, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times.

(V) 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 subscribed 420 million H shares Zheshang Bank issued at HKEX at a price of HKD4.80 per share. ("this investment") and this investment was completed on 29 March 2018. Upon completion of this investment, the Company held about 934 million shares of Zheshang Bank, accounting for approximately 4.99% of its total capital shares.

For details, please refer to the announcements in relation to resoluations 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, which were posted on the websites of the Shanghai Stock Exchange, the HKEX, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times.

(VI) 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 the Company.

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 HKEX, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times.

(VII) Allotment of new shares of Yancoal Australia and the listing of such shares on the HKEX

At the fifteenth meeting of the seventh session of the Board of the Company held on 29 June 2018, Yancoal Australia Ltd was approved to offer and allot new shares which were listed on the HKEX (the "Offer"); to approve the Company to forego/renounce its entitlement to subscribe for any shares offered to it in the Offer; On 6 December 2018, Yancoal Australia completed this Offer with its shares traded on the HKEX and stock code of 03668. The total new shares offer of Yancoal Australia was 64,367,681 shares.

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 for dual primary listing on the HKEX and related progress announcements dated 1 October 2018, 7 October 2018, 22 November 2018, 23 November 2018, 25 November 2018, 29 November 2018 and 1 January 2019, which were posted on the websites of the Shanghai Stock Exchange, the HKEX, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times.

(VIII) Capital and Shares Increase of Haosheng Company

As considered and approved at the eighteenth meeting of the seventh session of the Board of the Company held on 7 September 2018, it was approved that the Company, Haosheng Company and qualified investors would enter into Capital Increase Agreement of Haosheng Coal Mining Company Limited. Presently, relevant matters are in progress and the Company will timely perform necessary information disclosure obligations in accordance with supervisory regulations in listing place.

For details, please refer to the announcement passed at the eighteenth meeting of the seventh session of the Board of the Company dated 7 September 2018, which was posted on the websites of the Shanghai Stock Exchange, the HKEX, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times.

(IX) Separation and Transfer of Assets Related to "Water Supply, Power Supply, Heat Supply and Property Management" in the Employee Residential Area, and Enterprise-run Social Functions Regarding Municipal Administration and Community Management

As considered and approved at the twentieth meeting of the seventh session of the Board of the Company held on 5 December 2018, the Company stripped off and transferred assets related to "water supply, power supply, heat supply and property management" in the employee residential area, and enterprise-run social functions regarding municipal administration and community management ("the separation and transfer"). According to the standards and cost levels of the equipment and facilities maintenance and upgrading issued by the state and local government departments, the central government will subsidize 50% of the costs involved in the separation and transfer, and the Company will bear the rest. The actual amount of expenditure shall be subject to the audit results.

For details, please refer to the announcements in relation to resolution passed at the twentieth meeting of the seventh session of the Board of the Company dated 5 December 2018 and stripping off and transfer of assets related to "water supply, power supply, heat supply and property management" in the employee residential area, and enterprise-run social functions regarding municipal administration and community management, which were posted on the websites of the Shanghai Stock Exchange, the HKEX, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times.

(X) Change of Staff Representative Supervisor of the Company

As reviewed and approved at the staff representative meeting of the Company held on 25 December 2018, Mr. Zheng Kai was elected as a staff representative supervisor of the seventh session of the Supervisory Committee with the same service term of the seventh session of the Supervisory Committee and Mr. Tang Daqing, the former staff representative supervisor, no longer acted as the staff supervisor of the Company due to work change.

For details, please refer to the announcement in relation to election of staff representative supervisor dated 26 December 2018, which was posted on the websites of the Shanghai Stock Exchange, the HKEX, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times.

(XI) Change of Member of the Remuneration Committee for the Seventh Session of the Board

As considered and approved at the twenty-first meeting of the seventh session of the Board of the Company held on 27 December 2018, Mr. Cai Chang was appointed as a member of the remuneration committee for the seventh session of the Board (the "Remuneration Committee"), and Mr. Guo Jun, the employee Director of the Company, will cease to serve as a member of the Remuneration Committee.

For details, please refer to the announcements in relation to resolution passed at the twenty-first meeting of the seventh session of the Board of the Company dated 27 December 2018 and change of menbers of the Board, which were posted on the websites of the Shanghai Stock Exchange, the HKEX, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times.

(XII) Appointment of Deputy General Manager of the Company

As considered and approved at the twenty-first meeting of the seventh session of the Board of the Company held on 27 December 2018, Mr. Gong Zhijie was appointed as deputy general manager of the Company and his term of service was consistent with other senior management appointed by the seventh session of the Board of the Company.

For details, please refer to the announcements passed at the twenty-first meeting of the seventh session of the Board of the Company dated 27 December 2018, which was posted on the websites of the Shanghai Stock Exchange, the HKEX, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times.

(XIII) 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%.

(XIV) Establishment of Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd. ("Intelligent Logistics Company") by Joint Venture

As reviewed and approved at the general manager work meeting of the Company held on 25 September 2018, the Company, Shandong Taizhong E-Commerce Group Co., Ltd. and China Huaneng Group Fuel Co., Ltd. jointly established Intelligent Logistics Company.

The registered capital of Intelligent Logistics Company was RMB100 million, of which, the Company, Shandong Taizhong E-Commerce Group Co., Ltd. and China Huaneng Group Fuel Co., Ltd. contributed RMB51 million, RMB39 million and RMB10 million, respectively and holding 51%, 39% and 10%, respectively. Intelligent Logistics Company is mainly engaged in bonded warehousing, warehousing transportation, coal wholesale operation, supply chain management and coal supply chain consulting services.

(XV) Establishment of Shandong DongyueTaiheng Development Co., Ltd. ("DongyueTaiheng Company") by Joint Venture

As reviewed and approved at the general manager work meeting of the Company held on 25 September 2018, the Company, Shanghai Dongming Industrial Development Co., Ltd., Shandong Taishan Steel Group Co., Ltd. and Shanxi Liheng Steel Group Co., Ltd. jointly established DongyueTaiheng Company.

The registered capital of DongyueTaiheng Company was RMB500 million, of which, the Company, Shanghai Dongming Industrial Development Co., Ltd., Shandong Taishan Steel Group Co., Ltd. and Shanxi Liheng Steel Group Co., Ltd. contributed RMB200 million, RMB150 million, RMB100 million and RMB50 million, respectively, and holding of 40%, 30%, 20% and 10%, respectively. DongyueTaiheng Company is mainly engaged in rebar processing, assembly type construction, scrap processing and logistics distribution.

(XVI) Acquisition of 4% Equity Interests of Moolarben by Yancoal Australia

As reviewed and approved at the general manager work meeting of the Company held on 5 November 2018, Yancoal Australia acquired 4% equity interests of Moolarben Coal JV (Moolarben) for a consideration of AUD84 million.

Yancoal Australia has completed the equity transfer on 30 November 2018. Upon this transaction, Yancoal Australia held 85% interests in Moolarben.

(XVII) Registered Capital Increase in Blue Sky Company

As reviewed and approved at the general manager work meeting of the Company held on 10 December 2018, the Company increased investment to Blue Sky Company amounting to RMB260 million, with registered capital increasing from RMB50 million to RMB310 million.

(XVIII) Capital Increase in Zhongyin (Tai'an) Financial Leasing Co., Ltd

As reviewed and approved at the general manager work meeting of the Company held on 17 December 2018, Yancoal International increased its investment to Zhongyin (Tai'an) Financial Leasing Co., Ltd ("Zhongyin Tai'an Leasing") amounting to RMB415 million (equivalence of approximately USD60 million).

Upon this capital increase, the registered capital of Zhongyin Tai'an Leasing has increased from RMB1 billion to RMB1,593 million, of which, through its wholly-owned subsidiaries, Zhongyin Financial Leasing and Yancoal International, the Company invested totaling RMB1,115 million and holding 70%.

(XIX) Shares Sold in Dongguan Haichang Industry Co., Ltd. ("Haichang Company")

As considered and approved at the general manager work meeting of the Company held on 7 January 2019 and in accordance with relevant provisions specified in Capital Increase Agreement, Supplementary Agreement and Shares Repurchase Agreement between the Company and Dongguan Guantai Industry Co., Ltd. ("Guantai Industry"), the Company sold 20.89% shares of Haichang Company held by the Company for a consideration of RMB784million to Dongguan Industry. As at the disclosure date of this annual report, the Company has received payment of RMB550 million, upon which, the Company will start to handle equity delivery procedure.

XVII. IMPLEMENTATION OF SOCIAL RESPONSIBILITIES IN AN ACTIVE MANNER

(I) Performance of Poverty Alleviation by the Company

1. *Targeted poverty alleviation program*

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

2. *Summary of annual targeted poverty alleviation*

In 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. We actively carried out poverty alleviation through education and supported local education. The subordinate company of Ordos Neng Hua donated education funds of RMB10.5 million to the local area, and Yanzhou Coal Wanfu Energy Co., Ltd. donated RMB89,500 to the local primary school to improve its educational conditions.The Group also positively responded to the local government call, vigorously carried out poverty alleviation actions. Yanzhou Coal Heze Neng Hua donated RMB1.9 million of poverty alleviation fund to Yuncheng county poverty alleviation office, donated RMB2 million of poverty alleviation funds to one of villages in Mudan district, Heze City, which were all used in infrastructure construction, industrial development, etc. Ordos Neng Hua participated in the local rural revitalization plan, co-supported one poor village and donated RMB300,000 of poverty alleviation funds, and provided RMB300,000 of poverty alleviation donation to economic development zone of Dalat banner of Inner Mongolia; Yulin Neng Hua donated RMB370,000 for poverty alleviation to 3 poor villages in Yulin city, and donated RMB50,000 to Yulin public security police heroic fund. The coal mines affiliated to the Company also supported RMB2.8 million of coal as poverty alleviation to poor communities, kindergartens and other institutions in the locality. Through the implementation of various poverty alleviation measures, the Company has established a good brand image for external development, and realized the mutual benefit and win-win development of local enterprises. Meanwhile, the Group insisted on carrying out precise help and warmth activities, visited 5,518 families of workers in difficulties, and issued RMB5.05 million of condolence funds. Provide relief funds of more than RMB300,000 to over 100 families without dependent dependents; Visiting 342 CPC members, senior Party members and senior cadres with difficulties in daily life, and distributed more than RMB260,000 of condolence funds.

3. *Achievement on precise poverty alleviation*

Unit: RMB10 thousand

Indicators	Amount of Investment and Implementation
I. Overview	2,611.95
Of which: 1. Poverty alleviation fund	2,331.95
2. Materials equivalent in RMB	280
II. Investment by items	
1. Poverty alleviation by education	1,058.95
Of which: 1.1 Amount of investment in improving educational resources of the poverty-stricken areas	1,058.95
2. Social poverty alleviation	712
Of which: 2.1 Investment in specific place poverty alleviation	487
2.2 Poverty alleviation charitable fund	225
3. Other projects	841
Of which: 3.1 Number of poverty alleviation projects	6
3.2 Amount of investment in poverty alleviation projects	841
3.3 Explanations on other projects	Supply coal in poverty-stricken areas, help families of workers and staff in need, assist survivors without support, and console elderly Party members in need.

4. *Following targeted poverty alleviation plan*

Yanzhou Coal has always taken targeted poverty alleviation as an effective way to perform its social responsibilities. In 2019, 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.

(II) Performance of Social Responsibilities Works

The Company, focusing on sustainable development, has integrated the concept of social responsibilities with the enterprise's whole process of development all the time. During the reporting period, there is no major environmental or social security problem. For details in relation to environment protection, safety and other social responsibilities, please refer to the "2018 Social Responsibility Report" published on the websites of the Shanghai Stock Exchange, the HKEX and the Company.

(III) Environmental Protection Information

1. *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 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, SO_2, 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, SO_2, 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:

No.	Key pollution emitted unit	Types of pollutant	Main pollutants	Discharging method	Discharging standard	Annual pollutant discharging permission volume	Actual discharging volume
1	Nantun Coal Mine (Key pollutant discharging entity in Shandong Province)	Industrial wastewater	Chemical oxygen demand (COD), ammonia nitrogen	discharging to receiving water body after processing in sewage treatment station	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)	24.1 tonnes of COD, 0.65 tonnes of ammonia nitrogen	discharge zero tonne of COD and zero tonne of ammonia nitrogen in 2018
2	Dongtan Coal Mine (Key industrial wastewater discharging entity in Shandong Province, National key pollutant discharging entity of household wastewater)	Industrial wastewater, household wastewater	Chemical oxygen demand (COD), ammonia nitrogen	discharging to receiving water body after processing in sewage treatment station	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)	9.78 tonnes of COD, 0.4 tonnes of ammonia Nitrogen	discharge 2.89 tonnes of COD and 0.29 tonnes of ammonia nitrogen in 2018
3	Baodian Coal Mine (Key pollutant discharging entity in Shandong Province)	Industrial wastewater, household wastewater	Chemical oxygen demand (COD), ammonia nitrogen	discharging to receiving water body after processing in sewage treatment station	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)	103.81 tonnes of COD, 5.4 tonnes of ammonia nitrogen	discharge 42.09 tonnes of COD and 0.11 tonnes of ammonia nitrogen in 2018

No.	Key pollution emitted unit	Types of pollutant	Main pollutants	Discharging method	Discharging standard	Annual pollutant discharging permission volume	Actual discharging volume
4	Xinglongzhuang Coal Mine (Key industrial wastewater discharging entity in Shandong Province, National key pollutant discharging entity of household wastewater)	Industrial wastewater, household wastewater	Chemical oxygen demand (COD), ammonia nitrogen	discharging to receiving water body after processing in sewage treatment station	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)	109 tonnes of COD, 5.5 tonnes of ammonia nitrogen	discharge 3.16 tonnes of COD and 0.23 tonnes of ammonia nitrogen in 2018
5	Jining II Coal Mine (Key pollutant discharging entity in Shandong Province)	Industrial wastewater, household wastewater	Chemical oxygen demand (COD)	discharging to receiving water body after processing in sewage treatment station	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)	30.7 tonnes of COD	discharge 17.9 tonnes of COD in 2018
6	Jining III Coal Mine (Key pollutant discharging entity in Shandong Province)	Industrial wastewater, household wastewater	Chemical oxygen demand (COD)	discharging to receiving water body after processing in sewage treatment station	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)	40.48 tonnes of COD	discharge 5.77 tonnes of COD in 2018
7	Yangcun Coal Mine (Key pollutant discharging entity in Shandong Province)	Industrial wastewater, household wastewater	Chemical oxygen demand (COD)	discharging to receiving water body after processing in sewage treatment station	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)	33.19 tonnes of COD	discharge 28.27 tonnes of COD in 2018

No.	Key pollution emitted unit	Types of pollutant	Main pollutants	Discharging method	Discharging standard	Annual pollutant discharging permission volume	Actual discharging volume
8	Yanzhou Coal Mining Engineering Company Limited (Key pollutant discharging entity in Shandong Province)	Industrial wastewater, household wastewater	Chemical oxygen demand (COD)	discharging to receiving water body after processing in sewage treatment station	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)	12.53 tonnes of COD	discharge 5.62 tonnes of COD in 2018
9	Heze Zhaolou Coal Mine (Key pollutant discharging entity in Shandong Province)	Industrial wastewater, household wastewater	Chemical oxygen demand (COD)	discharging to receiving water body after processing in sewage treatment station	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)	95.42 tonnes of COD	discharge 10.41 tonnes of COD in 2018
10	Power Plant of Huaju Energy (National key pollutant discharging entity)	boiler smoke and gas	PM (particulate matter), SO_2, NO_x	discharged to the air after purification	Shandong Province Air Pollutants Discharge Standards for Coal-burned Power Plant (DB37/664-2013)	PM182.12 tonnes, SO2 880.81 tonnes, NOx 2,175.37 tonnes	discharged 32.8 tonnes of PM, 124.28 tonnes of SO_2, 1,176 tonnes of NO_x in 2018
11	Tianchi Coal Mine of Shanxi Neng Hua (Key pollutant discharging entity of Jinzhong City)	boiler smoke and gas, industrial waste water, household wastewater	SO_2, NO_x, COD	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	Air Pollutants Discharge Standards for Boilers (GB13271-2014), Pollutant Discharging Standard for Coal Industry (GB20426-2006)	SO_2 46.82 tonnes, NO_x 46.82 tonnes, COD 25 tonnes	discharged 46.04 tonnes of SO_2, 26.4 tonnes of NO_x and zero tonnes of COD in 2018

No.	Key pollution emitted unit	Types of pollutant	Main pollutants	Discharging method	Discharging standard	Annual pollutant discharging permission volume	Actual discharging volume
12	Methanol Plant of Yulin Neng Hua (National key pollutant discharging entity)	boiler smoke and gas, industrial waste water, household wastewater	SO_2, NO_x, COD, ammonia nitrogen	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	Air Pollutants Discharge Standards for Boilers (GB13271-2014), Comprehensive Waste Water Discharging Standard (GB 8978-1996)	SO_2 1,195.61 tonnes, NO_x 542.18 tonnes, COD 129.2 tonnes, ammonia nitrogen 31.1 tonnes	discharged 539.1 tonnes of SO_2, 342.6 tonnes of NO_x and 65.1 tonnes of COD, and 5.54 tonnes of ammonia nitrogen in 2018
13	Rongxin Chemicals of Ordos Neng Hua (National key pollutant discharging entity)	boiler smoke and gas, industrial waste water, household wastewater	SO_2, NO_x, COD, ammonia nitrogen	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	Air Pollutants Discharge Standards for Boilers (GB13271-2014), Comprehensive Waste Water Discharging Standard (GB 8978-1996)	SO_2 1,003.8 tonnes, NO_x 950 tonnes, COD 80 tonnes, ammonia nitrogen 14.4 tonnes	discharged 162.46 tonnes of SO_2, 558.5 tonnes of NO_x and zero tonnes of COD, and zero tonnes of ammonia nitrogen in 2018
14	Zhuanlongwan Coal Mine of Ordos Neng Hua (Ordos City key pollutant discharging entity)	boiler smoke and gas, industrial waste water, household wastewater	SO_2, NO_x, COD	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	Air Pollutants Discharge Standards for Boilers (GB13271-2014)	SO_2 94.07 tonnes, NO_x 81.16 tonnes	discharged 8.18 tonnes of SO_2, 49.83 tonnes of NO_x and zero tonnes of COD in 2018

(2) **Construction and operation of pollution prevention and control facilities**

No.	Key pollution emitted unit	Construction and operation of pollution prevention 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	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.
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.
4	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.
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	Equipped with de-dusting, desulfurization and de-nitration facilities, the power plants of Huaju Energy have 18 boilers of 3,375 steam tonnes in total, which have completed ultra-low emission retrofit and are in normal operation.

No.	Key pollution emitted unit	Construction and operation of pollution prevention facilities
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.
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 test run is completed, the environmental protection for acceptance will be applied as required. Once obtaining the approval of acceptance, the Group can put into operation and use.

(4) **Emergency plan for emergency environmental problems**

Each production unit of the Group has, 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.

(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.

i. 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 SO_2, 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.

ii. Entrusted monitoring

① Monitoring of pollutants in the discharge water is carried out by a third party as required once a month and the monitoring objectives shall refer to the Standard for the Discharge of Pollutants in Urban Sewage Treatment Plant.

② The Group has entrusted a third party to implement manual monitoring of Ringelman emittance, smoke and dust, SO_2 and NO_x quarterly.

③ The Group has entrusted the third party to implement plant boundary noise monitoring quarterly.

④ The monitoring of radioactive sources (if any) has been conducted once a year by a third party as required.

(6) Other environmental information that should be disclosed

Not applicable.

2. Environmental protection statement for companies other than the key discharging entities

In accordance with the principles of source prevention, process control and end treatment, the Group implements clean production, carries out pollution prevention and control, and minimizes the impact of production on the environment. We actively carry out water and soil conservation, subsidence area treatment, reclamation greening, ecological construction and other work, to protect and improve the local ecological environment. All the companies other than the key pollutant discharging units have built pollution control facilities in accordance with the environmental approval requirements, and operate normally without exceeding the emission standards. The total amount of pollutants discharged meets the total amount approved by the superior competent department.

3. *Explanation of reasons for non-disclosure of environmental information by companies other than key discharging entities*

The impact of companies other than key discharging entities on the environment is mainly daily office operations on energy resource consumption and emissions, which has less impact on the environment, and we have strictly abide by 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 and Solid Waste Pollution Prevention and Control Law of the People's Republic of China. Therefore, the Company received no punishment due to violations of environmental regulations during the reporting period.

4. *Description of the follow-up progress or changes in the disclosure of environmental information during the reporting period*

Not applicable.

(IV) Other Explanation

Not applicable.

XVIII. COMPLIANCE WITH LAWS, REGULATIONS AND RULES

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

XIV. CONVERTIBLE CORPORATE BONDS

(I) Issuance of Convertible Bonds

Not applicable.

(II) Holders and Guarantors of Convertible Bonds During the Reporting Period

Not applicable.

(III) Changes in Convertible Bonds During the Reporting Period

Not applicable.

(IV) The Adjustment of the Price of Convertible Bonds

Not applicable.

(V) The Company's Debt Situation, Credit Status Changes and Cash Arrangements for Debt Repayment in Future Years

Not applicable.

(VI) Other Statements of Convertible Bonds

Not applicable.

Chapter 07

Changes in Ordinary Shares and Shareholders

I. CHANGES IN ORDINARY SHARES

(I) Table of Changes in Ordinary Shares

1. Table of Changes in Ordinary Shares

Unit: Share(s)

	Before change		Increase/Decrease (+,-)		After change	
	Shares	Percentage (%)	Others	Sub-total	Shares	Percentage (%)
I Listed shares with restricted moratorium	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 natural person shareholding	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. A Shares	2,959,869,500	60.2577	10,000	10,000	2,959,879,500	60.2579
2. Foreign shares domestically-listed	0	0	0	0	0	0
3. Foreign shares listed overseas	1,952,016,000	39.7396	0	0	1,952,016,000	39.7396
4. Others	0	0	0	0	0	0
III. Total share capital	4,912,016,000	100	0	0	4,912,016,000	100

2. Explanation on changes in ordinary shares

The restricted A shares held by Mr. Zhang Shengdong, former chairman of the Company's supervisory committee were released from trading moratorium due to expiration of six months since his resignation from the position. For details, please refer to the section headed *Changes in Shares with Restricted Moratorium* herein.

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

Not applicable

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

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

(II) Changes in Shares with Restricted Moratorium

Unit: share(s)

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

Note: The restricted A shares held by Mr. Zhang Shengdong, former chairman of the Company's supervisory committee was released from trading moratorium due to expiration of six months since his resignation from the position.

II. SECURITIES ISSUANCE AND LISTING

(I) Securities Issuance during the Reporting Period

Unit: Share(s) Currency: RMB

Type of stock and its related derivative securities	Date of placement	Issuing price (or interest)	Amount of placement	Date of listing	Approved listed tradable amount	Date of trade termination
Renewable corporate bonds	27 March 2018	6%	RMB5 billion	10 April 2018	RMB5 billion	27 March 2021
Super short-term financing bonds	29 March 2018	4.85%	RMB1 billion	–	–	26 September 2018
Super short-term financing bonds	30 March 2018	4.93%	RMB1.5 billion	–	–	25 December 2018
Super short-term financing bonds	27 April 2018	4.83%	RMB2 billion	–	–	22 January 2019
Super short-term financing securities	27 June 2018	4.96%	RMB1.5 billion	–	–	24 March 2019
Super short-term financing securities	28 June 2018	4.92%	RMB1.5 billion	–	–	25 March 2019
Medium Term Notes	11 July 2018	4.89%	RMB1.5 billion	–	–	13 July 2021
Medium Term Notes	19 October 2018	4.39%	RMB3 Billion	–	–	23 October 2021
Senior guaranteed USD perpetual capital securities	29 November 2018	6%	USD335 million	29 November 2018	USD335 million	29 November 2021

Explanation on securities issuance during the reporting period (for bonds with different interest rates during the duration, please explain separately).

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

Not applicable.

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

Not applicable.

III. SHAREHOLDERS AND ACTUAL CONTROLLER

(I) Total Number of the Shareholders

Total number of shareholders as at 31 December 2018	83,084
Total number of ordinary shareholders at the end of last month prior to the disclosure date of this annual report	83,772
Total number of preferred shareholders with resumed voting right by the end of the reporting period	0
Total number of preferred shareholders with resumed voting right at the end of last month before disclosure date of this annual report	0

(II) Top ten Shareholders holding trading shares not subject to trading moratorium (or unrestricted shareholders) as at 31 December 2018

Unit: share(s)

	Shareholding of the top ten shareholders						
					Pledged or locked		
Name of shareholders	Increase/ decrease during the reporting period	Number of shares held by the end of 2018	Percentage (%)	Number of shares held with trading moratorium	Status	Number of shares	Class of shareholders
Yankuang Group Company Limited	-226,924,953	2,267,169,423	46.16	0	No	0	State-owned legal person
Hong Kong Securities Clearing Company (Nominees) Limited	2,205,400	1,948,608,499	39.67	0	N/A	0	Overseas legal person
National Social Security Fund 102 Combination	24,499,961	24,499,961	0.50	0	No	0	Others
Central Huijin Assets Management Co., Ltd.	0	19,355,100	0.39	0	No	0	State-owned legal person
Abu Dhabi Investment Authority (ADIA)	11,852,318	18,810,566	0.38	0	No	0	Others
Xie Ruihua	13,118,142	13,118,142	0.27	0	No	0	Domestic natural person
New China Life Insurance Co., Ltd.-Dividend-Group Annuity Insurance-018L-FH001HU	2,597,440	12,261,478	0.25	0	No	0	Others
National Social Security Fund 403 Combination	9,999,903	10,884,351	0.22	0	No	0	Others
Taiping Life Insurance Co., Ltd.-Dividend-Group Annuity Insurance	10,842,342	10,842,342	0.22	0	No	0	Others
National Social Security Fund 407 Combination	9,807,173	9,807,173	0.20	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 Company Limited	2,267,169,423	A shares	2,267,169,423
Hong Kong Securities Clearing Company (Nominees) Limited	1,948,608,499	H shares	1,948,608,499
National Social Security Fund 102 Combination	24,499,961	A shares	24,499,961
Central Huijin Assets Management Co., Ltd.	19,355,100	A shares	19,355,100
Abu Dhabi Investment Authority (ADIA)	18,810,566	A shares	18,810,566
Xie Ruihua	13,118,142	A shares	13,118,142
New China Life Insurance Co., Ltd.-Dividend-Group Annuity Insurance-018L-FH001HU	12,261,478	A shares	12,261,478
National Social Security Fund 403 Combination	10,884,351	A shares	10,884,351
Taiping Life Insurance Co., Ltd.-Dividend-Group Annuity Insurance	10,842,342	A shares	10,842,342
National Social Security Fund 407 Combination	9,807,173	A shares	9,807,173
Connected relationship or concerted-party relationship among the above shareholders	The subsidiary of Yankuang Group incorporated in Hong Kong held 278,000,000 H shares through HKSCC (Nominees) Limited. Apart from this, it is unknown whether other shareholders are connected with one another or whether any of these shareholders fall within the meaning of parties acting in concert.		
Explanation on the preferred shareholders with resumed voting right and their corresponding number of shareholdings held	Not applicable.		

Shareholding amount by top 10 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.

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

As far as the Directors are aware, save as disclosed below, as at 31 December 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 HKEX in other way.

Name of Substantial Shareholders	Class of Shares	Capacity	Number of Shares Held (shares)	Nature of Interests	Percentage in the H Share Capital of the Company	Percentage in Total Share Capital of the Company
Yankuang Group	A Shares (state-owned legal person shares)	Beneficial owner	2,267,169,423	Long position	–	46.16%
		Beneficial owner	316,507,272	Short position	–	6.44%
Yankuang Group (Note 1)	H Shares	Interest of controlled corporations	277,989,000	Long position	14.24%	5.66%
BNP Paribas Investment Partners SA	H Shares	Investment manager	117,641,207	Long position	6.03%	2.39%
BlackRock, Inc.	H Shares	Interest of controlled corporations	114,869,067	Long position	5.88%	2.34%
			226,000	Long position	0.01%	0.00%

Notes:

1. Those H Shares are held by Yankuang Group's wholly-owned subsidiary incorporated in Hong Kong in the capacity of beneficial owner.

2. The percentage figures above have been rounded off to the nearest second decimal place.

3. Information disclosed hereby is based on the information available on the website of HKSE (www.hkex.com.hk) and information provided by China Securities Depository and Clearing Corporation Limited Shanghai Branch.

IV. CONTROLLED SHAREHOLDERS AND ACTUAL CONTROLLER

(I) Controlled Shareholders

1. *Legal person*

Name	**Yankuang Group**
Person in charge or legal representative	Li Xiyong
Date of incorporation	12 March 1996
Main business	Coal and non-ferrous metal mining processing, trade and supporting services, high-end chemicals, modern logistics and engineering technical services.
Controlling shares or participating shares held by Yankuang Group of other companies listed at home and abroad	Please see the table below.
Other explanations	At 31 December 2018, Yankuang Group held 2,267,000,000 A Shares of the Company, the wholly-owned subsidiary of Yankuang Group incorporated in Hong Kong held 278,000,000 shares in the Company; Yankuang Group and its wholly-owned subsidiary in Hong Kong held 2,545,000,000 shares of the Company, representing 51.81% of the total share capital of the Company.

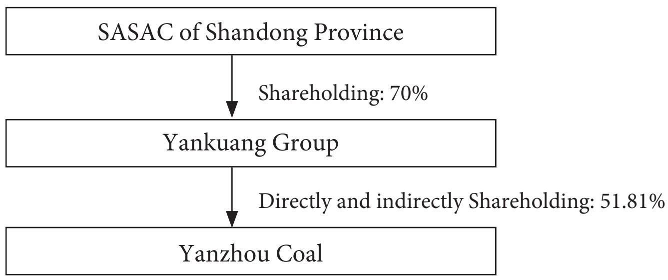
As at 31 December 2018, the shares of other domestic and overseas listed companies held by Yankuang Group areas follows:

No.	Name of the Listed Company	Stock Exchange	Stock Code	Number of Shares Held (shares)	Percentage of Shares Held (%)
1	Guizhou Panjiang Refined Coal Co., Ltd.	Shanghai Stock Exchange	600395	19,197	11.60
2	Rizhao Port Co., Ltd.	Shanghai Stock Exchange	600017	16,755	5.45
3	Tiandi Science and Technology Co., Ltd.	Shanghai Stock Exchange	600582	2,146	0.52
4	Shenzhen DAS Intelligence Co., Ltd.	Shenzhen Stock Exchange	002421	152	0.08
5	Guotai Junan Securities	Shanghai Stock Exchange	601211	4,871	0.56

(II) Actual Controller

1. Name of actual controller: State-owned Assets Supervision and Administration Commission of Shandong Province (SASAC of Shandong Province)

2. Diagram of equity and relationship of control between the Company and the actual controller:



3. The actual controller controlling the Company through trust or other asset management

   Not applicable.

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

Not Applicable.

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

As at 31 December 2018, the HKSCC (Nominees) Limited holds 1,948,608,499 H Shares on behalf of its several clients, representing 39. 67% over the total share capital of the Company. The HKSCC (Nominees) Limited is a member of Hong Kong central clearing and settlement system, providing customers with security registration and custody business.

VI. EXPLANATION ON RESTRICTION OF SELLDOWN SHAREHOLDING

Not applicable.

VII. PRE-EMPTIVE RIGHTS

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

Directors, Supervisors, Senior Management and Employees

I. CHANGES IN SHAREHOLDING AND REMUNERATION

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

Unit: Share(s)

Name	Title (note)	Gender	Age	Beginning Date of the Office Term	Ending Date of the Office Term	Number of Shares Held at the Beginning of the Reporting Period	Number of Shares Held at the end of this Reporting Period	Increase/ Decrease of Shareholding During the Reporting Period	Reasons for Change	Total Remuneration Before Tax Received From the Company During the Reporting Period (RMB10,000)	Whether Receive Remuneration from Connected Parties of the Company
Li Xiyong	Director, Chairman of the Board	Male	55	9 Sep 2013	29 June 2020	10,000	10,000	0	-	0	Yes
Li Wei	Director, Vice Chairman of the Board	Male	52	3 June 2016	29 June 2020	10,000	10,000	0	-	0	Yes
Wu Xiangqian	Director	Male	53	14 May 2014	29 June 2020	10,000	10,000	0	-	93.73	No
	General Manager			6 Jan 2016	29 June 2020						
Wu Yuxiang	Director	Male	57	22 April 2002	29 June 2020	30,000	30,000	0	-	0	Yes
Guo Dechun	Director	Male	57	3 June 2016	29 June 2020	0	0	0	-	90.31	No
Zhao Qingchun	Director	Male	51	3 June 2016	29 June 2020	0	0	0	-	75.49	No
	Chief Financial Officer			6 Jan 2016	29 June 2020						
Guo Jun	Employee Director	Male	56	3 June 2016	29 June 2020	10,000	10,000	0	-	75.17	No
Kong Xiangguo	Independent Director	Male	63	10 Mar 2017	29 June 2020	0	0	0	-	13.01	No
Cai Chang	Independent Director	Male	47	27 November 2017	29 June 2020	0	0	0	-	13.01	No
Poon Chiu Kwok	Independent Director	Male	56	29 June 2017	29 June 2020	0	0	0	-	13.01	No
Qi Anbang	Independent Director	Male	66	3 June 2016	29 June 2020	0	0	0	-	13.01	No
Gu Shisheng	Supervisor	Male	55	14 May 2014	14 May 2017	10,000	10,000	0	-	0	Yes
	Chairman of Supervisory Committee			29 June 2017	29 June 2020						
Zhou Hong	Supervisor, Vice Chairman of the Supervisory Committee	Male	48	29 June 2017	29 June 2020	0	0	0	-	0	Yes
Meng Qingjian	Supervisor	Male	57	3 June 2016	29 June 2020	0	0	0	-	0	Yes
Zhang Ning	Supervisor	Male	50	29 June 2017	29 June 2020	0	0	0	-	0	Yes
Jiang Qingquan	Employee Supervisor	Male	55	3 June 2016	29 June 2020	10,000	10,000	0	-	78.18	No
Zheng Kai	Employee Supervisor	Male	49	25 December 2018	29 June 2020	0	0	0	-	41.47	No
Liu Jian	Vice General Manager	Male	50	30 December 2016	29 June 2020	0	0	0	-	69.40	No
Wang Fuqi	Chief Engineer	Male	54	6 March 2014	29 June 2020	10,000	10,000	0	-	78.81	No

Name	Title (note)	Gender	Age	Beginning Date of the Office Term	Ending Date of the Office Term	Number of Shares Held at the Beginning of the Reporting Period	Number of Shares Held at the end of this Reporting Period	Increase/ Decrease of Shareholding During the Reporting Period	Reasons for Change	Total Remuneration Before Tax Received From the Company During the Reporting Period (RMB10,000)	Whether Receive Remuneration from Connected Parties of the Company
Zhao Honggang	Vice General Manager	Male	53	23 December 2014	29 June 2020	10,000	10,000	0	-	76.81	No
He Jing	Vice General Manager	Male	48	29 June 2017	29 June 2020	0	0	0	-	77.49	No
Gong Zhijie	Vice General Manager	Male	53	27 December 2018	29 June 2020	0	0	0	-	91.64	No
Jin Qingbin	Secretary to the Board	Male	42	29 March 2016	29 June 2020	0	0	0	-	32.63	No
Tang Daqing	Employee Supervisor (resigned)	Male	55	23 November 2017	25 December 2018	0	0	0	-	67.48	No
Total	/	/	/	/	/	110,000	110,000	0	/	998.86	/

As at 31 December 2018, the Directors, Supervisors and senior management together held 110,000 A Shares, representing 0.0022% of the Company's total issued share.

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

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

Name	Major Work Experience
Li Xiyong	born in October 1963, a research fellow in applied engineering technology with an EMBA degree, is the Chairman of the Company and the Chairman and the Secretary of the Party Committee of Yankuang Group. Mr. Li commenced his career in 1981. He was appointed as the head of Huafeng Coal Mine of Xinwen Mining Group Co., Ltd. ("Xinwen Group") in May 2001. In June 2006, he was appointed as the Vice General Manager of Xinwen Group. In May 2010, he was appointed as the Chairman and the Secretary of the Party Committee of Xinwen Group. In March 2011, he was appointed as the Vice chairman of Shandong Energy Group Co., Ltd. and the Chairman and the Secretary of the Party Committee of Xinwen Group. In July 2013, he was appointed as the Director, the General Manager and the Deputy Secretary of the Party Committee of Yankuang Group. In February 2015, he was appointed as the Chairman and Party Committee Secretary of Yankuang Group. In September 2013, he was appointed as the Chairman of the Company. Mr. Li graduated from Shandong University of Science and Technology and Nankai University.

Name	Major Work Experience
Li Wei	born in September 1966, a research fellow in applied engineering technology with doctor degree of engineering, is the Vice Chairman of the Company and the General Manager of Yankuang Group. Mr. Li joined the Company's predecessor in 1988. He was appointed as the deputy head of Baodian Coal Mine of Yankuang Group in December 1996, the Director of reorganization division of strategic resource development department of Yankuang Group in May 2002, the Chairman, the Secretary of the Party Committee and the General Manager of Yankuang Xilin Neng Hua Co., Ltd in September 2002. In March 2004, he was in charge of all party committee works and management of Baodian Coal Mine, and he was appointed as the head and Vice Secretary of the Party Committee of Baodian Coal Mine in September 2004, the head and the Vice Secretary of party committee of Nantun Coal Mine in August 2007, the Deputy Chief Engineer of Yankuang Group and the Vice Director of production safety inspection office in August 2009, the Vice General Manager of Yankuang Group and the Director of production safety inspection bureau. In May 2015, he was appointed as the Director, the General Manger and the Vice Secretary of the Party Committee of Yankuang Group, the General Manager of Yankuang Group in December 2015, and the Vice Chairman of the Company in June 2016. Mr. Li graduated from University of Science and Technology Beijing.
Wu Xiangqian	born in February 1966, a research fellow in applied engineering technology and a doctor of engineering, is the Director and the General Manager of the Company. Wu joined the Company's predecessor in 1988. In 2003, he was appointed as the deputy head of Jining No.3 Coal Mine of the Company. In 2004, Mr. Wu was appointed as the Deputy Head and the Chief Engineer of Jining No. 3 Coal Mine. In 2006, he was appointed as the Manager of Jining No. 3 Coal Mine. In March 2014, he was promoted as the Chairman and the General Manager of Yanzhou Coal Ordos Neng Hua Co., Ltd. and Chairman of Inner Mongolia Haosheng Coal Mining Co., Ltd. In May 2014, he was appointed as a Director of the Company. In January 2016, he was appointed as the General Manager of the Company. Mr. Wu graduated from Shandong University of Science and Technology and China University of Mining and Technology.
Wu Yuxiang	born in January 1962, a senior accountant with a master's degree, is a Director of the Company. Mr. Wu joined the Company's predecessor in 1981. Mr. Wu was appointed as the Director of the Finance Department of the Company in 1997, and was appointed as CFO of the Company in 2002. In January 2016, he was appointed as the Deputy Chief Accountant and the Director of Investment and Development Department of Yankuang Group, was appointed as a researcher in 2019. And he was appointed as the Director of the Company in 2002. Mr. Wu graduated from the Party School of Shandong Provincial Communist Committee.

Name	Major Work Experience
Guo Dechun	born in February 1962, a senior engineer with master of engineer, is a Director of the Company. Mr. Guo joined the Company's predecessor in 1987 and was appointed as the Director of the Safety Inspection Department of Dongtan Coal Mine in January 2000, the Vice Manager of Dongtan Coal Mine in June 2002. In August 2008, he was appointed as the Vice Manager and the Chief Engineer of Baodian Coal Mine, and the Vice Manager of Baodian coalmine in September 2009, the Manager and the Vice Secretary of the Party Committee of Yangcun Coal Mine in April 2010. In January 2014, he was appointed as the Manager and the Vice Secretary of Party Committee of Dongtan Coal Mine in January 2014. In December 2015, he was appointed as the Chairman, the General Manager and the Vice Secretary of Party Committee of Yanzhou Coal Ordos Neng Hua Co., Ltd., the Chairman of Inner Mongolia Haosheng Coal Co., Ltd., the Chairman, the General Manager and the Secretary of Party Committee of Yancoal Yulin Neng Hua Co., Ltd. And he was pointed as the Director of the Company in June 2016. Mr. Guo graduated from China University of Mining and Technology.
Zhao Qingchun	born in March 1968, a senior accountant with an EMBA degree, is a Director and the CFO of the Company. Mr. Zhao joined the Company's predecessor in 1989 and was appointed as the Chief Accountant of Finance Department in 2002 and Director of the Planning and Finance Department of the Company in 2006. In March 2011, he was appointed as the Vice Chief Financial Officer and the Director of the Finance Department of the Company. In March 2014, Mr. Zhao was appointed the General Manager Assistant and the Director of the Finance Management Department of the Company. In January 2016, he was appointed as the CFO of the Company. And he was appointed as the Director of the Company in June 2016. Mr. Zhao graduated from Nankai University.
Guo Jun	born in January 1963, is a professor-level senior administrative officer, a senior economist, a doctor of business administration, an Employee Director and the deputy Secretary of Party Committee and the Chairman of the Labor Union of the Company. Mr. Guo joined the Company's predecessor in 1980 and served as the Director of the economic division of the General Manager's Office in 1996. He was appointed as the Vice Director of the General Manager's Office in 1997 and served as the Office Director of Board of Directors respectively in 2000 and 2002. He was appointed as the Secretary of the Party Committee and Deputy head of Baodian Coal Mine of the Company in 2004. In March 2014, Mr. Guo was appointed as the Secretary of the Discipline Inspection Commission of the Company in March 2014 and the Employee Supervisor of the Company in April 2014. And he was appointed as the Vice Secretary of party committee and the Chairman of the Labor Union of the Company in April 2016 and the Employee Director of the Company in June 2016. Mr. Guo graduated from the China University of Mining Technology (Beijing).

Name	Major Work Experience
Kong Xiangguo	born in June 1955, is a professor-level senior engineer, national registered consulting engineer, national registered mining engineer, who enjoys allowance of the state council, an independent director of the Company. Mr. Kong now serves as the Director of Transportation Technology Department of Survey and Engineering Commission of China Coal Construction Association, the Director of China Coal Technology Engineering Group ("CCTEG") Xi'an Research Institute, the member of the thirteenth session ofNanjing CPPCC. Mr. Kong had been the Chairman and the Vice Secretary of Party Committee of CCTEG Nanjing Engineering Co., Ltd., and he was awarded with Excellent President of National Survey and Engineering Institute, Ten Best Modern Management Entrepreneur among national survey and engineering industry and many other honors. Mr. Kong was appointed as the Independent Director of the Company in March 2017. Mr. Kong graduated from Shandong University of Science and Technology.
Cai Chang	born in December 1971, professor, doctoral tutor, Doctor of Accountancy, Post-doctor of Economics, International Certified Senior Public Accountant (ICSPA), an independent Director of the Company. Mr. Cai is currently the Director of the Tax Planning and Legal Research Center of the Central University of Finance and Economics, the Director of the Tax Administration Department and the Director of Editorial Board of the Chinese Tax and Legal Think Tank. Mr. Cai is also an academic member of the Chinese Tax Institute, a distinguished consultant of China Certified Tax Agents Association, a visiting professor of Peking University and Tsinghua University, and a master supervisor of Chinese Academy of Social Sciences Graduate School of Taxation and Chair professor of Jinyuan, Harbin Finance University. Mr. Cai presided over the completion of a number of national and provincial key scientific research projects and published ten famous works in the field of accounting and tax. Mr. Cai was appointed as the Independent Director of the Company in November 2017. Mr. Cai graduated from Tianjin University of Finance and Economics and the Chinese Academy of Social Sciences.
Poon Chiu Kwok	Born in April 1962, a bachelor of laws and a bachelor of business, a master of international accounting, FCPA Australia, a senior member of Hong Kong Institute of Chartered Secretaries and a member of its consulting group, the audit committee, the China focus group, a senior associate of the Institute of Chartered Secretaries and Administrators, a senior member and invited tutor of the Hong Kong Securities and Investment Association, an Independent Director of the Company. Mr. Poon currently is the executive Director, Vice president and the Company Secretary of Huabao International Holdings Limited. Mr. Poon is experienced in compliance supervision, enterprise financing, listed company management. Now he also acts as an Independent Director of companies listed in the HKEX including Sunac China Holdings Limited, SANY Heavy Equipment International Holdings Limited, AUX International Holdings Limited, Chongqing Changan Minsheng APLL Logistics Co., Ltd., Green Town Service Group Co., Ltd., Tonly Electronics Holdings Limited, TUS International Limited, Yuanda China Holdings Limited, Jinchuan Group International Resource Co. Ltd, Honghua Group Co., Ltd and etc. Mr. Poon was appointed as an Independent Director of the Company in June 2017. He graduated from University of London UK.

Name	Major Work Experience
Qi Anbang	born in February 1952, professor, doctoral tutor, doctor of management, is an Independent Director of the Company. Mr. Qi is the Director of the master center of project management of Nankai University, the Director of modern project management research center, and the Vice Director of MBA center of Nankai University. Mr. Qi is mainly engaged in enterprise management, project management, investment project assessment, technological and economic analysis and has completed many topic researches at national-level and provincial level. He was awarded a series of honors, including 2009 Research Award by International Project Management Association and Excellent Achievement on Social Science Research of Tianjin City. He also served as the Chairman of Research Committee of International Project Management Association, the Vice Chairman of China Project Management Research Association, the Vice Chairman of Information System Research Association of China System Union, a member of expert committee of China Engineering Cost Association, a consultant for government management of Tianjin City and many other social positions. Mr. Qi was appointed as the Independent Director of the Company in June 2016. He graduated from Nankai University.
Gu Shisheng	born in January 1964, a professor level senior administrative officer with a master degree, is the Vice Chairman of the Supervisory Committee of the Company and the Employee Director, a member of the Party's standing committee and the Chairman of the LaborUnion of Yankuang Group. Mr. Gu joined the Company's predecessor in 1979. He served as the Deputy Party Committee Secretary of Xinglongzhuang Coal Mine of Yankuang Group in 1996 and the Party Committee Secretary of Xinglongzhuang Coal Mine of the Company in 2002. He served as the Deputy Secretary of the Discipline Inspection Commission and the Director of Supervision Department of Yankuang Group in 2003. He was appointed as the Chairman of the Labor Union of Yankuang Group in January 2014 and an Employee Director and member of the Party's standing Committee in December 2015. He served as a Supervisor of the Company in May 2014 and Vice Chairman of the Supervisory Committee of the Company in July 2015. He was appointed as the Chairman of the Supervisory Committee of the Company in June 2017. Mr. Gu graduated from the Party School of Shandong Provincial Communist Committee.
Zhou Hong	born in May 1970, bachelor of economics, senior accountant, senior economist, A level Human Resource Professional, is the Vice Chairman of the supervisory committee of the Company. Mr. Zhou joined the predecessor of the Company in 1994 and served as the Chief Economist, the Vice Director and the Director of the Human Resource Department of Yankuang Group in August 2006, August 2009, June 2012 successively. He was appointed as the Director of the operation management department of Yankuang Group in March 2014, the Director of the Organization Department of the Party Committee (Human Resource Department) in November 2015, the Employee Supervisor of Yankuang Group in December 2015, and the General Manager Assistant of Yankuang Group in June 2016. And he assumed as the Vice Chairman of the Supervisory Committee of the Company in June 2017. Mr. Zhou graduated from China Coal Economics Institute.

Name	Major Work Experience
Meng Qingjian	born in February 1962, a senior accountant, bachelor degree, is a Supervisor of the Company and the Director of the Finance Management Department of Yankuang Group. Mr. Meng joined the Company's predecessor in 1981, and was appointed as the Chief Accountant and the Vice Director of Finance Department of Yankuang Group in December 1999 and June 2002, respectively. He was appointed as the Vice Director and the Director of the Finance Management Department of Yankuang Group in October 2008 and January 2014, respectively. He was appointed as the Supervisor of the Company in June 2016. Mr. Meng graduated from the Party School of the Central Committee of CPC.
Zhang Ning	Born in October 1968, with Executive MBA degree, senior accountant, international financial manager, is the Supervisor of the Company. Mr. Zhang joined the predecessor of the Company in 1991 and served as the Chief Accountant and the Vice Director of the Financial Department of Yankuang Group in September 2006 and July 2008, respectively. He took a temporary position as the Assistant Director of the Customer Department II of China Development Bank Shandong Branching August 2011, and became the Vice Director of the finance department of Yankuang Group in June 2012 and the Director of the Audit and Risk Department of Yankuang Group in 24 February 2016. He was appointed as the Supervisor of the Company in June 2017. Mr. Zhang graduated from Tianjin University of Finance and Economics.
Jiang Qingquan	born in December 1963, a professor level senior administrative officer and engineer with a master's degree, is an Employee Supervisor of the Company. Mr. Jiang joined the Company's predecessor in 1984 and served as the office Director of Safety Supervision Office of Yankuang Group in 1994 (worked in Personnel Division of Yankuang Group from November 1996 to September 1997). He served as the Vice President of Yankuang Group General Hospital in 1997 (worked in Organization Department of Yankuang Group from June 1999 to January 2000). He served as the Party Committee Secretary of the Railway Transportation Department of Yankuang Group in 2000. He served as the Manager and the Deputy Party Committee secretary of the Railway Transportation Department in 2004. He served as the General Manager Assistant of the Company in 2012, the Chairman of the Labor Union of the Company in March 2014, an employee Director of the Company in April 2014 and the Secretary of the Discipline Inspection Committee in April 2016. He was appointed as the Supervisor of the Company in June 2016. Mr. Jiang graduated from the Qufu Normal University and the Party School of Shandong Provincial Communist Committee.

Name	Major Work Experience
Zheng Kai	born in September 1969, a professor level senior administrative officer with a master's degree, is an Employee Supervisor of the Company. Mr. Zheng joined the predecessor of the Company in July 1990. He was appointed as the Chairman of the Labor Union of Baodian Coal Mine of the Company in September 2009 and the Vice Manager of Baodian Coal Mine in December 2014. He served as the Deputy Party Secretary, the Secretary of Discipline Inspection Committee and the Chairman of the LaborUnion of Baodian Coal Mine of the Company in August 2016. He was appointed as the Deputy Director of the Department of Party and Mass Work (the Labor Union) of the Company in October 2017. He was appointed as the Employee Supervisor of the Company in December 2018. Mr. Zheng graduated from the Party School of Shandong Provincial Communist Committee.
Liu Jian	born in February 1969, a research fellow in applied engineering technology and a master of engineering, is the Vice General Manager of the Company. Mr. Liu joined the Company's predecessor in 1992 and was appointed as the Vice Manager of Dongtan Coal Mine of the Company in 2009. He was appointed as the Manager of Jining No. 3 Coal Mine and the Manager of Dongtan Coal Mine of the Company in 2014 and January 2016, respectively. In December 2016, he was appointed as the Vice General Manager of the Company. Mr. Liu graduated from Shandong University of Science and Technology.
Wang Fuqi	born in May 1964, a research fellow in applied engineering technology with EMBA degree and masterdegree of engineering, serves as the chief engineer of the Company. Mr. Wang joined the Company's predecessor in 1985. In 2000, he was appointed as the Chief Engineer of Production and Technology Division of Yankuang Group. In 2002, he served as the Director of Production and Technique Department of the Company. In 2003, he was appointed as the Deputy Chief Engineer of the Company and Director of Production and Technique Department of the Company. In March 2014, he served as the chief engineer of the Company. Mr. Wang graduated from Northeastern University and Nankai University.
Zhao Honggang	born in November 1965, a research fellow in applied engineering technology and master of engineering, serves as the Vice General Manager of the Company. Mr. Zhao joined the Company's predecessor Company in 1987 and served as the Vice Manager of Dongtan Coal Mine of the Company in March 2006. In September 2009, he was appointed as the Director of Electromechanical Department. In December 2013, he was appointed as the Chairman and the General Manager of Shandong Huaju Energy Co., Ltd. In December 2014, he was appointed as the Vice General Manager of the Company. Mr. Zhao graduated from Shandong University of Science and Technology.

Name	Major Work Experience
He Jing	born in June 1970, senior economist, is the Vice General Manager of the Company. Mr. Hejoined the predecessor of the Company in 1992 and served as the Vice Director of the Human Resource Department of Yankuang Group in 2013 and the Vice Director of the Operation Management Department of Yankuang Group in 2014, the Vice Director and the Director of the Materials Supply Center of the Company in 2015 and 2016 successively. In 2017, he assumed the position as the Director of the Marketing Center of the Company. He was appointed as the Vice General Manager of the Company in June 2017. Mr. He graduated from China Coal Economics Institute.
Gong Zhijie	Born in December 1965, a research fellow in applied engineering technology and master of engineering, serves as the Vice General Manager of the Company. Mr. Gong joined the Company's predecessor Company in 1985 and served as the Vice Manager of Xinglongzhuang Coal Mine of the Company in 2003. He served as the Manager of Xinglongzhuang Coal Mine in 2014 and the Manager of Jining No. 3 Coal Mine of the Company in 2015 successively. In 2018, he assumed the position as the Chief Safety Officer of the Company. He was appointed as the Vice General Manager of the Company in December 2018. Mr. Gong graduated from the China University of Mining Technology.
Jin Qingbin	born in November 1977, a senior accountant, a senior economist and MBA degree, serves as the Secretary to the Board of the Company. Mr. Jin joined the Company in 1998 and was appointed as the Vice Director and the Director of the Secretary Office of the Board of the Company successively. He assumed the position as the Security Representative of the Company in November 2013. In March 2016, he was appointed as the Secretary to the Board of the Company. Mr. Jin graduated from Missouri State University.

Other explanations

Not applicable.

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

Not applicable.

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

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

Name	The shareholding company	Title	Beginning date of office term	Termination of the office term
Li Xiyong	Yankuang Group	Chairman, Secretary of the Party Committee	15 February 2015	
Li Wei	Yankuang Group	General manager	18 May 2015	
Wu Yuxiang	Yankuang Group	Deputy chief accountant	3 January 2016	28 January 2019
Gu Shisheng	Yankuang Group	Chairman of the labor union	29 January 2014	
		Employee Director	11 December 2015	
		Member of Party's standing committee	30 October 2015	
Zhou Hong	Yankuang Group	General Manager Assistant and the Director of the organization department of the party committee (human resource department)	11 December 2015	
Meng Qingjian	Yankuang Group	Deputy chief accountant	28 December 2017	
		Director of the finance management department	28 January 2014	
Zhang Ning	Yankuang Group	Director of the audit and risk department	24 February 2016	
		Director of the audit center	31 May 2018	
Explanation on their incumbency in Yankuang Group	No			

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

Name	Name of other entities	Title	Beginning date of office term
Li Wei	Yancoal International (Holding) Co., Ltd.	Chairman of the board	4 January 2018
Wu Xiangqian	Yancoal Australia Limited	Director	28 April 2017
	Yancoal International (Holding) Co., Ltd.	Director	4 January 2018
Guo Dechun	Yanzhou Coal Ordos Neng Hua Company Limited	Chairman, General Manager and the Deputy Secretary of the Party's Committee	17 December 2015
Zhao Qingchun	Inner Mongolia Haosheng Coal Mining Co., Ltd.	Director	28 May 2018
	Shengdi Fenlei Coal Preparation Engineering Technology (Tianjin) Co., Ltd.	Chairman of the supervisory committee	18 December 2014
	Shandong Duanxin Supply Chain Management Co., Ltd.	Supervisor	9 July 2015
	Shandong Zhongyin International Trade Co., Ltd	Head of the supervisory committee	9 July 2015
	Qilu Bank Co., Ltd	Director	31 December 2015
	Yankuang Group Finance Co., Ltd	Director	20 December 2017
	Shanghai CIFCO Futures	Director	6 July 2015
	Shanxi Future Energy Chemical Co., Ltd	Chairman of the supervisory committee	19 May 2014
	Duanxin Investment Holding (Beijing) Co., Ltd	Director	17 November 2014
	Huadian Zouxian Power Generation Company Limited	Chairman of the supervisory committee	26 April 2016
	Duanxin Investment Holding (Shenzhen) Co., Ltd	Director and General Manager	22 March 2016
	Qingdao Duanxin Asset Management Co., Ltd	Executive Director	3 August 2016
	Yancoal Australia Limited	Director	28 April 2017
	Yancoal International (Holding) Co., Ltd.	Director	4 January 2018
	Shanghai Jujian Asset Management Co., Ltd.	Chairman	18 December 2017
	Yanzhou Coal Yulin Neng Hua Company Limited	Director	28 May 2018
Guo Jun	Yanmei Heze Neng Hua Company Limited	Head of the supervisory committee	26 July 2014
Kong Xiangguo	CCTEG Xi'an Research Institute	External Director	11 May 2016
Poon Chiu Kwok	Huabao International Holdings Limited	Executive Director, Vice president, company secretary	1 May 2006
	SunacChina Holdings Limited	Independent Director	8 June 2011
	Sany Heavy Equipment International Holdings Limited	Independent Director	18 December 2015
	AUX International Holdings Limited	Independent Director	15 May 2015
	Chongqing Changan Minsheng APLL Logistics Co., Ltd.	Independent Director	30 September 2011
	Green Town Service Group Co., Ltd.	Independent Director	13 June 2016
	Tonly Electronics Holdings Limited	Independent Director	12 July 2013
	TUS International Limited	Independent Director	1 September 2015
	Yuanda China Holdings Limited	Independent Director	12 April 2011
	Jinchuan Group International Resource Co. Ltd	Independent Director	21 March 2017
	Honghua Group Co., Ltd	Independent Director	15 June 2017
Liu Jian	Shaanxi Future Energy Chemical Co. Ltd.	Director	9 January 2017

Name	Name of other entities	Title	Beginning date of office term
	Yanmei Heze Neng Hua Co., Ltd	Director	15 March 2017
	Yanzhou Coal Shanxi Neng Hua Co., Ltd	Chairman	15 March 2017
	Yancoal International (Holding) Co., Ltd	Director	28 May 2018
	Yankuang Donghua Heavy Industry Company Limited	Executive director	3 September 2018
Wang Fuqi	Yanmei Heze Neng Hua Co., Ltd.	Director	26 July 2014
	Yancoal Australia Limited	Director	23 April 2015
	Shaanxi Future Energy Chemical Co. Ltd.	Director	19 May 2014
He Jing	Shandong Zhongyin International Trade Co., Ltd	Chairman	11 May 2017
	Yanzhou Coal Shanxi Neng Hua Co., Ltd	Director	1 August 2017
	Duanxin Investment Holding (Shenzhen) Co., Ltd	Chairman	23 January 2019
	Qingdao Vast Lucky International Trade Co., Ltd.	Chairman	23 January 2019
Jin Qingbin	Duanxin Investment Holding (Shenzhen) Co., Ltd	Director	1 August 2017
	Yancoal International (Holding) Co., Ltd	Director	4 January 2018
Explanations on term of office in other entities in addition to Yankuang Group	No		

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

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

IV. ELECTION OR RESIGNATION OF DIRECTORS AND SUPERVISORS AND APPOINTMENT OR DISMISSAL OF SENIOR MANAGEMENT

(I) Changes of members of the supervisors and senior management

Name	Title	Changes	Causes for Change
Tang Daqing	Employee Supervisor	Resigned	Other work commitment
Zheng Kai	Employee Supervisor	Elected	Other work commitment
Gong Zhijie	Deputy General Manager	Appointed	Other work commitment

Note: For details, please refer to the section headed *Significant Events* in Chapter Six.

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

(Prepared in accordance with the Hong Kong Listing Rules)

Title	Name	Before Changes	After Changes	Time of Changes
Chairman	Li Xiyong	Chairman of Yancoal International (Holding) Co., Ltd.	–	4 January 2018
		Director, Chairman of Yancoal Australia	–	30 June 2018
Deputy Chairman	Li Wei	–	Chairman of Yancoal International (Holding) Co., Ltd.	4 January 2018
Director, General Manager	Wu Xiangqian	–	Director of Yancoal International (Holding) Co., Ltd.	4 January 2018
		Chairman of Duanxin Investment Holding (Shenzhen) Co., Ltd	–	23 January 2019
Director	Wu Yuxiang	Director of Yancoal International (Holding) Co., Ltd.	–	4 January 2018
Director	Guo Dechun	Director, Chairman of Inner Mongolia Haosheng Company	–	11 July 2018
		General Manager of Yanzhou Coal Ordos Neng Hua Co., Ltd.	–	11 July 2018
Director, Chief Financial Officer	Zhao Qingchun	–	Director of Yancoal International (Holding) Co., Ltd.	4 January 2018
		Chairman of the supervisory committee of Shandong Yanmei Shipping Co., Ltd	–	31 January 2018
		–	Director of Yanzhou Coal Yulin Neng Hua Company Limited	28 May 2018
		Supervisor of Inner Mongolia Haosheng Coal Mining Co., Ltd.	Director of Inner Mongolia Haosheng Company	28 May 2018
		Chairman of Zhongyin Financial Leasing Co., Ltd	–	3 November 2018
		Chairman of Qingdao Vast Lucky International Trade Co., Ltd.	–	23 January 2019
Deputy General Manager	Liu Jian	–	Director of Yancoal International (Holding) Co., Ltd.	28 May 2018
		–	Executive Director of Yankuang Donghua Heavy Industry Company Limited	3 September 2018
Deputy General Manager	Zhao Honggang	Executive Director of Yankuang Donghua Heavy Industry Company	–	3 September 2018
Deputy General Manager	He Jing	–	Chairman of Duanxin Investment Holding (Shenzhen) Co., Ltd	23 January 2019
		–	Chairman of Qingdao Vast Lucky International Trade Co., Ltd.	4 January 2018
Board secretary	Jin Qingbin	–	Director of Yancoal International (Holding) Co., Ltd.	4 January 2018

V. PENALTY BY SECURITY REGULATORY AUTHORITIES IN RECENT THREE YEARS

Not Applicable.

VI. EMPLOYEES OF THE GROUP AND ITS MAIN SUBSIDIARIES

(I) Employees

On-the-job Employees of the Group	40,774
On-the-job Employees of its main subsidiaries	23,699
Total on-the-job Employees	64,473
Total resigned and retired staff whose welfare fees shall be paid by the Group and its main subsidiaries	32,545

Composition by Specialty

Specialty	Number
Production personnel	36,192
Sales personnel	462
Technical personnel	4,492
Financial personnel	653
Administrative staff	3,350
Other support staff	19,324
Total	64,473

Education Level

Education Level	Number (Persons)
College and above	25,478
Secondary education	26,494
Junior high school and below	12,501
Total	64,473

(II) Remuneration Policy

The total wages and allowances of the staff of the Group for the year 2018 amounted to RMB6.813 billion. For the details of remuneration policy for Directors, Supervisors and senior management, please refer to the section headed *Remuneration Policy and Annual Remuneration for Directors, Supervisors and Senior Management* in this chapter.

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

(III) Training Plan

The Group values employee training in respect of technical skills and professional competence. By making full use of various educational resources, training institutes and various ways of training, the Group focused on the training of professional skills and improved the trainings of political ideology, management, ongoing education, skills, safety, transfer-employment talent, pre-employment and others. In 2018, it was planned that 51,394 person times would participate off-job training and 61,835 person times actually participated, representing a completion rate of 120%.

(IV) Labor Outsourcing

Not Applicable.

VII. OTHERS

(I) Service Contracts of Directors and Supervisors

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

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

None of the Directors, Supervisors or senior management of the Company had a direct or indirect material interest in any material contract entered into or performed by the Company, its Controlling Shareholder, any of its subsidiaries or subsidiaries of its controlling shareholder during the year ended 31 December 2018.

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

As at 31 December 2018, none of the Directors, Supervisors or senior management has interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Company.

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

Chapter 09

Corporate Governance

I. RELATED INFORMATION ON CORPORATE GOVERNANCE

The Company has paid close attention to the changes of the securities market standards and the relevant law, and has actively updated its corporate governance structure during the reporting period as follows:

As reviewed and approved at the 2018 second extraordinary general meeting held on 24 August 2018, the Company made amendments to terms in relation to the Business Scope and the Calculation Method of Total Market Value in the Articles of the Company.

As reviewed and approved at the 2019 first extraordinary general meeting held on 12 February 2019, the Company made amendments to terms in relation to the Share Repurchase in the Articles of the Company. In accordance with the revision of the Articles of the Company, the Rules of Procedure for the General Meeting of Shareholders, the Rules of Procedure for the Board of Directors, and the Rules of Procedure for the Supervisory Committee were revised accordingly.

As reviewed and approved at the tenth meeting of the seventh session of the Board held on 13 February 2018, the company formulated the "Management System of Securities of the Company's Shares Held and Transacted by the Board of Directors, the Board of Supervisors, Senior Management and Internal Information Insiders", which further regulates the behavior of the Company's directors and the internal information insiders to increase or decrease the Company's shares. The relevant regulation is much stricter than The Management Securities Trading Code, which was also abolished at the same time.

As reviewed and approved at the twentieth meeting of the seventh session of the Board held on 5 December 2018, the Company comprehensively revised 16 internal governance policies.

As reviewed and approved at the twenty-first meeting of the seventh session of the Board held on 27 December 2018, the Company formulated the "Measures for the Supervision and Evaluation of the Implementation of the Resolutions of the Board of Directors of Yanzhou Coal Mining Company Limited" to ensure the implementation of the resolutions of the Board of Directors of the Company and enhance the management level of the Company.

As reviewed and approved at the working meeting of the general manager held on 12 February 2018, the Company formulated the "Administrative Measures for the Personnel Dispatched by Yanzhou Coal Mining Company Limited", which has increased the performance requirements for the directors, supervisors and senior management of the Company's subsidiaries dispatched by the Company, and strengthened the control of the Company's subsidiaries.

For details, please refer to the announcement in relation to the resolutions passed at the 2018 second extraordinary general meeting held dated 24 August 2018, the announcement in relation to resolutions passed at the 2019 first extraordinary general meeting held dated 12 February 2019, the announcement in relation to resolutions passed at the tenth meeting of the seventh session of the Board held dated 13 February 2018, the announcement in relation to resolutions of the meeting and to amending the Articles of the Company passed at the fifteenth meeting of the seventh session of the Board held dated 29 June 2018, the announcement in relation to resolutions passed at the twentieth meeting of the seventh session of the Board held dated 5 December 2018, the announcement in relation to resolutions of the meeting and to amending the Articles of the Company passed at the twenty-first meeting of the seventh session of the Board held dated 27 December 2018. The above announcements were also posted on the websites of the Shanghai Stock Exchange, the HKEX, the Company and/or China Securities Journal and Shanghai Securities News.

Whether there is significant difference between the corporate government of the Company and the requirements in relevant documents detailed by the CSRC. If any, the reason should be stated.

Not applicable.

II. SHAREHOLDERS' GENERAL MEETING DURING THE REPORTING PERIOD

Session and Number of Meeting	Date of Meeting	Designated Website on which Resolutions Posted	Date of Resolution Disclosed
The 2018 First Extraordinary General Meeting	26 January 2018	Website of the Shanghai Stock Exchange: (http://www.sse.com.cn)	26 January 2018
The 2017 Annual General Meeting	25 May 2018		25 May 2018
The First Class Meeting of the Holders of A shares for year 2018	25 May 2018	Website of the HKEX: (http://www.hkexnews.hk)	25 May 2018
The First Class Meeting of the Holders of H shares for year 2018	25 May 2018	Website of the Company: (http://www.yanzhoucoal.com.cn)	25 May 2018
The 2018 Second Extraordinary General Meeting	24 August 2018		24 August 2018
The Second Class Meeting of the Holders of A shares for year 2018	24 August 2018		24 August 2018
The Second Class Meeting of the Holders of H shares for year 2018	24 August 2018		24 August 2018

Note: The date of disclosure of the resolutions published is the date set out in the resolutions.

Explanations for the shareholders' general meetings.

Not applicable.

III. PERFORMANCE OF DIRECTORS

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

	Attendance at the Board Meetings							Attendance at the General Meetings
Name of Directors	Whether Independent Director or Not	Times of Board meeting entitled to attend	Times of Presence at Person	Times of Presence via Telecommunication	Times of Presence by Proxy	Times of Absence	Whether Absent from Two Consecutive Meetings	Times of Presence
Li Xiyong	No	12	12	10	0	0	No	3
Li Wei	No	12	12	10	0	0	No	3
Wu Xiangqian	No	12	12	10	0	0	No	7
Wu Yuxiang	No	12	12	10	0	0	No	7
Guo Dechun	No	12	12	11	0	0	No	0
Zhao Qingchun	No	12	12	10	0	0	No	6
Guo Jun	No	12	12	10	0	0	No	3
Kong Xiangguo	Yes	12	12	10	0	0	No	7
Cai Chang	Yes	12	12	10	0	0	No	7
Poon Chiu Kwok	Yes	12	12	11	0	0	No	4
Qi Anbang	Yes	12	12	11	0	0	No	3

Mr. Qi Anbang, an independent director, was unable to attend the 2018 first extraordinary general meeting of the Company held on 26 January 2018 due to work reasons; Mr. Poon Chiu Kwok and Mr. Qi Anbang, independent directors, were unable to attend the 2018 second extraordinary general meeting of the Company, the second class meeting of the holders of A shares for year 2018 and the second class meeting of the holders of H shares for year 2018 held on 24 August 2018 due to work reasons.

Explanations for not attending the Board meetings in person for two consecutive times.

Not Applicable

Times of Board meetings held during the reporting year	12
of which: Site meetings	2
Meetings via telecommunication	10
Site meetings combined with telecommunication	1

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

Not Applicable.

(III) Others

Not Applicable.

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

Not Applicable.

V. RISKS IDENTIFIED BY THE SUPERVISORY COMMITTEE OF THE COMPANY

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

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

VI. EXPLANATION ON WHY THE COMPANY CANNOT GUARANTEE INDEPENDENCE AND SEPARATION OF ITS BUSINESS, PERSONNEL, ASSETS, ORGANIZATION AND FINANCE FROM ITS CONTROLLING SHAREHOLDERS

Not Applicable.

Relevant solution, work schedule and follow-on work plan on controlling shareholders with horizontal competition.

Not Applicable.

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

The Company has adopted a combined annual remuneration, safety control deposit and special contribution award system as the means for assessing and incentivizing the senior management, which links the assessment results of the senior management with the economic and operational achievement of the Company. In accordance with the relevant operation and management indicators and standards, the Company assesses, rewards or penalizes the senior management for their performance and efficiency. Pursuant to the completion of the operation hurdles by the senior management and the results of the assessment, the Company would pay the remuneration to the senior management for the year 2018.

VIII. REPORT OF SELF-EVALUATION ON INTERNAL CONTROL

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

In 2011, in accordance with the relevant requirements under the "General Rules on Internal Control for Enterprises" and the "Supporting Guidelines of Internal Control for Enterprises" jointly issued by five ministries including Ministry of Finance, and the regulatory requirements of places where the Company are listed, the Company, based on 18 provisions in the Supporting Guidelines of Internal Control for Enterprises and its business practice, has issued 7 new guidelines regarding internal control procedures and internal control policies applied at three levels in the Group, i.e. the Company, its subordinated departments and subsidiaries, and their businesses, covering production, inventory, taxation, legal affairs, etc., which further improved and strengthened the internal control system.

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

The Board has assessed the effectiveness of the Company's internal control system once a year since 2007. At the twenty-fourth meeting of the seventh session of the Board held on 29 March 2019, the Board made an assessment on the effectiveness of the internal control systems of the Company for the year 2018. The Board, after assessment, believed that the internal control system of the Company is sound and has been implemented effectively and no major defect was found in the design of the internal control or its implementation.

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

The Company formulated the "Measures on Overall Risk Management" and established a sound risk control mechanism. The Companyconducted an overall risk identification and assessment within the scope of the Company and its subsidiaries each year, and issued the "Annual Risk Assessment Report" and "Annual Risk Control Report"; developed realistic risk control strategies and solutions for the identified major risks,regularly summarized the risk control and prepared a major risk control report. Through the identification, assessment, response, implementation and evaluation of major risks, the closed-loop control of the whole process of major risks has been realized.

The Board is responsible for the aforementioned risk control and internal control systems and reviews the effectiveness of such systems in a timely manner. The Board further clarifies that the foregoing system is designed to manage, and not eliminate, the risk of failure to achieve business objectives, and to make reasonable, but not absolute assurances that there will be no material misstatement or loss.

In dealing with or make disclosure of insider news, the Company has worked out a series of internal regulations, including Regulations on Shareholdings and Changes of Shareholding of the Directors, Supervisors, Senior Management and the Insiders of the Company, and Regulations on Information Disclosure Management, which specify the scope of insider news and the informed, the reporting process, the record and the prohibited actions of the informed and etc., so as to strictly control the scope of the informed and prevent the disclosure of the insider news.

Explanation of significant defects in internal control during the reporting period

Not Applicable.

IX. THE ASSESSMENT OF THE COMPANY'S INTERNAL CONTROL SYSTEM BY THE AUDITORS

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

The Company appointed Shine Wing Certified Public Accountants (Special General Partnership) to make a review and assessment of the efficiency of internal control of the 2018 financial statements. Shine Wing Certified Public Accountants believed that at 31 December 2018, in accordance with the requirements of General Rules on Internal Control for Enterprises and related regulations, the Company maintained efficient internal control of financial statement in all material aspects.

The full version of theaudit report of the internal control of the 2018 financial statement report issued by ShineWing Certified Public Accountants (Special General Partnership) was posted on the Shanghai Stock Exchange website, the HKEX website and the Company's website.

Whether disclose audit report of the internal control: Yes

X. OTHERS

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

(I) Compliance with Corporate Governance Practices

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

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

The corporate governance rules implemented by the Group include, but not limited to the followings: the Articles of Incorporation, the Rules of Procedures for Shareholders' General Meeting, the Rules of Procedures for the Board of Directors, the Rules of Procedures for Supervisory Committee, the Work Policy of the Independent Directors, the Rules for Disclosure of Information, the Rules for the Approval and the Disclosure of Connected Transactions of the Company, the Rules for the Management of Relationships with Investors, the Management System of Securities Held and Transacted by Directors, Supervisors, Senior Management and Insiders, the Standard of Conduct and Professional Ethics for Senior Employees, the Measures on the Establishment of Internal Control System and the Measures on Overall Risk Management. For the year ended 31 December 2018 and as of the disclosure date of this annual report, the corporate governance rules and practices of the Group are compliant with the principles and the code provisions set out in the Corporate Governance Code (the "Code") contained in the Hong Kong Listing Rules. The Group's corporate governance performance also meets the requirements of the Code.

The following are the major aspects of the corporate governance practice adopted by the Group that are more stringent than the Code in practice:

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

- To formulate more stringent provisions in the Management System of Securities Held and Transacted by Directors, Supervisors, Senior Management and Insiders, the Standard of Conduct and Professional Ethics of the Senior Employees than those of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code");

- To establish an internal control system in accordance with the Guidance on Internal Control for Listed Companies issued by the Shanghai Stock Exchange, General Rules on Internal Control jointly issued by five ministries including the Chinese Ministry of Finance and the provisions under the Code. The standards of the internal control system are more detailed than those of the Code;

- To announce the evaluation conclusions of the Board and auditors in relation to the effectiveness of internal control of the Company for the year 2018.

(II) Securities Transactions of Directors and Supervisors

Having made inquiries with all the Directors and Supervisors, the Directors and Supervisors have strictly complied with the Model Code and the Code for Securities Transactions of the Management, the Management System of Securities Held and Transacted by Directors, Supervisors, Senior Management and Insiders during the reporting period.

On 21 April 2006, the Code for Securities Transactions of the Management was approved at the fifth meeting of the third session of the Board. On 23 April 2010, the Code for Securities Transactions of the Management was amended at the fourteenth meeting of the fourth session of the Board, which is drafted based on the Model Code, but is more stringent than the Model Code after taking the domestic and overseas laws, regulations and supervision requirement in relation to securities transactions into account. On 13 February 2018, the Management System of Securities Held and Transacted by Directors, Supervisors, Senior Management and Insiders was approved at the tenth meeting of the seventh session of the Board, which is drafted based on the Code for Securities Transactions of the Management, standardized the behavior of Securities Held and Transacted by Insiders, added the penalty rules for violating regulatory measures, but is more comprehensive and stringent than the Code for Securities Transactions of the Management.

(III) Board of Directors

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

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

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

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

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

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

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

(IV) Board Meetings and Director's Training

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

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

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

For the year ended 31 December 2018, twelve Board meetings were held. For the Directors' attendance at the Board meetings and the Shareholders' general meetings, please refer to the section headed *Performance of Directors* in this chapter.

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

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

Name	Training
Li Wei	attended the 2018 first training for Directors and Supervisors of Shandong listed companies held in Weihai, Shandong from 9 July 2018 to 11 July 2018.
Wu Xiangqian	attended the 2018 training of standard operation of Shandong listed companies and the training of promoting the major project of replacing old growth drivers with new ones by capital market held in Jinan, Shandong on 17 April 2018.
Wu Yuxiang	attended the 2018 second training for Directors and Supervisors of Shandong listed companies held in Jinan, Shandong from 19 November 2018 to 21 November 2018.

Name	Training
Guo Dechun	attended the 2018 second training for Directors and Supervisors of Shandong listed companies held in Jinan, Shandong from 19 November 2018 to 21 November 2018.
Zhao Qingchun	attended the 2018 training of standard operation of Shandong listed companies held in Jinan, Shandong on 17 April 2018.
	attended the 2018 fourth training for chief financial officer of listed companies held in Ha'erbin, from 20 August 2018 to 21 August 2018.
	attended the training seminar for chief financial officer of Shandong listed companies held in Jinan, Shandong from 19 September 2018 to 21 September 2018.
	attended the 2018 second training for Directors and Supervisors of Shandong listed companies held in Jinan, Shandong on 20 December 2018
Guo Jun	attended the 2018 first training for Directors and Supervisors of Shandong listed companies held in Weihai, Shandong from 9 July 2018 to 11 July 2018.
Cai Chang	attended the 2018 second training of audit committee and performance improvement seminar of listed companies held in Beijing on 17August 2018.
Poon Chiu Kwok	participated in several training courses in Hong Kong related to securities listing rules, company law and accounting. The total training time was not less than 60 hours.

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

(V) Chairman and Chief Executive Officer

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

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

In 2018, the Chairman and independent non-executive Directors held a meeting without the presence of other Directors.

(VI) Non-Executive Directors

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

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

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

(VII) Performance of Committees to the Board

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

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

Audit Committee to the Board

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

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

During the reporting period, the Audit Committee conscientiously fulfilled the responsibilities specified in the Terms of Reference of the Audit Committee and conducted various tasks in a strict and regulated manner. The Audit Committee already reviewed the interim results of the Company for the first half of 2018 and the final results of the Company for the year 2018, and also examined the effectiveness of the risk management and the internal control system of the Group for the year 2018. The examination covered financial control, operational control, compliance control and all other material aspects under control. The Audit Committee considered that the risk management and the internal control system of the Group is effective and adequate.

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

Date	MainTopic	Member	Present
21 March 2018	Shine Wing Certified Public Accountants and SHINEWING (HK) CPA Limited reported to the Audit Committee of the Board on the audit matters of the 2017 annual report	Cai Chang	√
		Kong Xiangguo	√
		Poon Chiu Kwok	√
		Qi Anbang	√
		Guo Jun	√
21 March 2018	The audit committee evaluated the work of the annual audit accountants in 2017 and puts forward opinions on the employment and remuneration arrangement in 2018, approved the internal control self-evaluation report and the audit committee's performance report in 2017.	Cai Chang	√
		Kong Xiangguo	√
		Poon Chiu Kwok	√
		Qi Anbang	√
		Guo Jun	√
23 August 2018	Shine Wing Certified Public Accountants and SHINEWING (HK) CPA Limited reported to the Audit Committee of the Board on the interim audit in 2018.	Cai Chang	√
		Kong Xiangguo	√
		Poon Chiu Kwok	√
		Qi Anbang	√
		Guo Jun	√
18 January 2019	Shine Wing Certified Public Accountants and SHINEWING (HK) CPA Limited reported to the Audit Committee of the Board on the pre-audit matters of the 2018 annual report.	Cai Chang	√
		Kong Xiangguo	√
		Poon Chiu Kwok	√
		Qi Anbang	√
		Guo Jun	√

As at a special meeting convened on 22 March 2019, Shine Wing Certified Public Accountants and SHINEWING (HK) CPA Limited proposed the major problems found during the auditing of 2018 annual report and the suggestion for improvement, upon which, the audit committee made a resolution in relation to the 2018 financial statements, which will be proposed to the Board for review and consideration.

Remuneration Committee to the Board

The Company established the Remuneration Committee to the Board (the "Remuneration Committee"). The seventh session of Remuneration Committee is comprised of three members, namely Mr. Qi Anbang, Mr. Poon Chiu Kwok and Mr. Cai Chang. Mr. Qi Anbang serves as the chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for: (1) formulating remuneration policies for the Directors, Supervisors and senior management, and recommending to the Board the remuneration plans for the Directors, Supervisors and senior management. (2) the assessment and payment of the Directors, Supervisors and Senior Management. (3) reviewing the performance of Directors, Supervisors and Senior Management in 2018. (4) reviewing the Company's remuneration disclosure.

During the report period, the Remuneration Committee held three meetings. Details are as follows:

Date	MainTopic	Member	Present
28 February 2018	1. discussed and reviewed the Proposal on Remuneration for Directors, Supervisors and Senior Management for the Year 2018; 2. discussed and reviewed the Remuneration Standards and Operation Assessment Target for the Directors, Supervisors and Senior Management.	Poon Chiu Kwok Qi Anbang Guo Jun	√ √ √
26 December 2018	1. discussed and reviewed the Proposalon A shares stock option incentive plan for 2018 (draft) and abstract; 2. discussed and reviewed the Proposal on appraisal management approach of A shares stock option incentive plan; 3. discussed and reviewed the Proposal to authorize the board of directors to handle relevant matters of A shares stock option incentive plan.	Poon Chiu Kwok Qi Anbang Guo Jun	√ √ √
6 March 2019	1. discussed and reviewed the Proposal on Remuneration for Directors, Supervisors and Senior Management for the Year 2019; 2. discussed and reviewed the Remuneration Standards and Operation Assessment Target for the Directors, Supervisors and Senior Management.	Poon Chiu Kwok Qi Anbang CaiChang	√ √ √

Nomination Committee to the Board

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

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

2. Summary of the company's diversity policy for board members:

   The Nomination Committee consider the diversity of the board members from various aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and years of service. After taking into account the above factors, the Nominating Committee make a final recommendation to the board of directors on the merits of the candidates and their contribution to the company and the board.

3. The company's director nomination policy and implementation:

   The employee directors are democratically elected by the staff and workers of the company through their congresses or other forms.

   Candidates for non-employee representative directors are normally submitted to the shareholders' meeting by the board of directors in the form of proposals. The shareholders and the board of supervisors of the company may nominate candidates for non-employee representative directors in accordance with the articles of incorporation.

   The board of directors, the board of supervisors, or the shareholders holding more than one percent of the company's issued shares separately or in combination may propose candidates for independent directors, which should be elected and decided by the shareholders' meeting.

During the report period, the Nomination Committee held one meeting. The details are as follows:

Date	MainTopic	Member	Present
26 December 2018	The third meeting of the seventh session of the Nomination Committee to the Board reviewed and passed the nomination of Mr. Gong Zhijie as the candidate for deputy general manager of the Company.	Poon Chiu Kwok Li Xiyong Kong Xiangguo	√ √ √

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

Strategy and Development Committee to the Board

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

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

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

Date	MainTopic	Member	Present
13 December 2018	Discussed and reviewed the plan of production and operation and the plan of capital investment of the Company for the year 2018	Li Xiyong Li Wei Wu Xiangqian Qi Anbang	√ √ √ √

(VIII) Auditors' Remuneration

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

(IX) Company Secretary

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

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

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

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

(X) Shareholder's Right

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

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

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

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

(XI) Investor Relations

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

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

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

2. *Actively communicating with the investors*

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

During the reporting period, the Company reported to investors on its business operations and collected opinions and recommendations on the Company from investors and capital market through face-to-face meetings at international and domestic road-shows. In order to facilitate its bidirectional communications with the capital market, the company has actively participated in investment strategy meetings organized by brokers at home and abroad, invited investors for Company site visits and also made full use of the "SSE e-interactive platform", hotlines, faxes and e-mails. The company has had over 1,000 contacts with analysts, fund managers and investors.

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

(XII) Information Disclosure

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

1. Providing the investors with the information timely and fairly

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

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

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

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

(XIII) Risk Management and Internal Supervision and Control

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

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

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31 December 2018 as a true and fair reflection of the Company's financial situation, operating results and cash flows.

Chapter 10

Corporate Bonds

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: RMB 100 million

Name	Abbreviation	Code	Issue date	Maturity date	Balance	Interes trate	Way to repay capital and interest	Trade place
2012 Corporate Bond of Yanzhou Coal (first tranche)	12 Yanzhou Coal 02	122168	2012/7/23	2022/7/23	40	4.95%	Interest paid once a year, the entire principal repaid at one time at maturity, the final interest paidtoge ther with the principal.	Shanghai Stock Exchange
2012 Corporate Bond of Yanzhou Coal (second tranche)	12 Yanzhou Coal 04	122272	2014/3/3	2024/3/3	30.50	6.15%	Interest paid once a year, the entire principal repaid at one time at maturity, the final interest paid together with the principal.	Shanghai Stock Exchange
2017 Renewable Corporate Bond of Yanzhou Coal (first tranche)	17 Yanzhou Coal Y1	143916	2017/8/17	2020/8/17	50	5.70%	If the Company does not exercise 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	2018/3/26	2021/3/26	50	6.00%	If the Company does not exercise deferred payment of interest, the interest will be paid once a year.	Shanghai Stock Exchange

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

Principal and interest payment of corporate bonds

On 4 March 2019, the Company completed its principal payment on the 12 Yancoal 03. During the reporting period, the Company paid the interest of the relevant bonds on schedule without the default.

Other explanation of corporate bond issues

Not applicable.

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

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

Other explanation

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

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

III. USE OF PROCEEDS BY CORPORATE BONDS

The 2012 corporate bond (second tranche) and the 2012 corporate bond (fourth tranche) of Yanzhou Coal Mining Company Limited issued proceeds of RMB4 billion and RMB3.05 billion (before deducting issuing expenses), respectively, with RMB7.05 billion funds raised in total. The whole proceeds were used to replenish working capital including technical improvement for old mines, construction on new mines, coal mining, procurement and repair for preparation equipment, and the continuous input to ensure the safe production of coal mines. The utilization and use plan keep consistent with the prospectus.

The bond balance at the end of the year of 2012 corporate bond (second tranche) of Yanzhou Coal Mining Company Limited was RMB4 billion. The bond balance at the end of the year of 2012 corporate bond (fourth tranche) of Yanzhou Coal Mining Company Limited was RMB3.05 billion.

The 2017 Corporate Bond of Yanzhou Coal (Y1) and the 2018 Corporate Bond of Yanzhou Coal (Y1) issued proceeds of RMB5 billion (before deducting issuing expenses), with RMB10 billion funds raised in total. The whole proceeds were used to replenish working capital including technical improvement for old mines, construction on new mines, coal mining, procurement and repair for preparation equipment, and the continuous input to ensure the safe production of coal mines. The utilization and use plan keep consistent with the prospectus.

The bond balance at the end of the year of 2017 Corporate Bond of Yanzhou Coal (Y1) was RMB5billion. The bond balance at the end of the year of 2018 Corporate Bond of Yanzhou Coal (Y1) was RMB5 billion.

IV. INFORMATION OF CREDIT RATING OF CORPORATE BOND

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 and 12 Yanzhou Coal 04 remain AAA. The relevant information was published on the website of the Shanghai Stock Exchange and the website of the Company on 24 April 2018 respectively. The credit ratings remain unchanged, which indicates that the risk of bonds unable to repay at maturity is very small.

2. On 18 May 2018, China Credit Rating Securities Rating Co., Ltd. issued the following track ratings for 2017 Renewable Corporate Bond of Yanzhou Coal (first tranche) and 2018 Renewable Corporate Bond of Yanzhou Coal (first tranche) according to the Company's situation: the main credit rating to the Company remains AAA and the rating is expected to remain stable; the credit ratings to 17 Yanzhou Coal Y1 and 18 Yanzhou Coal Y1 remain AAA. The relevant information was published on the website of the Shanghai Stock Exchange and the website of the Company on 19 May 2018 respectively. The credit ratings remain unchanged, which indicates that the risk of bonds unable to repay at maturity is very small.

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

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

1. Guarantee

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

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

Unit: RMB 10 thousand

	31December 2018	31December 2017
Net assets	**9,063,951**	7,140,689
Liability to asset ratio	**70.53%**	73.74%
Return rate on net assets	**6.30%**	2.31%
Current ratio	**1.05**	1.20
Liquidity ratio	**0.80**	0.91
Credit status of guarantor	**AAA**	AAA
Accumulative balance of external guarantee	**112,150**	255,000
Accumulative balance of external guarantee to net assets ratio	**0**	3.57%

Note: The "Accumulative balance of external guarantee" in the above table does not include the guarantee amount of Yankuang Group to the holding subsidiary.

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

2. Debt repayment scheme

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

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

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

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

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

3. Debt repayment supporting plan

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

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

4. Special account for debt payment

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

VI. BONDHOLDERS' MEETING

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

VII. PERFORMANCE OF DUTIES BY BOND TRUSTEE

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

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

3. The Company and Ping An Securities entered into the Agreement on Bond Entrusted Management in August 2017, according to which, Ping An Securities was appointed as the trustee of the 2018 Renewable Corporate Bond of Yanzhou Coal (first tranche).

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

Unit: RMB 0'000

MainIndicators	2018	2017	Increase/Decrease for the period compared with that of the same period of previous year (%)
EBITDA	**2,658,709**	2,428,929	9.46
Current ratio	**1.12**	1.05	6.67
Liquidity ratio	**0.97**	0.94	3.19
Liability to asset ratio	**58.29**	60.35	decreased 2.06 percentage point
Total debt to EBITDA ratio	**2.57**	4.84	-46.90
Interest cover ratio	**5.16**	3.81	35.43
Cash interest cover ratio	**7.43**	5.05	47.13
EBITDA interest cover ratio	**7.36**	5.09	44.60
Loan repayment rate	**100**	100	0.00
Interest coverage	**100**	100	0.00

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

The Company paid the principal and interest of the USD bonds for a term of 10 years in 2012, medium term note issued in 2015, non-public debt financing instruments, the USD perpetual bonds issued in 2017 and five tranches of the super-short-term notes issued in the reporting period on schedule without the default.

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

As at 31 December 2018, the total bank credit facility of the Group was RMB113.377 billion, of which, RMB60.677 billion has been used, RMB52.700 billion remained unused. In 2018, the Company repaid the principal and interest of bank loan amounting to RMB18.428 billion on schedule.

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

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

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

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

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

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

Independent Auditor's Report

信永中和
ShineWing

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

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

OPINION

We have audited the consolidated financial statements of Yanzhou Coal Mining Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 167 to 329, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

EXPECTED CREDIT LOSS ("ECL") OF BILLS AND ACCOUNTS RECEIVABLES

Refer to note 18 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
We have identified the determination of ECL of bills and accounts receivables as a key audit matter because the estimation of ECL is based on a significant degree of management judgement, estimate and may be subject to management bias. The conclusions are dependent upon management's judgement in making assumptions and selecting inputs to the ECL calculation based on number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period.	Our procedures were designed to review the management's judgement and estimates used in assessment process and challenge the reasonableness of inputs and assumptions used in estimating the ECL of bills and accounts receivables. We have challenged the judgement and estimates used by the management, including historical experience and forward looking information, such as ageing of receivables at year end, settlements received after year end, the recent creditworthiness of each material debtor and marcoeconomic factors. We have also tested, on sample basis, the accuracy of ageing profile of bills and accounts receivable at the end of the year and the subsequent settlement. We have also evaluated reasonableness of the forward-looking information incorporated in the ECL model adopted by the Group.

VALUATION AND IMPAIRMENT OF INTANGIBLE ASSETS

Refer to note 23 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
We have identified the impairment of intangible assets as a key audit matter because of its significance to the consolidated financial statements and because the Group's assessment of impairment of intangible assets is a judgemental process which requires estimates concerning the forecast future cash flows associated with the assets in determining the recoverable amount. The selection of valuation model, adoption of key assumptions and input data may be subject to management bias and changes in these assumptions and inputs to the valuation model may result in significant financial impact.	Our procedures were designed to evaluate the management's impairment assessment process and to challenge the reasonableness of the selection of valuation model, adoption of key assumptions and input data by reference to the historical information and internal forecasts, together with market and other externally available information and sensitivity analysis. We have also considered the overall reasonableness of these forecasts. Besides, we have also challenged the management's assessment on the appropriateness of the useful lives and the amortisation rate used, and considered the potential impact of reasonably possible downside changes in these key assumptions.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Refer to note 24 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
We have identified the impairment of property, plant and equipment as a key audit matter because of its significance to the consolidated financial statements of the Group and the Group's assessment of impairment of property, plant and equipment is a judgemental process which requires estimates concerning the forecast future cash flows associated with the assets in determining the recoverable amount. The selection of valuation model, adoption of key assumptions and input data may be subject to management bias and changes in these assumptions and input to the valuation model may result in significant financial impact.	Our procedures were designed to evaluate management's impairment assessment process and to challenge the reasonableness of the selection of valuation model, adoption of key assumptions and input data by reference to the historical information and internal forecasts, together with market and other externally available information and sensitivity analysis. We have also considered the overall reasonableness of these forecasts.

IMPAIRMENT ASSESSMENT ON GOODWILL

Refer to note 25 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
We have identified the impairment of goodwill as a key audit matter because of its significance to the consolidated financial statements and because the Group's assessment of impairment of goodwill is a judgemental process which requires estimates concerning forecast future cash flows expected to arise from cash-generating unit and a suitable discount rate in order to derive the value in use. The selection of valuation model, adoption of key assumptions and input data may be subject to management bias and changes in these assumptions and input to the valuation model may result in significant financial impact.	Our procedures were designed to evaluate management's impairment assessment process and challenge the reasonableness of the selection of valuation model, adoption of key assumptions and input data by reference to the historical information and internal forecasts, together with other externally available information and sensitivity analysis. We have also considered the overall reasonableness of these forecasts.

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lau Kai Wong
Practising Certificate Number: P06623
Hong Kong
29 March 2019

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Gross sales of coal	7	**62,428,313**	48,471,820
Railway transportation service income		**420,303**	302,896
Gross sales of electricity power		**592,077**	563,131
Gross sales of methanol		**3,494,892**	3,108,921
Gross sales of heat supply		**34,324**	22,583
Gross sales of equipment manufacturing		**477,195**	202,754
Total revenue		**67,447,104**	52,672,105
Transportation costs of coal	7	**(3,751,061)**	(2,430,124)
Cost of sales and services provided	8	**(36,177,841)**	(28,347,652)
Cost of electricity of power		**(545,608)**	(570,654)
Cost of methanol		**(2,298,851)**	(2,244,072)
Cost of heat supply		**(18,699)**	(12,755)
Cost of equipment manufacturing		**(348,506)**	(151,443)
Total cost of sales		**(43,140,566)**	(33,756,700)
Gross profit		**24,306,538**	18,915,405
Selling, general and administrative expenses	9	**(10,659,581)**	(9,259,124)
Share of results of associates		**1,296,207**	682,948
Share of results of joint ventures		**238,101**	172,529
Other income and gains	10	**4,362,227**	4,021,887
Finance costs	11	**(3,612,394)**	(3,255,404)
Profit before tax	13	**15,931,098**	11,278,241
Income tax expenses	12	**(4,608,406)**	(2,714,654)
Profit for the year		**11,322,692**	8,563,587
Attributable to:			
Equity holders of the Company		**8,582,556**	7,362,675
Owners of perpetual capital securities	44	**607,095**	496,258
Non-controlling interests			
– Perpetual capital securities	44	**202,733**	131,612
– Subordinated capital notes		**–**	231
– Other		**1,930,308**	572,811
		11,322,692	8,563,587
Earnings per share, basic and diluted	16	**RMB1.75**	RMB1.50

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Profit for the year	**11,322,692**	8,563,587
Other comprehensive (expense) income (after income tax):		
Items that will not be reclassified subsequently to profit or loss:		
Fair value change on equity investments at fair value through other comprehensive income ("FVTOCI")	**(148)**	–
Income tax relating to item that will not be reclassified subsequently	**37**	–
	(111)	–
Items that may be reclassified subsequently to profit or loss:		
Available-for-sales investments:		
Change in fair value	**–**	194,264
Deferred taxes	**–**	(31,996)
	–	162,268
Cash flow hedges:		
Cash flow hedge amounts recognised in other comprehensive income	**(1,078,397)**	(1,224,667)
Reclassification adjustments for amounts transferred to income statement (included in revenue)	**661,151**	616,889
Deferred taxes	**125,174**	182,334
	(292,072)	(425,444)
Share of other comprehensive income (expense) of associates	**158,010**	(22,250)
Exchange difference arising on translation of foreign operations	**(1,988,952)**	3,674,910
Other comprehensive (expense) income for the year	**(2,123,125)**	3,389,484
Total comprehensive income for the year	**9,199,567**	11,953,071
Total comprehensive income for the year	**9,199,567**	11,953,071
Attributable to:		
Equity holders of the Company	**7,148,709**	10,356,185
Owners of perpetual capital securities	**607,095**	496,258
Non-controlling interests		
– Perpetual capital securities	**202,733**	131,612
– Subordinated capital notes	**–**	231
– Other	**1,241,030**	968,785
	9,199,567	11,953,071

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Current assets			
Bank balances and cash	17	**27,372,942**	21,073,256
Pledged term deposits	17	**1,913,231**	3,623,635
Restricted cash	17	**3,436,572**	3,871,361
Bills and accounts receivables	18	**9,157,262**	12,991,458
Held-to-maturity investment	34	**–**	69,427
Long-term receivables – due within one year	28	**1,571,284**	2,791,092
Royalty receivable	19	**134,544**	124,450
Inventories	20	**4,068,995**	3,079,249
Prepayments and other receivables	21	**16,873,188**	14,451,550
Prepaid lease payments	22	**29,718**	27,675
Derivative financial instruments	40	**–**	21,888
		64,557,736	62,125,041
Assets classified as held for sale	33	**272,902**	3,123,514
		64,830,638	65,248,555
Non-current assets			
Intangible assets	23	**47,868,989**	50,217,581
Prepaid lease payments	22	**1,275,029**	1,246,106
Property, plant and equipment	24	**45,296,120**	46,267,729
Construction in progress	26	**10,896,287**	4,516,288
Prepayment for property, plant and equipment		**1,224,943**	905,648
Goodwill	25	**1,651,211**	1,668,727
Investments in securities	32	**162,086**	2,278,296
Interests in associates	27	**16,023,709**	8,654,205
Interests in joint ventures	30	**660,221**	348,243
Long-term receivables – due after one year	28	**8,654,642**	6,751,062
Royalty receivable	19	**796,712**	891,996
Deposits made on investments	29	**117,926**	117,926
Deferred tax assets	42	**6,545,102**	8,200,262
		141,172,977	132,064,069
Total assets		**206,003,615**	197,312,624

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Current liabilities			
Bills and accounts payables	35	**12,514,298**	8,973,438
Other payables and accrued expenses	36	**20,679,288**	21,616,407
Contract liabilities	36	**2,207,641**	–
Provision for land subsidence, restoration, rehabilitation and environmental costs	37	**2,327,177**	2,679,015
Amounts due to Parent Company and its subsidiaries	52	**929,654**	693,014
Borrowings – due within one year	39	**20,069,685**	27,751,298
Long term payables – due within one year	41	**122,388**	605,522
Provision	38	**135,876**	289,746
Derivative financial instruments	40	**1,254**	–
Tax payable		**613,153**	775,543
		59,600,414	63,383,983
Liabilities directly associated with assets classified as held for sale	33	**–**	341,292
		59,600,414	63,725,275
Non-current liabilities			
Borrowings – due after one year	39	**48,608,238**	42,609,396
Deferred tax liabilities	42	**8,008,106**	8,345,604
Provision for land subsidence, restoration, rehabilitation and environmental costs	37	**1,425,053**	1,296,597
Provision	38	**1,187,229**	1,429,117
Long term payables – due after one year	41	**129,586**	210,992
		59,358,212	53,891,706
Total liabilities		**118,958,626**	117,616,981
Capital reserves			
Share capital	43	**4,912,016**	4,912,016
Reserves	43	**47,165,344**	42,498,850
Equity attributable to equity holders of the Company		**52,077,360**	47,410,866
Owners of perpetual capital securities	44	**10,316,444**	9,249,649
Non-controlling interests			
– Perpetual capital securities	44	**3,417,351**	3,417,351
– Subordinated capital notes	45	**–**	3,102
– Other		**21,233,834**	19,614,675
		87,044,989	79,695,643
Total liabilities and equity		**206,003,615**	197,312,624

The consolidated financial statements on pages 167 to 329 were approved and authorised for issue by the Board of Directors on 29 March 2019 and are signed on its behalf by:

Li Xiyong	Zhao Qingchun
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2018

	Attributable to equity holders of the Company											Non-controlling interests			
	Share capital RMB'000 (note 43)	Capital reserve RMB'000 (note 43)	Share premium RMB'000	Future development fund RMB'000 (note 43)	Statutory common reserve fund RMB'000 (note 43)	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Cash flow hedge reserve RMB'000	Retained earnings RMB'000 (note 43)	Total RMB'000	Perpetual Capital Securities issued by the Company RMB'000 (note 44)	Perpetual Capital Securities issued by a subsidiary RMB'000 (note 44)	Subordinated Capital Notes RMB'000 (note 45)	Others RMB'000	Total RMB'000
At 1 January 2018 (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)	-	-	-	-	-	-	(171,038)	-	208,298	37,260	-	-	-	22,339	59,599
As at 1 January 2018 (Restated)	4,912,016	514,658	2,967,947	969,450	5,952,503	(5,583,141)	50,326	(1,110,797)	38,775,164	47,448,126	9,249,649	3,417,351	3,102	19,637,014	79,755,242
Profit for the year	-	-	-	-	-	-	-	-	8,582,556	8,582,556	607,095	202,733	-	1,930,308	11,322,692
Other comprehensive (expense) income for the year:															
- Fair value change of financial assets at FVTOCI	-	-	-	-	-	-	(111)	-	-	(111)	-	-	-	-	(111)
- Cash flow hedge reserve recognised	-	-	-	-	-	-	-	(191,190)	-	(191,190)	-	-	-	(100,882)	(292,072)
- Share of other comprehensive income from associates	-	-	-	-	-	-	158,010	-	-	158,010	-	-	-	-	158,010
- Exchange differences arising on translation of foreign operations	-	-	-	-	-	(1,400,556)	-	-	-	(1,400,556)	-	-	-	(588,396)	(1,988,952)
Total comprehensive (expense) income for the year	-	-	-	-	-	(1,400,556)	157,899	(191,190)	8,582,556	7,148,709	607,095	202,733	-	1,241,030	9,199,567
Transactions with owners															
- Issue of shares under global offering by a subsidiary (note)	-	27,495	-	-	-	-	-	-	-	27,495	-	-	-	1,355,689	1,383,184
- Acquisition of additional interests in subsidiaries	-	(148,880)	-	-	-	-	-	-	-	(148,880)	-	-	-	71,224	(77,656)
- Issuance of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	4,962,500	-	-	-	4,962,500
- Distribution paid to holders of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	(538,800)	(202,733)	-	-	(741,533)
- Appropriations to reserves	-	-	-	-	324,265	-	-	-	(324,265)	-	-	-	-	-	-
- Capital injection	-	-	-	-	-	-	-	-	-	-	-	-	-	49,000	49,000
- Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,120,123)	(1,120,123)
- Dividends	-	-	-	-	-	-	-	-	(2,357,768)	(2,357,768)	-	-	-	-	(2,357,768)
- Utilisation of reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Redemption of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	(3,964,000)	-	-	-	(3,964,000)
- Redemption of Subordinated Capital Notes	-	-	-	-	-	-	-	-	-	-	-	-	(3,102)	-	(3,102)
- Other	-	-	-	-	-	-	-	-	(40,322)	(40,322)	-	-	-	-	(40,322)
Total transactions with owners	-	(121,385)	-	-	324,265	-	-	-	(2,722,355)	(2,519,475)	459,700	(202,733)	(3,102)	355,790	(1,909,820)
At 31 December 2018	4,912,016	393,273	2,967,947	969,450	6,276,768	(6,983,697)	208,225	(1,301,987)	44,635,365	52,077,360	10,316,444	3,417,351	-	21,233,834	87,044,989

Note: The amount credited (debited) to capital reserve represented gain on the dilution of the equity interests in Yancoal Australia Limited ("Yancoal Australia") as further set out in note 61(a).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**15,931,098**	11,278,241
Adjustments for:			
Interest expenses	11	**3,612,394**	3,255,404
Interest income	10	**(1,003,958)**	(763,848)
Dividend income	10	**(152,732)**	(77,108)
Net unrealised foreign exchange loss		**499,687**	667,808
Loss on deemed disposal of an associate	9	**53**	–
Gain on partial disposal of a joint operation	10	**(388,607)**	–
Depreciation of property, plant and equipment	13	**4,929,225**	3,558,452
Release of prepaid lease payments	13	**29,718**	27,675
Gain on bargain purchase	10	**–**	(896,933)
Reversal of impairment loss on intangible assets	10	**–**	(505,430)
Gain on disposal of investment in securities	10	**–**	(41,370)
Gain on fair value changes of financial assets at fair value through profit or loss ("FVTPL"), net	9,10	**(37,623)**	–
Amortisation of intangible assets	13	**1,393,682**	1,093,966
Impairment loss on bills and accounts receivables, net	9	**164,405**	120,757
Impairment loss on other receivables, net		**127,748**	607,753
Impairment loss on long-term receivables, net	9	**173,133**	–
Impairment loss on intangible assets	9	**289,787**	1,491,986
Impairment loss on inventories	9	**7,227**	2,777
Share of results of joint ventures		**(238,101)**	(172,529)
Share of results of associates		**(1,296,207)**	(682,948)
Loss (gain) on change in fair value of derivative financial instruments, net	9,10	**28,466**	(21,888)
Gain on change in fair value of royalty receivable	10	**(18,573)**	(38,326)
Loss on disposal of property, plant and equipment, net	9,10	**9,046**	23,668
Operating cash flows before movements in working capital		**24,059,868**	18,928,107
Decrease (increase) in bills and accounts receivables		**4,072,302**	(2,681,057)
Increase in inventories		**(925,670)**	(571,498)
Movement in provision for land subsidence, restoration, rehabilitation and environmental cost		**(168,919)**	115,568
(Decrease) increase in provisions		**(513,547)**	167,355
Increase in prepayments and other receivables		**(6,474,318)**	(839,537)
Decrease in royalty receivable		**155,700**	139,358
Increase in bills and accounts payables		**3,404,394**	1,772,740
Increase in other payables and accrued expenses		**867,095**	528,420
Decrease in contract liabilities		**(361,743)**	–
Increase in amount due to Parent Company and its subsidiaries		**236,640**	377,058
Decrease in long-term payables		**–**	(396,285)
Utilisation of future development fund		**–**	(9,211)
Settlement of derivative financial instruments		**–**	(3,246)
Cash generated from operations		**24,351,802**	17,527,772
Income taxes paid		**(3,373,071)**	(2,748,159)
Interest paid		**(3,693,012)**	(3,175,276)
Interest received		**957,592**	557,429
NET CASH FROM OPERATING ACTIVITIES		**18,243,311**	12,161,766

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the Year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
INVESTING ACTIVITIES			
Net cash outflow from acquisition of subsidiaries		–	(14,164,714)
Placement of term deposits		1,710,404	(1,178,635)
Withdrawal (placement) of restricted cash		434,789	(2,726,561)
Purchase of property, plant and equipment		(4,565,675)	(3,388,301)
Payment of construction in progress		(5,192,365)	(3,438,440)
Purchase of intangible assets		(16,639)	(255,750)
Payments for prepaid land lease payments		(80,690)	(400,198)
Increase in deposit paid for property, plant and equipment		(319,295)	(905,648)
Decrease in deposit made on investments		–	1,000
Proceeds from disposal of held-to-maturity investments		–	130,573
Proceeds from disposal of financial assets at amortised cost		69,427	–
Proceeds for disposal of property, plant and equipment		3,478,879	397,465
Proceeds from disposal of prepaid lease payments		20,006	–
Investments in securities		(1,731,520)	(50,000)
Proceed from disposal of investments in securities		203,146	216,699
Investments in associates		(2,357,211)	(1,434,579)
Payments for acquisition of interests in subsidiaries		(77,656)	–
Settlement of non-contingent royalty payable		(564,540)	–
Proceed from disposal of an associate		4,944	–
Investment in joint venture		(40,000)	(117,063)
Loan receivables advanced		(1,963,809)	(4,069,336)
Repayment of loan receivables		550,050	397,015
Settlement of payables for acquisition of subsidiaries		(862,062)	(16,354)
Net cash outflow arising on acquisition of additional interests in joint operations		(1,983,878)	–
Net cash inflow on partial disposal of a joint operation		2,703,995	–
Dividend received		187,932	30,792
Dividend received from joint venture		1,712	10,000
Dividend received from associates		218,101	120,642
NET CASH USED IN INVESTING ACTIVITIES		(10,171,955)	(30,841,393)
FINANCING ACTIVITIES			
Proceeds from borrowings		21,736,560	33,626,024
Repayment of borrowings		(22,674,613)	(21,969,918)
Proceeds from issuance of guaranteed notes		14,271,160	11,990,683
Proceeds from issuance of perpetual capital securities		4,962,500	8,417,351
Customers' deposits for financing business received		1,826,603	2,502,302
Redemption of perpetual capital securities		(3,964,000)	(2,485,000)
Repayment of guaranteed notes		(15,261,013)	(16,786,042)
Dividends paid		(2,355,848)	(550,517)
Distribution paid to holders of perpetual capital securities and subordinated capital notes		(741,533)	(555,643)
Redemption of subordinated capital notes		(3,102)	–
Dividend paid to non-controlling shareholders		(1,120,123)	(507,659)
Proceeds from issue of shares under global offering by a subsidiary		1,383,184	–
Proceeds from issue of shares by a subsidiary		–	9,621,437
Contribution from non-controlling interests		49,000	276,839
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(1,891,225)	23,579,857
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,180,131	4,900,230
CASH AND CASH EQUIVALENTS AT 1 JANUARY		21,073,256	16,422,769
Effect of foreign exchange rate		119,555	(248,494)
Changes included in assets held for sale		–	(1,249)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTED BY BANK BALANCES AND CASH		27,372,942	21,073,256

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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") while its H shares are listed on The Stock Exchange of Hong Kong Limited (the "HKEX"). The Company's parent and ultimate holding company is Yankuang Group Corporation Limited (the "Parent Company"), a state-owned enterprise in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the Group Profile section of the annual report.

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

The principal activities of the Company are investment holdings, coal mining and coal railway transportation. The activities of its principal subsidiaries, associates, joint ventures and joint operations (together with the Company referred to as the "Group") are set out in notes 61, 27, 30 and 31 respectively.

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

2. BASIS OF PREPARATION AND PRESENTATION

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company also prepares a set of consolidated financial statements in accordance with the China Accounting Standards for Business Enterprises ("PRC GAAP").

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

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

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)")

In the current year, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "IASB").

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and related Amendments
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 28	As part of Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property
IFRIC 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* have been summarised below. The application of other new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 superseded IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue*. Details are described below.

The Group is principally engaged in sales of coal, methanol and equipment manufacturing and provision of coal railway transportation, electricity and heat supply.

Sale of goods

The Group concluded that revenue from sale of goods should be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods, which is consistent with the previous accounting policy. Therefore, the adoption of IFRS has no impact on the timing of revenue recognition in this regard

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)") (Continued)

IFRS 15 *Revenue from Contracts with Customers* (Continued)

Provision of services

The Group concluded that the revenue from provision of services should be recognised at a point in time when control of the service is transferred to the customer, generally on completion of provision of services, which is consistent with the previous accounting policy. Therefore, the adoption of IFRS has no impact on the timing of revenue recognition in this regard.

The Group's accounting policies for its revenue streams are disclosed in detail in Note 4 below.

The impact of transition to IFRS 15 was insignificant on the retained earnings at 1 January 2018.

The amount of adjustment for each financial statement line item of the consolidated statement of financial position at 1 January 2018 affected by the application of IFRS 15 is illustrated below. Line items that were not affected by the changes have not been included.

	Note	Carrying amount previously reported at 31 December 2017 RMB'000	Impact on adoption of IFRS 15-Reclassification RMB'000	Carrying amount as restated at 1 January 2018 RMB'000
Other payables and accrued expenses	36	21,616,407	(2,569,384)	19,047,023
Contract liabilities	36	–	2,569,384	2,569,384

Advances received from customers

As at 1 January 2018, the "receipts in advance" of RMB2,569,384,000 previously included in other payables and accrued expenses was reclassified to contract liabilities.

Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of IFRS 15 on 1 January 2018

The following tables summarise the estimated impact of applying IFRS 15 on the consolidated statement of financial position at 31 December 2018, by comparing the amounts reported under IAS 18 and related interpretations that were in effect before the change. Line items that were not affected by the adjustments have not been included. The adoption of IFRS 15 did not have material impact on the Group's operating, investing and financing cash flows.

Impact on the consolidated statement of financial position at 31 December 2018

	Note	As reported RMB'000	Impacts of adopting IFRS 15 RMB'000	Amounts excluding impacts of adopting IFRS 15 RMB'000
Other payables and accrued expenses	36	20,679,288	2,207,641	22,886,929
Contract liabilities	36	2,207,641	(2,207,641)	–

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)") (Continued)

IFRS 9 *Financial instruments*

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and 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.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in note 4 below.

(i) Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets and liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets and liabilities as regards their classification and measurement:

(a) Listed and unlisted equity investments previously classified as available-for-sale investments carried at fair value and at cost less impairment respectively:

For certain available-for-sale equity investments amounting to approximately RMB1,877,228,000 and RMB157,400,000 carried at fair value and at cost less impairment respectively, the Group has not elected the option for designation at FVTOCI and reclassified them to financial assets at FVTPL. Upon initial application of IFRS 9, investment revaluation reserve relating to these listed equity investments amounting to RMB150,058,000 was transferred to retained earnings at 1 January 2018.

In respect of the unlisted equity investments previously carried at cost less impairment, on initial recognition of IFRS 9, a fair value loss of approximately RMB22,018,000 representing the loss was adjusted to retained earnings at 1 January 2018.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)") (Continued)

IFRS 9 *Financial instruments* (Continued)

(i) Classification and measurement of financial instruments (Continued)

(a) Listed and unlisted equity investments previously classified as available-for-sale investments carried at fair value and at cost less impairment respectively: (Continued)

For the remaining listed and unlisted equity instruments amounting to approximately RMB424,000 and RMB29,403,000 respectively, the Group had elected to present in other comprehensive income for their fair value changes as they are held for medium or long-term strategic purpose, and reclassified them to financial assets at FVTOCI upon initial application of IFRS 9. The Group measures them at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investment revaluation reserve, which will not be reclassified to profit or loss when they are derecognised. On initial application of IFRS 9, fair value loss of approximately RMB29,403,000 was recognised, thereby reducing the investment revaluation reserve and non-controlling interests of approximately RMB20,980,000 and RMB1,072,000 respectively, net of their related deferred tax impact of approximately RMB6,994,000 and RMB357,000 respectively at 1 January 2019.

(b) Unlisted investment portfolio previously classified as available-for-sale financial assets:

Unlisted investment portfolio amounting to RMB213,841,000 are classified as FVTPL on initial application of IFRS 9. The Group measures them at fair value at the end of subsequent reporting periods with gain or loss to be recognised in profit or loss. There was no material change in the fair value of unlisted investment portfolio as at 1 January 2018 as a result of the change in classification.

(c) Investment in preference shares previously classified as loans and receivables:

Investment in preference shares previously included in long-term receivables amounting to RMB145,420,000 are classified as FVTPL on initial application of IFRS 9. The Group measures them at fair value at the end of subsequent reporting periods with gain or loss to be recognised in profit or loss. There was no material change in the fair value of investment in preference shares as at 1 January 2018 as a result of the change in classification.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)") (Continued)

IFRS 9 *Financial instruments* (Continued)

(i) Classification and measurement of financial instruments (Continued)

(d) Debt investments previously classified as held-to-maturity investments and investments previously classified as loan and receivables carried at amortised cost:

The debt investment previsouly included in held-to-maturity investments of approximately RMB69,427,000 and other debt investments (including bank balances and cash, term deposits, restricted cash, bills and accounts receivables, certain long term receivables, other receivables) amounting to approximately RMB59,773,243,000 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.

(e) Classification and measurement of financial liabilities:

Under IAS 39, for non-substantial modifications of financial liabilities that do not result in derecognition, the gain or loss arising from modification are recognised over the remaining terms of the borrowings. Since such previously modified 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 an increase in opening retained earnings of approximately RMB81,968,000 and a corresponding decrease in borrowings of approximately RMB81,968,000.

All other financial assets and financial liabilities continue to be measured on the same bases as are previously measured under IAS 39.

Note (iv) below tabulates the change in classification and measurement of the Group's financial assets and financial liabilities upon application of IFRS 9.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)") (Continued)

IFRS 9 *Financial instruments* (Continued)

(ii) Loss allowance for expected credit losses ("ECL")

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss model with a forward-looking expected credit loss ("ECL") model. As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and other items subject to ECL for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement IFRS 9.

As at 1 January 2018, an additional allowance on the Group's other receivables of approximately RMB6,403,000 have been recognised, while allowances on the Group's bills and accounts receivables and long-term receivables of approximately RMB35,218,000 and RMB120,000 respectively have been reversed, thereby reducing the opening retained earnings of approximately RMB1,710,000, net of their related deferred tax impact of approximately RMB570,000, and increasing the opening non-controlling interests of approximately RMB23,411,000, net of their related deferred tax impact of approximately RMB7,804,000.

(iii) Hedging

At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Group has continued to designate the change in fair value of the entire forward contract in the Group's cash flow hedge relationships and, as such, the adoption of the hedge accounting requirements under IFRS 9 had no significant impact to the Group's consolidated financial statements.

(iv) Summary of effects arising from initial application of IFRS 9

The table below summarises the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities and reconciles the carrying amounts of financial assets and financial liabilities under IAS 39 to the carrying amounts under IFRS 9 on 1 January 2018.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)") (Continued)

IFRS 9 *Financial instruments* (Continued)

(iv) Summary of effects arising from initial application of IFRS 9 (Continued)

	Notes	Carrying amount at 31 Decmber 2017 (IAS 39) RMB'000	Adoption of IFRS 9 – Reclassification RMB'000	Adoption of IFRS 9 – Remeasurement RMB'000	Carrying amount at 1 January 2018 (IFRS 9*) RMB'000
Financial assets					
Loan and receivables	3(i)(d)				
– Bank balances and cash		21,073,256	(21,073,256)	–	–
– Term deposits		3,623,635	(3,623,635)	–	–
– Restricted cash		3,871,361	(3,871,361)	–	–
– Bills and accounts receivables		12,991,458	(12,991,458)	–	–
– Long-term receivables	3(i)(c)	9,542,154	(9,542,154)	–	–
– Other receivables		8,816,799	(8,816,799)	–	–
At amortised cost	3(i)(d)				
– Bank balances and cash		–	21,073,256	–	21,073,256
– Term deposits		–	3,623,635	–	3,623,635
– Restricted cash		–	3,871,361	–	3,871,361
– Bills and accounts receivables		–	12,991,458	35,218	13,026,676
– Long-term receivables		–	9,396,734	120	9,396,854
– Other receivables		–	8,816,799	(6,403)	8,810,396
– Financial assets at amortised cost		–	69,427	–	69,427
Available-for-sale ("AFS") investments					
– Listed equity securities	3(i)(a)	1,877,652	(1,877,652)	–	–
– Unlisted equity securities	3(i)(a)	186,803	(186,803)	–	–
– Unlisted investment portfolio	3(i)(b)	213,841	(213,841)	–	–
Held-to-maturity investment					
– Debt security	3(i)(d)	69,427	(69,427)	–	–
FVTPL					
– Royalty receivables		1,016,446	–	–	1,016,446
– Derivative financial instruments		21,888	–	–	21,888
– Listed equity securities	3(i)(a)	–	1,877,228	–	1,877,228
– Unlisted investment portfolio	3(i)(b)	–	213,841	–	213,841
– Unlisted equity securities	3(i)(a)	–	157,400	(22,018)	135,382
– Investment in preference shares	3(i)(c)	–	145,420	–	145,420
FVTOCI					
– Listed equity securities	3(i)(a)	–	424	–	424
– Unlisted equity securities	3(i)(a)	–	29,403	(29,403)	–

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)") (Continued)

IFRS 9 *Financial instruments* (Continued)

(iv) Summary of effects arising from initial application of IFRS 9 (Continued)

	Note	Carrying amount at 31 December 2017 (IAS 39) RMB'000	Adoption of IFRS 9 – Reclassification RMB'000	Adoption of IFRS 9 – Remeasurement RMB'000	Carrying amount at 1 January 2018 (IFRS 9*) RMB'000
Financial liability					
Financial liability at amortised cost					
– Borrowings	3(i)(e)	70,360,694	–	(81,968)	70,278,726

* The amounts in this column are before the adjustments from application of IFRS 15.

At the initial application of IFRS 9 on 1 January 2018, the directors of the Company concluded that, except for the borrowings mentioned above, all recognised financial liabilities that are within IFRS 9 are continued to be measured as the same bases are measured under IAS 39.

The table below summarises the impact of transition to IFRS 9 on retained earnings, non-controlling interests and investment revaluation reserve at 1 January 2018.

	Notes	Investment revaluation reserve RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000
Balance at 31 December 2017 as originally stated		221,364	38,566,866	19,614,675
– Transfer from investment revaluation reserve to retained earnings on reclassification of certain listed equity investments from available-for-sale investments to financial assets at FVTPL	3(i)(a)	(150,058)	150,058	–
– Adjustment to borrowings previously modified	3(i)(e)	–	81,968	–
– Fair value change of unlisted equity investments at FVTOCI	3(i)(a)	(27,974)	–	(1,429)
– Fair value change of unlisted equity investments at FVTPL	3(i)(a)	–	(22,018)	–
– Impact of ECL	3(ii)	–	(2,280)	31,215
– Deferred tax impact (note 42)		6,994	570	(7,447)
Total change as a result of adoption of IFRS 9 on 1 January 2018		(171,038)	208,298	22,339
Balance at 1 January 2018		50,326	38,775,164	19,637,014

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of IFRS 9.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)") (Continued)

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs and interpretation that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[5]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 1 and IAS 8	Amendments to Definition of Material[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual improvements to IFRSs 2015-2017 Cycle[1]

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

2 Effective for annual periods beginning on or after 1 January 2020

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

4 Effective for annual periods beginning on or after a date to be determined

5 Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020

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

IFRS 16 Leases

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

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

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

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

New and amendments to IFRSs issued but not yet effective (Continued)

IFRS 16 Leases (Continued)

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

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

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

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB457,620,000 as disclosed in note 57. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The directors of the Company are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under IFRS 16. The directors of the Company expect that the adoption of IFRS 16 will not have material impact on the Group's results but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies that, when there is uncertainty over income tax treatments, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation.

When an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, the entity is required to determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates consistently with that tax treatment. When an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity is required to reflect the effect of uncertainty in determining the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates by either the most likely amount method or the expected value method that better predict the resolution of the uncertainty.

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

New and amendments to IFRSs issued but not yet effective (Continued)

IFRIC 23 Uncertainty over Income Tax Treatments (Continued)

IFRIC 23 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted. The amendments should be applied retrospectively.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

The Group reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* (on or after 1 January 2018) or IAS 39 *Financial Instruments: Recognition and Measurement* (before 1 January 2018) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

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

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

Business combination

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

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

– deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 *Income Taxes*;

– assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 *Employee Benefits*;

– liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

– assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination (Continued)

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

When the investment ceases to be an associate or a joint venture upon the Group losing significant influence over the associate or joint control over the joint venture, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9 / IAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is accounted for on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

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

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

Interests in joint operations

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

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

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in joint operations (Continued)

When a group entity enters into a transaction with a joint operation in which the group entity is a joint operator, such as a sale or contribution of assets, the Group is considered to be conducting the transaction with the other parties to the joint operation and the Group recognises gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation.

When a group entity enters into a transaction with a joint operation in which the group entity is a joint operator, such as a purchase of assets, the Group recognises its share of the gains and losses until it resells those assets to a third party.

Non-current assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale or disposal in its present condition subject only to terms that are usual and customary for sales or disposals of such assets (or disposal group) and the transaction is highly probable. Management must be committed to the transaction, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan or other transaction involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint control over the joint venture.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets other than goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible assets and intangible assets with finite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset (determined at the higher of its fair value less costs of disposal and its value in use) is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with an indefinite useful life will be tested for impairment annually. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as an income immediately. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit) to which the mining activity (mining complex level) is attributed. Management monitors and manages operations at the mining complex level to identify cash-generating streams.

Revenue recognition

Policy applicable to the year ended 31 December 2018 (with application of IFRS 15)

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 December 2018 (with application of IFRS 15) (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Contract liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

The Group recognised revenue from the following major sources:

- Sales of goods (including coal, methanol and equipment manufacturing)
- Provision of services (including coal railway transportation, electricity and heat supply)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 December 2018 (with application of IFRS 15) (Continued)

Sales of goods

Revenue from sale of coal, methanol and equipment manufacturing is recognised at the point when the control of the goods is transferred to the customers (generally on delivery of the goods to the location specified by the customers and accepted by the customers). It is a point of time where the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits of the products.

Provision of services

Revenue from coal railway transportation services is recognised when the services are rendered.

Supply of electricity and heat is recognised at the time when the electricity or heat is transmitted.

Policy applicable to the year ended 31 December 2017

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods (including coal, methanol and equipment manufacturing) are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Service income such as coal railway transportation and electricity and heat supply is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payments have been established.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life. Expenditure incurred on projects to develop new products is capitalised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are carried at cost less any accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(i) Mining reserves

Mining reserves represent the portion of total proven and probable reserves in the mine of a mining right. Mining reserves are amortised over the life of the mine on a unit of production basis of the estimated total proven and probable reserves or the Australia Joint Ore Reserves Committee ("JORC") reserves for the Group's subsidiaries in Australia. Changes in the annual amortisation rate resulting from changes in the remaining reserves are applied on a prospective basis from the commencement of the next financial year.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Intangible assets acquired in a business combination (Continued)

(ii) Mining resources

Mining resources represent the fair value of economically recoverable reserves (excluding the portion of total proven and probable reserves of a mining right i.e. does not include the above mining reserves) of a mining right (Details are set out in the accounting policy of exploration and evaluation expenditure). When production commences, the mining resources for the relevant areas of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each separately identifiable area of interest which is at individual mine level.

Exploration and evaluation expenditure comprises costs that are directly attributable to:

- Researching and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatments methods; and/or
- Compiling pre-feasibility and feasibility studies.

These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors.

Exploration expenditure relates to the initial search for deposits with economic potential. Expenditure on exploration activity is not capitalised.

Evaluation expenditure relates to a detailed assessment of deposits or other projects that have been identified as having economic potential. Capitalisation of evaluation expenditure commences when there is a high degree of confidence that the Group will determine that a project is commercially viable, i.e. the project will provide a satisfactory return relative to its perceived risks, and therefore it is considered probable that future economic benefits will flow to the Group.

Exploration and evaluation expenditure incurred is accumulated in respect of each separately identifiable area of interest which is at individual mine level. These costs are only carried forward where the right of tenure for the area of interest is current and to the extent that they are expected to be recouped through successful development and commercial exploitation, or alternatively, sale of the area, or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and evaluation expenditure (Continued)

The carrying amount of exploration and evaluation assets is assessed for impairment when facts or circumstances suggest the carrying amount of the assets may exceed their recoverable amount.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated costs in relation to an abandoned area are written-off in full in the period in which the decision to abandon the area is made.

Capitalised exploration and evaluation expenditure considered to be tangible is recorded as a component of property, plant and equipment. Otherwise, it is recorded as an intangible asset. Exploration and evaluation expenditure acquired in a business combination are recognised at their fair value at the acquisition date (the fair value of potential economically recoverable reserves at the acquisition date which is shown as “Mining resources”).

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable (i.e. when proved reserves of coal are determined and development is approved by management), the exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining reserves or property, plant and equipment. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

On reclassification, the carrying amounts of exploration and evaluation assets are also reviewed and, where appropriate, written down to their recoverable amount.

Prepaid lease payments

Prepaid lease payments represent land use rights under operating lease arrangement and are stated at cost less accumulated amortisation and accumulated impairment losses.

Property, plant and equipment

Property, plant and equipment, other than construction in progress and freehold land, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost of items of property, plant and equipment, other than construction in progress and freehold land, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method or unit of production method.

Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised immediately in the consolidated statement of profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005 (transition to new IFRS)

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

The Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Goodwill is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment is recognised immediately in the consolidated statement of profit or loss and is not subsequently reversed.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Construction in progress

Construction in progress represents production site development projects under construction for production or for its own use purposes. Construction in progress is carried at cost less any impairment loss. Costs included costs of constructing the manufacturing plant and acquisition of mining rights, mining permits and licenses that form an integral part of the overall development projects. Construction in progress is classified to the appropriate category of property, plant and equipment or intangible assets when completed and ready for intended use. Depreciation or amortisation commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and other financial institution and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the preparation of consolidated cash flow statement, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Inventories

Inventories of coal, methanol, iron ore and equipment are stated at the lower of cost and net realisable value. Cost, which comprises direct materials and, where applicable, direct labour and overheads that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price less all further costs to completion and costs to be incurred in selling, marketing and distribution.

Inventories of auxiliary materials, spare parts and small tools expected to be used in production are stated at weighted average cost less allowance, if necessary, for obsolescence.

Overburden in advance

Overburden in advance comprises mining stripping (waste removal) costs both during the development and production phase of the Group's operations.

When stripping costs are included in the development phase of a mine before the production phase commences (development stripping). Such expenditure is capitalised as part of the cost of constructing the mine if it can be demonstrated that it is probable that future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved. The stripping assets are subsequently amortised over its useful life using a units of production method, in accordance with the policy applicable to mine properties. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Waste development costs incurred in the production phase creates two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and the benefit is improved access to ore to be mined in the future, the costs are recognised as a stripping activity asset in mine properties.

If the costs of the inventory produced and the stripping asset are not separately identifiable, the allocation is undertaken based on waste-to-ore stripping ratio for the particular ore component concerned. If mining of waste in a period occurs in excess of the expected life-of-component average waste-to-ore strip ratio, the excess is recognised as part of the stripping asset. Where mining occurs at or below the expected life-of-component stripping ratio in a period, the entire production stripping cost is allocated to the cost of the ore inventory produced.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Overburden in advance (Continued)

Amortisation is provided using the units-of-production method over the life of the identified component of ore body. The units-of-production method results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves).

Stripping costs that do not satisfy the asset recognition criteria are expensed.

Taxation

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and current tax liabilities are presented in net if, and only if, the Group has the legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, interest in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

 (i) the same taxable entity; or

 (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Certain of the Company's Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the tax consolidated group recognises its own deferred tax assets and liabilities, except where the deferred tax assets relate to unused tax losses and credits, in which case the Australian subsidiaries recognises the assets. Australian subsidiaries have entered into a tax sharing agreement whereby each company of Australian subsidiaries contributes to the income tax payable in proportion to their contribution to the profit before tax of the tax consolidated group. The tax consolidated group has also entered into a tax funding agreement whereby each entity in Australian subsidiaries group can recognise their balance of the current tax assets and liabilities through inter-entity accounts.

Land subsidence, restoration, rehabilitation and environmental costs

One consequence of coal mining is land subsidence caused by the resettlement of the land above the underground mining sites. Depending on the circumstances, the Group may relocate inhabitants from the land above the underground mining sites prior to mining those sites or the Group may compensate the inhabitants for losses or damages from land subsidence after the underground sites have been mined. The Group may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the underground sites have been mined.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land subsidence, restoration, rehabilitation and environmental costs (Continued)

An estimate of such costs is recognised in the period in which the obligation is identified and is charged as an expense in proportion to the coal extracted. At each statement of financial position date, the Group adjusts the estimated costs in accordance with the actual land subsidence status. The provision is also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the undepreciated capitalised cost of any related assets, in which case the capitalised cost is reduced to nil and remaining adjustment is recognised in the consolidated statement of profit or loss. Changes to the capitalised cost result in an adjustment to future depreciation and financial charges.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present values of the minimum lease payments of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as an obligation under finance leases.

Each lease payment is allocated between liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The finance lease liabilities are included in current and non-current borrowings. The finance charges are expensed in the consolidated statement of profit or loss over the lease periods so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The assets accounted for as finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions and contingent liabilities (Continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

All other borrowings costs are recognised as expenses in the period in which they are incurred.

Foreign currencies

In the individual financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e., the currency of the primary environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

In the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi) at the rate of exchange prevailing at the reporting date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to defined contribution plans including included state-managed retirement benefit schemes and superannuation funds are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Benefits accruing to employees in respect of wages and salaries, annual leave and sick leave are included in other payables and accrued expenses. Related on-costs are also included in other payables and accrued expenses as other creditors. Long service leave is provided for when it is probable that settlement will be required and it is capable of being measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term and other long-term employee benefits (Continued)

Employee benefits expected to be settled within 12 months are measured using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Under IFRS 9 (applicable on or after 1 January 2018)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "Other income and gains" line item (note 10).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other income and gains" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Other income and gains" line item. Fair value is determined in the manner described in note 47c.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost as well as financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for bills and accounts receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 4 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of expected credit losses (Continued)

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Perpetual capital securities and subordinated capital notes issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, are classified as equity instruments and are initially recorded at the proceeds received.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the 'other incomes and gains' line item in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial liabilities at FVTPL (Continued)

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Note 40 sets out details of the fair values of the derivative instruments not used for hedging purposes. Movements in the hedging reserve in equity are detailed in the consolidated statement of changes in equity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "Other income and gains" line item.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Under IAS 39 (applicable before 1 January 2018)

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets at FVTPL included financial assets held for trading and financial assets designated as FVTPL upon initial recognition.

Financial assets are classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other income and gains line item in the consolidated statement of profit or loss. Fair value is determined in the manner described in note 47c.

Royalty receivable is remeasured based on sales volume, price changes, foreign currency exchange rates and expected future cash flows at each reporting date. The gain or loss arising from the change in fair value of royalty receivable is recognised in profit or loss. Royalty receivable is reduced by cash receipts and decreases with time. Since the contract is long term, the unwinding discount (to reflect time value of money) is recognised in interest income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including bank balances and cash, pledged term deposits, restricted cash, bills and accounts receivable, long-term receivables and other receivables) are subsequently measured at amortised cost using the effective interest method, less any identified impairment loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Financial assets (Continued)

Available-for-sale financial assets (Continued)

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as bills and accounts receivable and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of bills and accounts receivable and other receivables, where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a bills and accounts receivable or other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investments revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are classified into either financial liabilities at FVTPL or other financial liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is recognised in profit or loss includes any interest paid on the financial liabilities. Fair value is determined in a manner described in note 47c.

Other financial liabilities

Other financial liabilities including bills and accounts payables, other payables, amounts due to Parent Company and its subsidiaries, long term payables and borrowings which are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method and financial liabilities at fair value through profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entity are recognised at the proceeds received, net of direct issue costs.

Perpetual capital securities and subordinated capital notes issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, are classified as equity instruments and are initially recorded at the proceeds received.

Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities (fair value hedge); and (ii) hedges of highly probable forecast transactions (cash flow hedge).

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Accounting for derivative financial instruments and hedging activities (Continued)

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in cash flow hedge reserve in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

(ii) Derivatives that do not qualify for hedge accounting and those not designated as hedging instruments

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting and those not designated as hedges are recognised immediately in the profit or loss.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in investment revaluation reserve is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting financial instruments (applicable for both 2017 and 2018)

Financial assets and liabilities of the Group are offset and the net amount presented in the consolidated statement of financial position when, and only when, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Performance rights granted to employees

The fair value of services received determined by reference to the fair value of performance rights granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (capital reserve).

At the end of the reporting period, the Group revises its estimates of the number of performance rights that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to employee compensation reserve.

Fair value measurement

When measuring fair value except for the Group's share-based payment transactions, leasing transactions, net realisable value of inventories and value in use of intangible assets, prepaid lease payments, property, plant and equipment and construction in progress for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosure made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Significant influence over associates

As per note 27, the directors of the Company considered that China Zheshang Bank Co., Ltd. ("Zheshang Bank") 臨商銀行股份有限公司 ("Linshang Bank") and Qilu Bank Co. Ltd. ("Qilu Bank"), in which the Group has 4.99%, 19.75% and 8.67% equity interest respectively, are associates of the Group.

The Group considered that it has the practical ability to exercise significant influence on the associates even through it own less than 20% of the ownership interest and voting control into account 1) the Group's ownership interest is significant relative to other shareholders due to the wide dispersion of shareholding interests; 2) the representation or rights to appoint/nominate directors on the board of directors of the associates; and 3) the rights to participate in the policy-making process, including dividends and other distribution.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of property, plant and equipment

The cost of mining structures (note 24) is depreciated using the unit of production method based on the estimated production volume for which the structure was designed. The management exercises their judgement in estimating the useful lives of the depreciable assets and the production volume of the mine. The estimated coal production volumes are updated at regular intervals and have taken into account recent production and technical information about each mine. These changes are considered a change in estimate for accounting purposes and are reflected on a prospective basis in related depreciation rates. Estimates of the production volume are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information.

Amortisation of assets

Mining reserve (note 23) is amortised based on unit of production basis over the shorter of their useful lives and the contractual period. The expensing of overburden removal costs is based on saleable coal production over estimated economically recoverable reserves. The useful lives are estimated on the basis of the total proven and probable reserves of the mine. Proven and probable mining reserve estimates are updated at regular intervals and have taken into account recent production and technical information about each mine.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Provision for land subsidence, restoration, rehabilitation and environmental costs

The provision (note 37) is reviewed regularly to verify that it properly reflects the remaining obligation arising from the current and past mining activities. Provision for land subsidence, restoration, rehabilitation and environmental costs are determined by the management based on their best estimates of the current and future costs, latest government policies and past experiences.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 December 2018, the carrying amount of goodwill is RMB1,651,211,000 (2017: RMB1,668,727,000). During the year ended 31 December 2018, no impairment loss on goodwill (2017: nil) was recognised by the Group. Details of the Group's impairment assessment on goodwill are set out in note 25.

Cash flow projections during the budget period for each of the cash generating units are based on the budgeted revenue and expected gross margins during the budget period and the raw materials price inflation during the budget period. Expected cash inflows/outflows have been determined based on past performance and management's expectations for the market development.

Estimated impairment of property, plant and equipment and intangible assets

When there is an impairment indicator, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. In estimating the future cash flows, the management have taken into account the recent production and technical advancement. As prices and cost levels change from year to year, the estimate of the future cash flow also changes. Notwithstanding the management has used all the available information to make their impairment assessment, inherent uncertainty exists on conditions of the mine and of the environment and actual written off may be higher than the amount estimated.

As at 31 December 2018, the carrying amount of property, plant and equipment is approximately RMB45,296,120,000 (2017: RMB46,267,729,000). During the year ended 31 December 2018, no impairment loss on property, plant and equipment (2017: nil) was recognised by the Group.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment of property, plant and equipment and intangible assets (Continued)

As at 31 December 2018, the carrying amount of intangible assets is approximately RMB47,868,989,000 (2017: RMB50,217,581,000). During the year ended 31 December 2018, an impairment loss on intangible assets of approximately RMB289,787,000 (2017: RMB1,491,986,000) was recognised by the Group.

Exploration and evaluation expenditure

Under the Group's accounting policy, exploration expenditure is not capitalised. Evaluation expenditure is capitalised when there is a high degree of confidence that the Group will determine that a project is commercially viable and therefore it is considered probable that future economic benefits will flow to the Group.

There are occasions when the Group concludes that the asset recognition criteria are met at an earlier stage than approval to proceed. In these cases, evaluation expenditure is capitalised if there is a high degree of confidence that the Group will determine the project is commercially viable. The Group's view is that a high degree of confidence is greater than "more likely than not" (that is greater than 50 per cent certainty) and less than "virtually certain" (that is less than 90 per cent certainty). Determining whether there is a high degree of confidence that the Group will determine that an evaluation project is commercially viable requires a significant degree of judgement and assessment of all relevant factors such as the nature and objective of the project; the project's current stage and project timeline; current estimates of the project's net present value including sensitivity analyses for the key assumptions; and the main risks of the project. Development expenditure incurred prior to the decision to proceed is subject to the same criteria for capitalisation, being a high degree of confidence that the Group will determine that a project is commercially viable.

In accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources", the criteria for the capitalisation of evaluation costs are applied consistently from period to period.

Subsequent recovery of the carrying value for evaluation costs depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any related impairment provisions are charged to the consolidated statement of profit or loss.

6. SEGMENT INFORMATION

The Group is engaged primarily in the mining business. The Group is also engaged in the coal railway transportation business. The Company does not currently have direct export rights in the PRC and all of its export sales is made through China National Coal Industry Import and Export Corporation ("National Coal Corporation"), Minmetals Trading Co., Ltd. ("Minmetals Trading") or Shanxi Coal Imp. & Exp. Group Corp. ("Shanxi Coal Corporation"). The final customer destination of the Group's export sales is determined by the Group, National Coal Corporation. The exploitation right of the Group's foreign subsidiaries is not restricted. Minmetals Trading or Shanxi Coal Corporation. Certain of the Company's subsidiaries and associates are engaged in manufacturing and trading of mining machinery and the transportation business via rivers and lakes and financial services in the PRC. No separate segment information about these businesses is presented in these financial statements as the underlying gross sales, results and assets of these businesses, which are currently included in the mining business segment, are insignificant to the Group. Certain of the Company's subsidiaries are engaged in production of methanol and other chemical products, and invest in heat and electricity. Upon the acquisition of Yankuang Donghua Heavy Industry Limited ("Donghua") in 2016, the Group is also engaged in the manufacturing of comprehensive coal mining and excavating equipment.

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

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

Principal activities are as follows:

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

The accounting policies of the reportable segments are same as the Group's accounting policies described in note 4. Segment results represents the results of each segment without allocation of corporate expenses and directors' emoluments, share of results of associates and joint ventures, interest income, interest expenses and income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

6. SEGMENT INFORMATION (Continued)

Unallocated corporate income for the years ended 31 December 2018 and 2017 mainly included gain on sales of materials and sundry items.

Unallocated corporate expenses for the years ended 31 December 2018 and 2017 mainly included bank charges, salaries and other employee benefits, miscellaneous taxes and sundry items.

Unallocated corporate assets at 31 December 2017 and 2018 mainly included certain bank balances and cash, investments in securities, deferred tax assets and sundry items.

Unallocated corporate liabilities at 31 December 2017 and 2018 mainly included only borrowings, deferred tax liabilities and sundry items.

(a) Segment revenues and results

Segment information about these businesses is presented below:

	For the year ended 31 December 2018					
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Eliminations RMB'000	Consolidated RMB'000
SEGMENT REVENUE						
External	62,428,313	420,303	4,121,293	477,195	–	67,447,104
Inter-segment	5,902,994	82,491	506,440	686,324	(7,178,249)	–
Total	68,331,307	502,794	4,627,733	1,163,519	(7,178,249)	67,447,104

The revenue for the year ended 31 December 2018 represented revenue from contracts with customers within the scope of IFRS 15.

6. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

	For the year ended 31 December 2018						
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Unallocated RMB'000	Eliminations RMB'000	Consolidated RMB'000
RESULTS							
Segment results	**18,588,383**	**160,012**	**1,046,315**	**128,689**	**–**	**–**	**19,923,399**
Unallocated corporate expenses	**–**	**–**	**–**	**–**	**–**	**–**	**(5,523,706)**
Unallocated corporate income	**–**	**–**	**–**	**–**	**–**	**–**	**2,605,533**
Interest income	**–**	**–**	**–**	**–**	**–**	**–**	**1,003,958**
Share of results of associates	**381,102**	**195,484**	**54,376**	**–**	**665,245**	**–**	**1,296,207**
Share of results of joint ventures	**238,101**	**–**	**–**	**–**	**–**	**–**	**238,101**
Finance costs	**–**	**–**	**–**	**–**	**–**	**–**	**(3,612,394)**
Profit before tax							**15,931,098**
Income tax expenses							**(4,608,406)**
Profit for the year							**11,322,692**

	For the year ended 31 December 2017					
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Eliminations RMB'000	Consolidated RMB'000
SEGMENT REVENUE						
External	48,471,820	302,896	3,694,635	202,754	–	52,672,105
Inter-segment	3,314,618	62,822	509,303	1,264,062	(5,150,805)	–
Total	51,786,438	365,718	4,203,938	1,466,816	(5,150,805)	52,672,105

6. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

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

	For the year ended 31 December 2017						
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Unallocated RMB'000	Eliminations RMB'000	Consolidated RMB'000
RESULTS							
Segment results	15,381,489	49,791	780,827	62,689	–	–	16,274,796
Unallocated corporate expenses	–	–	–	–	–	–	(4,879,787)
Unallocated corporate income	–	–	–	–	–	–	1,519,311
Interest income	–	–	–	–	–	–	763,848
Share of results of associates	357,160	–	43,548	–	282,240	–	682,948
Share of results of joint ventures	172,529	–	–	–	–	–	172,529
Finance costs	–	–	–	–	–	–	(3,255,404)
Profit before tax							11,278,241
Income tax expenses							(2,714,654)
Profit for the year							8,563,587

6. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

	As at 31 December 2018					
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Unallocated RMB'000	Consolidated RMB'000
ASSETS						
Segment assets	134,475,299	500,299	14,843,736	5,420,221	–	155,239,555
Interests in associates	3,782,845	2,031,147	1,101,480	–	9,108,237	16,023,709
Interests in joint ventures	660,221	–	–	–	–	660,221
Unallocated corporate assets						34,080,130
						206,003,615
LIABILITIES						
Segment liabilities	28,285,399	208,883	9,042,656	4,077,626	–	41,614,564
Unallocated corporate liabilities						77,344,062
						118,958,626

	As at 31 December 2017					
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Unallocated RMB'000	Consolidated RMB'000
ASSETS						
Segment assets	140,735,565	516,288	10,124,225	5,359,990	–	156,736,068
Interests in associates	3,297,096	1,942,500	1,043,158	–	2,371,451	8,654,205
Interests in joint ventures	348,243	–	–	–	–	348,243
Unallocated corporate assets						31,574,108
						197,312,624
LIABILITIES						
Segment liabilities	28,307,396	314,727	5,515,444	4,035,537	–	38,173,104
Unallocated corporate liabilities						79,443,877
						117,616,981

6. SEGMENT INFORMATION (Continued)

(c) Other segment information

	For the year ended 31 December 2018					
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Corporate RMB'000	Consolidated RMB'000
Capital additions	9,546,978	222,864	5,531,592	56,088	495,271	15,852,793
Additions of investments in associates	200,000	–	–	–	5,938,411	6,138,411
Amortisation of intangible assets	1,368,374	–	20,618	3,792	898	1,393,682
Depreciation of property, plant and equipment	3,593,903	27,824	853,191	453,192	1,115	4,929,225
Release of prepaid lease payments	13,084	5,372	7,702	3,560	–	29,718
Impairment loss on:						
– inventories, net	7,227	–	–	–	–	7,227
– bills and accounts receivables	164,405	–	–	–	–	164,405
– other receivables, net	127,748	–	–	–	–	127,748
– long-term receivables	173,133	–	–	–	–	173,133
– intangible assets	289,787	–	–	–	–	289,787
Gain on partial disposal of a joint operation	(388,607)	–	–	–	–	(388,607)

	For the year ended 31 December 2017					
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Corporate RMB'000	Consolidated RMB'000
Capital additions	26,163,160	213,229	1,692,754	59,756	594,798	28,723,697
Additions of investments in associates	995,850	1,942,500	30,000	–	433,329	3,401,679
Amortisation of intangible assets	1,066,965	–	21,600	4,365	1,036	1,093,966
Depreciation of property, plant and equipment	2,723,400	32,719	386,726	414,573	1,034	3,558,452
Release of prepaid lease payments	11,541	7,271	5,449	3,414	–	27,675
Impairment loss on:						
– inventories	2,777	–	–	–	–	2,777
– accounts and other receivables	728,510	–	–	–	–	728,510
– intangible assets	1,491,986	–	–	–	–	1,491,986
Gain on bargain purchase	(896,933)	–	–	–	–	(896,933)
Reversal of impairment loss on intangible assets	(505,430)	–	–	–	–	(505,430)

6. SEGMENT INFORMATION (Continued)

GEOGRAPHICAL INFORMATION

The following table sets out the geographical information. The geographical location of sales to external customers is based on the location at which the services were provided or the destination of goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interests in associates and joint ventures.

The geographical information of revenue are as follows:

	Revenue from external customers For the year ended 31 December	
	2018	2017
	RMB'000	RMB'000
The PRC (place of domicile)	**45,085,252**	41,000,781
Australia	**2,935,668**	3,342,198
Others	**19,426,184**	8,329,126
Total	**67,447,104**	52,672,105

The geographical information of non-current assets (note) are as follows:

	Non-current assets At 31 December	
	2018	2017
	RMB'000	RMB'000
The PRC (place of domicile)	**82,385,729**	69,099,148
Australia	**40,706,882**	42,871,343
Canada	**1,803,898**	1,854,036
Total non-current assets	**124,896,509**	113,824,527

Note: Non-current assets excluded investments in securities, long-term receivables, royalty receivable, deposits made on investments and deferred tax assets.

7. NET SALES OF COAL

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Coal sold in the PRC, gross	**41,796,456**	34,953,725
Less: Transportation costs	**(1,092,894)**	(528,886)
Coal sold in the PRC, net	**40,703,562**	34,424,839
Coal sold outside the PRC, gross	**20,631,857**	13,518,095
Less: Transportation costs	**(2,658,167)**	(1,901,238)
Coal sold outside the PRC, net	**17,973,690**	11,616,857
Net sales of coal	**58,677,252**	46,041,696

Net sales of coal represent the invoiced value of coal sold and are net of returns, discounts and transportation costs if the invoiced value includes transportation costs to the customers.

8. COST OF SALES AND SERVICES PROVIDED

Cost of sales and services provided included:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Wages and employee benefits	**6,394,023**	4,262,843
Depreciation	**2,813,740**	1,927,789
Amortisation of mining rights	**1,368,374**	1,066,965

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling general and administrative expenses included:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Wages and employee benefits	**3,931,798**	2,542,652
Release of prepaid lease payment	**29,718**	27,675
Amortisation of intangible assets	**25,308**	27,001
Depreciation	**701,670**	476,570
Impairment loss on bills and accounts receivables, net	**164,405**	120,757
Impairment loss on other receivables, net	**127,748**	607,753
Impairment loss on inventories	**7,227**	2,777
Impairment loss on intangible assets	**289,787**	1,491,986
Impairment loss on long-term receivables	**173,133**	–
Loss on disposals of property, plant and equipment	**9,046**	28,415
Fair value loss on financial assets at FVTPL	**182,493**	–
Exchange loss, net	**260,390**	971,565
Deemed loss on disposal of an associate	**53**	–
Loss on change in fair value of derivative financial instruments	**28,466**	–

10. OTHER INCOME AND GAINS

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Dividend income	**152,732**	77,108
Gain on sales of auxiliary materials	**2,180,849**	1,133,791
Interest income	**1,003,958**	763,848
Gain on change in fair value of royalty receivable	**18,573**	38,326
Gain on change in fair value of derivative financial instruments	**–**	21,888
Gain on bargain purchase (note 48)	**–**	896,933
Gain on disposals of property, plant and equipment	**–**	4,747
Gain on disposal of available-for-sale investments	**–**	41,370
Gain on change in fair value of financial assets at FVTPL	**220,116**	–
Government grants	**219,865**	354,418
Gain on partial disposal of a joint operation	**388,607**	–
Reversal of impairment loss on intangible assets	**–**	505,430
Others	**177,527**	184,028
	4,362,227	4,021,887

Note a: The above dividend income is from listed investments.

Note b: Government grants mainly represented subsidies provided to the Group to finance its operations and there were no unfulfilled conditions.

11. FINANCE COSTS

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Interest expenses on:		
– Bank and other borrowings	**3,708,461**	3,506,316
– Bills receivable discounted without recourse	**850**	1,036
	3,709,311	3,507,352
Less: interest expenses capitalised into construction in progress	**(96,917)**	(251,948)
	3,612,394	3,255,404

12. INCOME TAX EXPENSES

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Income taxes:		
Current taxes	**3,210,681**	2,974,693
Deferred taxes (note 42)	**1,397,725**	(260,039)
	4,608,406	2,714,654

Except for certain subsidiaries in the PRC that are entitled to a preferential tax rate of 15%, the Company and its subsidiaries in the PRC are subject to the standard income tax rate of 25% on its taxable income (2017: 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total tax charge for the year can be reconciled to the profit per the consolidated statement of profit or loss as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit before tax	**15,931,098**	11,278,241
Standard income tax rate in the PRC	**25%**	25%
Standard income tax rate applied to profit before tax	**3,982,775**	2,819,560
Reconciling items:		
Tax effect of expenses not deductible for tax purpose	**620,767**	135,895
Utilisation of unrecognised tax losses in prior years	**(22,089)**	(195,855)
Effect of tax rate differences in other taxation jurisdictions	**30,902**	(10,453)
Tax effect of share of results of associates and joint ventures	**(383,577)**	(213,869)
Tax effect of tax losses not recognised	**554,516**	222,230
Others	**(174,888)**	(42,854)
Income taxes	**4,608,406**	2,714,654
Effective income tax rate	**28.93%**	24.07%

13. PROFIT BEFORE TAX

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit before tax has been arrived at after charging:		
Amortisation of intangible assets	**1,393,682**	1,093,966
Depreciation of property, plant and equipment		
– Under finance leases	**35,972**	147,247
– Self-owned	**4,893,253**	3,411,205
Total depreciation	**4,929,225**	3,558,452
Release of prepaid lease payments	**29,718**	27,675
Auditors' remuneration	**16,766**	12,497
Staff costs, including directors', chief executive director's, supervisors' and management team's emoluments	**10,325,821**	6,592,399
Retirement benefit scheme contributions (included in staff costs above)	**2,586,451**	1,203,662
Assets transfer expenses (note)	**538,931**	–
Cost of inventories recognised as expenses	**17,094,576**	15,678,797
Research and development costs	**157,560**	83,122
Operating lease charges in respect of leased premises	**123,688**	94,123

Note: In accordance with the relevant policies issued by the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance of the People's Republic of China, state-owned enterprises shall carve out and transfer their assets related to water supply, power supply, heat/gas supply and property management of employees' communities, together with their maintenance obligation and management function, to the parties, which are designated by local governments, after the necessary upgrades, before the year end of 2018 (the "Transfer", 三供一業移交). As at 31 December 2018, the Group has completed the Transfer and recognised a one-off expense of approximately RMB538,931,000.

14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

Directors', chief executive director's, supervisors' and management team's emoluments

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	For the year ended 31 December 2018			
	Fees RMB'000	Salaries, allowance and other benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Independent non-executive directors				
Qi Anbang	130	–	–	130
Kong Xiangguo	130	–	–	130
Cai Chang	130	–	–	130
Poon Chiu Kwok	130	–	–	130
	520	–	–	520
Executive directors				
Wu Yuxiang*	–	–	–	–
Wu Xiangqian	–	937	165	1,102
Guo Jun	–	752	132	884
Li Wei*	–	–	–	–
Zhao Qingchun	–	755	133	888
Guo Dechun	–	903	159	1,062
	–	3,347	589	3,936
Chief executive director				
Li Xiyong*	–	–	–	–

14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

Directors', chief executive director's, supervisors' and management team's emoluments (Continued)

	For the year ended 31 December 2018			
	Fees RMB'000	Salaries, allowance and other benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Supervisors				
Zhang Ning*	–	–	–	–
Zhou Hong*	–	–	–	–
Gu Shisheng*	–	–	–	–
Tang Daqing[1]	–	675	118	793
Jiang Qingquan	–	782	138	920
Meng Qinjian*	–	–	–	–
Zheng Kai[2]	–	415	71	486
	–	1,872	327	2,199
Other management team				
Wang Fuqi	–	788	139	927
Zhao Honggang	–	768	135	903
Jin Qingbin	–	326	56	382
Liu Jian	–	694	122	816
He Jing	–	775	136	911
Gong Zhijie[3]	–	916	162	1,078
	–	4,267	750	5,017
Total	520	9,486	1,666	11,672

The executive directors, chief executive directors' and other management team's emoluments shown above were for their services to the management of the affairs of the Company and the Group.

The independent non-executive directors' and the supervisors' emoluments shown above were for their services as directors/supervisors of the Company.

* Emoluments paid to these directors, the chief executive director, supervisors and management team were borne by the Parent Company and there is no reasonable basis of allocating their emoluments to the Group.

1 Appointed on 23 November 2017 and resigned on 25 December 2018

2 Appointed on 25 December 2018

3 Appointed on 27 December 2018

14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

Directors', chief executive director's, supervisors' and management team's emoluments (Continued)

	For the year ended 31 December 2017			
	Fees RMB'000	Salaries, allowance and other benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Independent non-executive directors				
Wang Xiaojun[5]	65	–	–	65
Wang Lijie[4]	32	–	–	32
Jia Shaohua[6]	119	–	–	119
Qi Anbang	130	–	–	130
Kong Xiangguo[1]	98	–	–	98
Cai Chang[3]	11	–	–	11
Poon Chiu Kwok[2]	65	–	–	65
	520	–	–	520
Executive directors				
Wu Yuxiang*	–	–	–	–
Wu Xiangqian	–	619	107	726
Guo Jun	–	575	100	675
Li Wei*	–	–	–	–
Zhao Qingchun	–	608	107	715
Guo Dechun	–	629	110	739
	–	2,431	424	2,855
Chief executive director				
Li Xiyong*	–	–	–	–

14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

Directors', chief executive director's, supervisors' and management team's emoluments (Continued)

	For the year ended 31 December 2017			
	Fees RMB'000	Salaries, allowance and other benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Supervisors				
Zhang Shengdong*[5]	–	–	–	–
Zhang Ning[2]	–	–	–	–
Zhou Hong[2]	–	–	–	–
Gu Shisheng*[2]	–	–	–	–
Chen Zhongyi[8]	–	197	34	231
Tang Daqing[7]	–	620	108	728
Jiang Qingquan	–	585	103	688
Meng Qinjian*	–	–	–	–
Xue Zhongyong*[5]	–	–	–	–
	–	1,402	245	1,647
Other management team				
Wang Fuqi	–	606	106	712
Zhao Honggang	–	607	106	713
Jin Qingbin	–	519	90	609
Liu Jian	–	609	107	716
An ManLin[5]	–	95	15	110
He Jing[2]	–	609	107	716
	–	3,045	531	3,576
Total	520	6,878	1,200	8,598

The executive directors', chief executive director's and other management team's emoluments shown above were for their services to the management of the affairs of the Company and the Group.

The independent non-executive directors' and the supervisors' emoluments shown above were for their services as directors/supervisors of the Company.

* Emoluments paid to these directors, the chief executive director, supervisors and management team were borne by the Parent Company and there is no reasonable basis of allocating their emoluments to the Group.

1 Appointed on 10 March 2017
2 Appointed on 29 June 2017
3 Appointed on 27 November 2017
4 Resigned on 10 March 2017
5 Resigned on 29 June 2017
6 Resigned on 27 November 2017
7 Appointed on 23 November 2017
8 Resigned on 23 November 2017

14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

Employees' emoluments

The five highest paid individuals in the Group included one (2017: nil) director for the year ended 31 December 2018. The emoluments of the remaining four (2017: five) highest paid individuals were stated as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries, allowance and other benefits in kind	**13,989**	13,412
Retirement benefit scheme contributions	**367**	622
Discretionary bonuses	**12,928**	11,765
	27,284	25,799

Their emoluments were within the following bands:

	Year ended 31 December	
	2018	2017
HKD1,500,001 to HKD2,000,000	**–**	1
HKD2,000,001 to HKD2,500,000	**1**	–
HKD3,500,001 to HKD4,000,000	**–**	2
HKD4,500,001 to HKD5,000,000	**1**	–
HKD5,500,001 to HKD6,000,000	**1**	–
HKD6,000,001 to HKD6,500,000	**–**	1
HKD16,000,001 to HKD16,500,000	**–**	1
HKD17,000,001 to HKD17,500,000	**1**	–
	4	5

None of the directors, chief executive director, supervisors, management team and the five highest paid individuals waived any emoluments in the year ended 31 December 2018 and 2017. No emoluments were paid by the Group to any of the directors, supervisors, management team or five highest paid individuals as an inducement to joining the Group or as compensation for loss of office.

15. DIVIDEND RECOGNISED AS DISTRIBUTION DURING THE YEAR

	2018 RMB'000	2017 RMB'000
2017 final dividend, RMB0.48 per share (2017: 2016 final dividend, RMB0.12 per share)	**2,357,768**	589,442

Pursuant to the annual general meeting held on 29 June 2017, a final dividend of RMB0.12 per share in respect of the year ended 31 December 2016 was approved by the shareholders and paid to the shareholders of the Company.

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 by the shareholders and paid to the shareholders of the Company.

The board of directors proposes to declare a final dividend of approximately RMB2,652,489,000 calculated based on a total number of 4,912,016,000 shares issued at RMB0.54 each in respect of the year ended 31 December 2018. The declaration and payment of the final dividend needs to be approved by the shareholders of the Company by way of an ordinary resolution in accordance with the requirements of the Company's Articles of Association. A shareholders' general meeting will be held for the purpose of considering and, if thought fit, approving this ordinary resolution.

16. EARNINGS PER SHARE

The calculation of the earnings per share attributable to the equity holders of the Company for the years ended 31 December 2018 and 2017 is based on the profit attributable to the equity holders of the Company for the year of approximately RMB8,582,556,000 and RMB7,362,675,000, respectively, and on the weighted average 4,912,016,000 shares in issue during 2018 and 2017 (excluding the ordinary shares repurchased in 2016 and cancelled in 2017).

Diluted earnings per share for the years ended 31 December 2018 and 2017 approximates the basic earnings per share as the dilutive effect of the subordinated capital notes issued by the subsidiary is not significant.

17. BANK BALANCES AND CASH/PLEDGED TERM DEPOSITS AND RESTRICTED CASH

Bank balances carry interest at market rates which ranged from 0.30% to 1.69% (2017: from 0.30% to 2.10%) per annum.

At the reporting date, the restricted cash represents the bank acceptance bill deposits paid for safety work as required by the State Administrative of work safety which carry interest at market rates of 0.30% to 0.42% (2017: 0.30% to 0.42%) per annum, deposits placed as guarantee for the future payment of land subsidence as required by the Australian government which carry interest at average rate of nil (2017: 1.19%) per annum.

Pledged term deposits were pledged to certain banks as security for loans and banking facilities granted to the Group, which carry fixed interest rate ranging from 0.55% to 2.9% (2017: 0.55% to 2.9%) per annum.

18. BILLS AND ACCOUNTS RECEIVABLES

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Accounts receivables	**5,128,383**	4,117,707
Less: impairment loss	**(399,830)**	(272,569)
	4,728,553	3,845,138
Bills receivables	**4,430,527**	9,146,320
Less: impairment loss	**(1,818)**	–
Total bills and accounts receivables, net	**9,157,262**	12,991,458

Bills receivable represents unconditional orders in writing issued by or negotiated from customers of the Group for completed sale orders which entitle the Group to collect a sum of money from banks or other parties. The bills are non-interest bearing and have a maturity of six months.

At as 31 December 2018, the gross amount of bills and accounts receivable arising from contracts with customers amounted to approximately RMB9,558,910,000 (1 January 2018: RMB13,264,027,000).

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

18. BILLS AND ACCOUNTS RECEIVABLES (Continued)

The following is an aged analysis of bills and accounts receivables, net of allowance for impairment, presented based on the invoice dates, which approximates the respective revenue recognition dates, at the end of the reporting period:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
0-90 days	**5,151,867**	7,979,670
91-180 days	**1,959,033**	1,122,141
181-365 days	**1,709,290**	3,366,423
Over 1 year	**337,072**	523,224
	9,157,262	12,991,458

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year.

As at 31 December 2017, included in the Group's bills and accounts receivables balance were debtors with aggregate carrying amount of approximately RMB988,077,000 which were past due as at the end of the reporting period for which the Group had not provided for impairment loss because management considered that they were of good credit quality. The Group did not hold any collateral over these balances. The aged analysis of the Group's bills and accounts receivables, that were past due but not impaired is set out below:

	31/12/2017
	RMB'000
1-90 days	165,718
91-180 days	72,216
181-365 days	61,308
Over 1 year	688,835
	988,077

From 1 January 2018 onwards, the Group measures the loss allowance for bills and accounts receivables at an amount equal to lifetime ECL. As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment on a collective basis for part of its customers which consist of large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

18. BILLS AND ACCOUNTS RECEIVABLES (Continued)

The following table provide information about the exposure to credit risk and ECL for bills and accounts receivables from these customers which are assessed individually or collectively based on provision matrix as at 31 December 2018.

	Average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Accounts receivables – collective assessment			
– Within 1 year	3.39	4,232,586	143,425
– 1-2 years	16.87	50,307	8,487
– 2-3 years	34.84	9,433	3,288
– Over 3 years	100.00	244,630	244,630
Bills receivables – collective assessment	0.04	4,430,527	1,818
		8,967,483	401,648

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward looking information that is available without undue cost or effort. The grouping is regularly reviewd the management to ensure relevant information about specific debtor is updated.

For the remaining accounts receivables of approximately RMB591,427,000, they are due from large and state-owned enterprises which have good credit rating and very rare past default payment history, the directors of the Company considered that there is no expected credit loss on these receivables as at 31 December 2018.

18. BILLS AND ACCOUNTS RECEIVABLES (Continued)

Receivable are written off if past due for more than 4 years and are not subject to enforcement activity. The Group does not hold collateral as security. During the year ended 31 December 2018, accounts receivables of approximately RMB108,000 (2017: Nil) were written-off.

An analysis of the impairment loss on bills and accounts receivables for 2018 and 2017 are as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Balance at 1 January	**272,569**	151,812
Effect on adoption of IFRS 9	**(35,218)**	–
Amounts written off as uncollectible	**(108)**	–
Provided for the year	**170,238**	120,757
Impairment loss reversed	**(5,833)**	–
Balance at 31 December	**401,648**	272,569

Included in bills receivable and accounts receivables as at 31 December 2018 are balances of approximately RMB875,500,000 (2017: RMB1,827,043,000) that have been pledged to secure borrowings and banking facilities granted to the Group.

As at 31 December 2017, included in the allowance for impairment of bills and accounts receivables were individually impaired bills and accounts receivables of approximately RMB272,569,000, 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 bills and accounts receivables and the present value of the amounts.

19. ROYALTY RECEIVABLE

	At 31 December	
	2018	2017
	RMB'000	RMB'000
As at 1 January	**1,016,446**	997,761
Cash received	**(155,700)**	(139,358)
Unwinding discount	**103,383**	105,453
Exchange re-alignment	**(51,446)**	14,264
Change in fair value	**18,573**	38,326
As at 31 December	**931,256**	1,016,446
Presented as:		
Current portion	**134,544**	124,450
Non-current portion	**796,712**	891,996
	931,256	1,016,446

A right to receive a royalty of 4% of Free on Board trimmed sales from Middlemount Coal Pty Ltd ("Middlemount") mine operated by Middlemount Joint Venture was acquired as part of the acquisition of Gloucester Coal Limited ("Gloucester"). This financial asset has been determined to have a finite life being the life of the Middlemount mine and is measured at fair value basis.

The royalty receivable is measured based on management expectations of the future cash flows at each reporting date with the re-measurement recorded in profit or loss. The amount expected to be received in the next 12 month is disclosed as current receivable and the discounted expected future cash flow beyond 12 months is disclosed as a non-current receivable. Change in fair value is included in other income and gains.

20. INVENTORIES

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Work in progress	**639,492**	342,618
Finished goods	**178,562**	182,543
	818,054	525,161
Methanol	**74,173**	86,171
Auxiliary material, spare parts and small tools	**1,018,680**	735,496
Coal products	**1,955,580**	1,324,776
Iron ore	**196,866**	360,165
Others	**5,642**	47,480
	4,068,995	3,079,249

As at 31 December 2018, inventories of nil (2017: RMB170,000,000) have been pledged to secured borrowings of the Group.

21. PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Advance to suppliers	**3,831,239**	4,293,661
Less: Impairment loss on advance to suppliers (note (i))	**(614,343)**	(1,365,448)
	3,216,896	2,928,213
Prepaid relocation costs of inhabitants	**3,543,234**	2,706,538
Other taxes	**954,371**	628,179
Dividend receivable	**16,116**	51,316
Loan receivables (note (ii))	**6,397,365**	4,982,251
Interest receivable	**43,949**	100,966
Others	**3,124,391**	3,343,070
Less: Impairment loss on other receivables	**(423,134)**	(288,983)
	16,873,188	14,451,550

(i) An analysis of the impairment loss on advance to suppliers for 2018 and 2017 are as follows:

	2018	2017
	RMB'000	RMB'000
Balance at 1 January	**1,365,448**	1,046,678
Provided for the year	**–**	318,770
Amounts written off as uncollectible	**(751,105)**	–
Balance at 31 December	**614,343**	1,365,448

Included in the above balance as at 31 December 2018 is individually impaired advances of approximately RMB614,343,000 (2017: RMB1,365,448,000).

Advances will be written off, if aged over 4 years and considered irrecoverable by the management after considering the credit quality of the individual party and the nature of the amount overdue. During the year ended 31 December 2018, advances of approximately RMB751,105,000 (2017: Nil) were written-off.

(ii) The loans receivables carried interest ranging from 3.48% to 4.35% per annum and are repayable within 12 months from the end of the reporting period.

21. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The Group recognised lifetime ECL and 12-month ECL for other receivables based on individually significant customer or the ageing of customers collectively that are not individually significant as follows:

	Average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Other receivables – Performing	2.72	8,742,372	237,796
Other receivables – Default	92.75	199,818	185,338
Remaining other receivables	*	639,631	–
		9,581,821	423,134

* For the remaining balance of other receivables of approximately RMB659,631,000 it has low risk of default or has not been significantly increase in credit risk since initial recognition and impairment is not recognised.

Movement in the impairment losses on other receivables is as follows:

	12-month ECL RMB'000	Lifetime ECL – credit-impaired RMB'000	Total RMB'000
At 1 January 2017	N/A	N/A	–
Provided for the year	N/A	N/A	288,983
At 31 December 2017	N/A	N/A	288,983
Impact on adoption of IFRS 9	N/A	N/A	6,403
At 1 January 2018	223,943	71,443	295,386
Provided for the year	88,574	113,895	202,469
Impairment loss reversed	(74,721)	–	(74,721)
At 31 December 2018	237,796	185,338	423,134

22. PREPAID LEASE PAYMENTS

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Current portion	**29,718**	27,675
Non-current portion	**1,275,029**	1,246,106
	1,304,747	1,273,781

The amounts represent prepaid lease payments for land use rights which are situated in the PRC have a term of 45 to 50 years from the date of grant of land use rights certificates.

23. INTANGIBLE ASSETS

	Mining reserves RMB'000	Mining resources (exploration and evaluation assets) RMB'000	Potash mineral exploration permit RMB'000	Technology RMB'000	Water licenses RMB'000	Others RMB'000	Total RMB'000
COST							
At 1 January 2017	41,323,274	4,155,583	1,293,302	247,768	245,696	123,368	47,388,991
Exchange re-alignment	56,523	23,327	8,090	1,928	–	2,142	92,010
Additions	253,731	–	–	–	–	2,019	255,750
Transfer from construction in progress	279,693	–	–	–	–	–	279,693
Acquisition of subsidiaries	12,597,949	–	–	–	86,348	1,868	12,686,165
Transfer to assets classified as held for sale	(1,582,723)	–	–	–	(21,713)	(177)	(1,604,613)
At 31 December 2017 and 1 January 2018	52,928,447	4,178,910	1,301,392	249,696	310,331	129,220	59,097,996
Exchange re-alignment	(1,512,114)	(158,766)	(1,376)	(6,695)	(23,513)	(40,527)	(1,742,991)
Additions	38	9,918	–	–	3,139	3,544	16,639
Acquisition of additional interests in joint operations	647,060	59,507	–	–	174	8,381	715,122
At 31 December 2018	52,063,431	4,089,569	1,300,016	243,001	290,131	100,618	58,086,766
AMORTISATION AND IMPAIRMENT							
At 1 January 2017	6,575,174	125,394	–	12,748	4,641	64,241	6,782,198
Exchange re-alignment	13,407	4,022	–	32	–	234	17,695
Provided for the year	1,066,965	–	–	5,597	4,983	16,421	1,093,966
Reversal of impairment loss	(505,430)	–	–	–	–	–	(505,430)
Impairment loss	1,491,986	–	–	–	–	–	1,491,986
At 31 December 2017 and 1 January 2018	8,642,102	129,416	–	18,377	9,624	80,896	8,880,415
Exchange re-alignment	(340,068)	(265)	–	(110)	(385)	(5,279)	(346,107)
Provided for the year	1,368,374	–	–	8,029	4,010	13,269	1,393,682
Impairment loss	289,787	–	–	–	–	–	289,787
At 31 December 2018	9,960,195	129,151	–	26,296	13,249	88,886	10,217,777
CARRYING VALUES							
At 31 December 2018	42,103,236	3,960,418	1,300,016	216,705	276,882	11,732	47,868,989
At 31 December 2017	44,286,345	4,049,494	1,301,392	231,319	300,707	48,324	50,217,581

The mining rights (mining reserves) are amortised based on unit of production method.

The potash mineral exploration permit is reclassified to mining resources or mining reserves according to its progress of exploration. Technology has not yet reached the stage of commercial application and therefore is not amortised. Patent is also included in technology and it is amortised on a straight line basis of 10 years over the useful life.

Water licenses are amortised over the life of mine. If the mining activities of the relevant locations have not yet been started and the connections to water sources have not been completed, no amortisation will be provided.

Other intangible assets mainly represent computer software which is amortised on a straight line basis of 2.5 to 5 years over the useful life.

23. INTANGIBLE ASSETS (Continued)

Amortisation expense of the mining rights for the year of RMB1,368,374,000 (2017: RMB1,066,965,000) has been included in cost of sales and services provided. Amortisation expense of other intangible assets for the year of RMB25,308,000 (2017: RMB27,001,000) has been included in selling, general and administrative expenses.

During the years ended 31 December 2018 and 2017, each cash generating unit's recoverable amount has been determined using the value-in-use method.

Value-in-use has been determined using a discounted cash flow model. The key assumptions to which the model is most sensitive include:

- Coal prices
- Foreign exchange rates, if applicable
- Production and capital costs
- Discount rate
- Coal reserves and resources

In determining the value assigned to each key assumption, management has used external sources of information and utilised the expertise of external consultants and experts within the Group to validate entity specific assumptions such as coal reserves and resources.

Production and capital costs are based on the Group's estimate of forecasted geological conditions, stage of existing plant and equipment and future production levels. The information is obtained from internally maintained budgets, the five year business plan, life of mine models, life of mine plans and project evaluations performed by the Group in its ordinary course of business.

The Group has applied a pre-tax discount rate of 10.74% (2017: 11% to 14.5%) to discount the forecast future attributable post-tax cash flows. The post-tax discount rate applied to the future cash flow forecasts represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. This rate is also consistent with the Group's five year business plan, life of mine models and project evaluations performed in ordinary course of business.

During the year ended 31 December 2017, there had been an improvement the mine operating costs and an increase in the JORC reserves at the Moolarben mine. These factors had been considered a trigger for a reversal of impairment made in previous years. An impairment reversal of RMB505,430,000 had been recognised through the profit or loss of the year ended 31 December 2017.

In relation to Wenyu Mine, due to the underperformance of the cash generating unit, an impairment loss of RMB289,787,000 (2017: RMB1,491,986,000) was recognised. The recoverable amount for the Wenyu Mine as at 31 December 2018 was determined to be RMB1.1 billion (2017: RMB1.4 billion).

24. PROPERTY, PLANT AND EQUIPMENT

	Freehold land in Australia RMB'000	Buildings RMB'000	Railway structures RMB'000	Mining structures RMB'000	Plant, machinery and equipment RMB'000	Transportation equipment RMB'000	Total RMB'000
COST							
At 1 January 2017	772,593	4,764,948	4,909,235	12,507,480	27,936,644	2,275,435	53,166,335
Exchange re-alignment	14,812	11,514	–	82,286	200,117	3	308,732
Additions	–	93,486	116,839	298,664	2,352,050	93,856	2,954,895
Acquisition of subsidiaries	244,855	235,604	–	1,783,200	4,489,394	2,534	6,755,587
Transfers to assets classified as held for sales	–	(76,392)	–	(259,732)	(606,057)	–	(942,181)
Transfers from construction in progress	–	1,788,072	9,096	4,656,846	4,181,210	176,974	10,812,198
Reclassification	–	(379)	–	–	33,847	(33,468)	–
Disposals	(26,182)	(86,541)	(4,417)	(489,270)	(435,823)	(7,502)	(1,049,735)
At 31 December 2017 and 1 January 2018	1,006,078	6,730,312	5,030,753	18,579,474	38,151,382	2,507,832	72,005,831
Exchange re-alignment	(51,924)	(53,691)	–	(422,107)	(931,075)	(16)	(1,458,813)
Additions	93,291	495,271	222,864	–	4,171,362	362,221	5,345,009
Acquisition of additional interests in joint operations	–	26,247	–	391,227	669,282	–	1,086,756
Transfers from construction in progress	–	192,214	623	1,220,172	374,086	39,558	1,826,653
Disposals	–	(192,701)	(131,958)	(14,760)	(3,817,560)	(87,475)	(4,244,454)
At 31 December 2018	1,047,445	7,197,652	5,122,282	19,754,006	38,617,477	2,822,120	74,560,982
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2017	–	1,594,380	2,710,536	4,090,199	12,048,995	1,699,203	22,143,313
Exchange re-alignment	–	3,624	–	18,637	75,810	–	98,071
Provided for the year	–	254,416	177,752	769,472	2,272,536	84,276	3,558,452
Reclassification	–	10	–	–	(18,159)	18,149	–
Eliminated on disposals	–	(1,654)	(1,824)	(16,873)	(36,542)	(4,841)	(61,734)
At 31 December 2017 and 1 January 2018	–	1,850,776	2,886,464	4,861,435	14,342,640	1,796,787	25,738,102
Exchange re-alignment	–	(18,815)	–	(120,133)	(506,053)	(935)	(645,936)
Provided for the year	–	343,623	154,665	962,226	3,373,604	95,107	4,929,225
Eliminated on disposals	–	(47,827)	(69,727)	(1,509)	(562,630)	(74,836)	(756,529)
At 31 December 2018	–	2,127,757	2,971,402	5,702,019	16,647,561	1,816,123	29,264,862
CARRYING VALUE							
At 31 December 2018	1,047,445	5,069,895	2,150,880	14,051,987	21,969,916	1,005,997	45,296,120
At 31 December 2017	1,006,078	4,879,536	2,144,289	13,718,039	23,808,742	711,045	46,267,729

24. PROPERTY, PLANT AND EQUIPMENT (Continued)

The following estimated useful lives are used for the depreciation of property, plant and equipment, other than freehold land:

Buildings	10 to 30 years
Railway structures	10 to 25 years
Plant, machinery and equipment	2.5 to 25 years
Transportation equipment	6 to 40 years

Transportation equipment includes vessels, harbor works and crafts which are depreciated over the estimated useful lives of 6 and 40 years respectively.

The mining structures include the main and auxiliary mine shafts and underground tunnels. Depreciation is provided to write off the cost of the mining structures using the units of production method based on the estimated production volume for which the structure was designed and the contractual period of the relevant mining rights.

At 31 December 2018, property, plant and equipment with carrying amount of approximately RMB7,040,564,000 (2017: RMB1,882,327,000) have been pledged to secure bank borrowings of the Group.

At 31 December 2018, the carrying amount of property, plant and equipment held under finance leases was RMB345,172,000 (2017: RMB388,867,000).

25. GOODWILL

	2018 **RMB'000**	2017 RMB'000
NET CARRYING VALUE		
At 1 January	**1,668,727**	1,646,717
Acquisition of a subsidiary	**-**	16,966
Exchange re-alignment	**(17,516)**	5,044
At 31 December	**1,651,211**	1,668,727

25. GOODWILL (Continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Mining		
– Jining II	**10,106**	10,106
– Shandong Yanmei Shipping Co., Ltd	**10,046**	10,046
– Heze	**35,645**	35,645
– Shanxi Group	**145,613**	145,613
– Yancoal Resources	**295,997**	312,426
– Syntech	**19,592**	20,679
– Premier Coal and Wesfarmers Char	**12,184**	12,860
– Xintai	**653,837**	653,837
– Beisu and Yangcun	**712,214**	712,214
Coal Railway Transportation		
– Railway Assets	**97,240**	97,240
Electricity and heat supply		
– Hua Ju Energy	**239,879**	239,879
Machinery manufacturing		
– Donghua	**409,204**	409,204
Corporate		
– Yankuang Group Finance Co., Ltd ("Yankuang Finance")	**16,966**	16,966
Impairment loss	**(1,007,312)**	(1,007,988)
	1,651,211	1,668,727

Business performance is reviewed by management on a mine basis and each mine is considered to be a separate cash generating unit.

The recoverable amounts of goodwill from each of the above cash generating units have been determined on the basis of value-in-use calculations. Value-in-use has been determined using a discounted cash flow model. The recoverable amounts are based on certain key assumptions on discount rates, growth rates, selling prices, foreign currency exchange rates, mining reserves and mining resources and direct cost.

25. GOODWILL (Continued)

In determining the value assigned to each key assumption, management has used external sources of information and utilised the expertise of external consultants and experts within the Group to validate entity specific assumptions such as mining reserves and mining resources. Furthermore, in estimating future coal prices, the Group receives long term forecast coal price data from multiple externally verifiable sources when determining its coal price forecasts, making adjustments for specific coal quality factors. The long term forecast exchange rate is based on externally verifiable sources. Production and capital costs are based on the Group's estimate of forecasted geological conditions, stage of existing plant and equipment and future production levels. This information is obtained from internally maintained budgets, the five year business plan, life of mine models and project evaluations performed by the Group in its ordinary course of business.

The cash flow model was based on financial budgets approved by management covering a 5-year period with pre-tax discount rate of ranged from 12% to 14% (2017: 11% to 17.5%). It represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset. Externally verifiable data received by the Group validates this assumption. The recoverable amount is also dependent on the life of mines 4 to 38 years (2017: 4 to 38 years). This is calculated based on the Group's annual coal production forecast for each mine and mining reserves and mining resources. The cash flows beyond the 5-year period are extrapolated using a zero percent growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of each of the above units to exceed the recoverable amount of each of the above units.

For the impairment testing of goodwill, cash flow projections during the budget period are based on the budgeted revenue and expected gross margins during the budget period and the raw materials price inflation during the budget period. Expected cash inflows/outflows have been determined based on past performance and management's expectations for the market development. Under the discounted future cash flows that are dependent on the following unobservable inputs: forecast sales volumes and coal prices. The forecast sales volumes are based on the internally maintained budgets, five year business plan and life of mine models. The forecast coal prices are based on external data consistent with the data used for impairment assessments.

No impairment of goodwill is required to be recognised for the years ended 31 December 2018 and 2017.

26. CONSTRUCTION IN PROGRESS

	RMB'000
COST	
At 1 January 2017	10,929,944
Exchange re-alignment	21,251
Additions	3,690,388
Acquisition of subsidiaries	1,058,100
Transfer to property, plant and equipment	(10,812,198)
Transfer to assets classified as held for sale	(91,504)
Transfer to intangible assets	(279,693)
At 31 December 2017 and 1 January 2018	**4,516,288**
Exchange re-alignment	**(82,630)**
Additions	**8,289,282**
Transfer to property, plant and equipment	**(1,826,653)**
At 31 December 2018	**10,896,287**

For the year ended 31 December 2018, the capitalised interest expense amounted to RMB96,917,000 (2017: RMB251,948,000). The annual interest rates used to determine the capitalised amount in 2018 are 4.35% to 5.9% (2017: 4.35% to 6.40%).

27. INTERESTS IN ASSOCIATES

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Cost of investments in associates	**13,140,038**	7,229,719
Share of post-acquisition profit and other comprehensive income, net of dividends	**2,883,671**	1,424,486
Carrying amount	**16,023,709**	8,654,205

27. INTERESTS IN ASSOCIATES (Continued)

Information of major associates is as follows:

Name of associate	Place of establishment and operation	Class of shares held	Principal activity	Interest held at 31 December 2018	2017
Huadian Zouxian Power Generation Company Limited ("Huandian Zouxian")	PRC	Registered capital	Electricity generation business (i)	30%	30%
Shaanxi Future Energy Chemical Corp. Ltd ("Shaanxi Chemical")	PRC	Registered capital	Production and sales of chemical products, oil and coal (ii)	25%	25%
Shandong Shengyang Wood Co., Ltd	PRC	Registered capital	Artificial board, CCF processing	39.77%	39.77%
Jiemei Wall Materials Co., Limited	PRC	Registered capital	Coal refuse baked brick	20%	20%
Newcastle Coal Infrastructure Group Pty Ltd	Australia	Ordinary shares	Coal terminal	27%	27%
Shanghai CIFCO Futures Co., Limited	PRC	Registered capital	Trading and consultation futures	33%	33%
Watagan Mining Company Pty Limited ("Watagan") (note (vii))	Australia	Ordinary shares	Coal Mining and sales	100%	100%
Qilu Bank Co., Ltd. ("Qilu Bank") (notes (iii) (xi))	PRC	Registered capital	Financial services	8.67%	8.67%
Shandong Zoucheng Jianxin Rural Bank Co., Ltd. ("Zoucheng") (note (iv))	PRC	Registered capital	Financial services	n/a	9%
內蒙古伊泰准東鐵路有限責任公司("伊泰") (note (v))	PRC	Registered capital	Railway construction and transportation	25%	25%
兗礦售電有限公司(note (vi))	PRC	Registered capital	Sales of electricity	25%	25%
Haichang Industry Co., Ltd. of Dongguan City	PRC	Registered capital	Port service	20.89%	20.89%
Port Waratah Coal Services Ltd ("PWCS") (note (vii))	Australia	Ordinary shares	Provision of coal receivable, blending, stockpiling and ship loading service	30%	36.5%
Zheshang Bank (notes (viii), (xi))	PRC	Registered capital	Financial services	4.99%	n/a
Linshang Bank (notes (ix), (xi))	PRC	Registered capital	Financial services	19.75%	n/a
Shandong Yancoal Property Service Company Limited ("Yancoal Property Service") (note x)	PRC	Registered capital	Property management, Garden greening engineering, Sewage treatment and rental housing agency service	35%	n/a

All of the above associates have been accounted for using equity method in the consolidated financial statements. Except for 伊泰, 兗礦售電有限公司, Newcastle Coal Infrastructure Group Pty Ltd, Watagan, PWCS Yancoal Property Service and Linshang Bank which are indirectly held by the Company, all associates are held by the Company directly. The interests held disclosed above for Newcastle Coal Infrastructure Group Pty Ltd, Watagan and PWCS represented the equity interests held by the Group through Yancoal Australia.

(i) Huadian Zouxian is an important strategic partner of the Group.

(ii) Shaanxi Chemical is an important strategic partner to develop future energy business of the Group.

(iii) During the year ended 31 December 2017, the Group subscribed for 111,110,000 shares of Qilu Bank at a cash consideration of approximately RMB433,329,000. The Group's equity interest in Qilu Bank remains unchanged after such subscription.

(iv) During the year ended 31 December 2018, the Group partially disposed its 4.5% equity interest in Zoucheng at a cash consideration of approximately RMB4,943,000. Following the disposal, the Group is still holding 4.5% interest in Zoucheng and it is reclassified as financial assets at FVTOCI.

27. INTERESTS IN ASSOCIATES (Continued)

(v) The Group acquired 25% equity interest in 伊泰 for a cash consideration of approximately RMB1,942,500,000 during the year ended 31 December 2017.

(vi) The associate was established by the Group and the Parent Company during 2017 and the Group made capital contribution of approximately RMB30,000,000.

(vii) The Group through the acquisition of Coal & Allied Industries Limited ("C&A") during 2017, acquired 36.5% equity interest in PWCS of which 6.5% is classified as held for sale as at 31 December 2017 (note 33(i)).

On 18 February 2016, the Group executed a bond subscription agreement, together with other agreements (the "Watagan Agreements") that, on completion, would transfer the Group's interest in three of its 100% owned coal mining operations in Australia, being the Austar, Ashton and Donaldson coal mines (the "Three Mines"), to Watagan. On completion, under the terms of the Watagan Agreements, upon issuance of the bonds, the Group lose control of Watagan. These powers would be transferred to the Bondholders under the terms of the Watagan Agreements as the bond holders would be given control of Watagan's board of directors via appointment of the majority of directors. Given the Group maintains one seat on the board of directors of Watagan and has ongoing involvement under the terms of the Watagan Agreements, the Group can exercise significant influence over Watagan.

(viii) On 23 March 2018, the Group entered into a placing agreement to subscribe for 420 million shares in Zheshang Bank for a cash consideration of approximately HK$2.02 billion (equivalent to approximately RMB1.70 billion). Following the completion of the subscription approximately the Group's interest in Zheshang Bank was increased to 4.99%, with 20.51% interests in H shares of Zheshang Bank. On 29 March 2018, the placing was completed and the investment in Zheshang Bank amounted to approximately RMB3,781,120,000 representing the fair value of the investment as at 29 March 2018 was reclassified from financial assets at FVTPL to interest in an associate accordingly.

(ix) On 27 November 2018, the Group entered into a placing agreement to subscribe for 400,00,000 shares in Linshang Bank for a cash consideration of RMB1.2 billion. On the same date, the Group entered into a share transfer agreement with several former shareholders of Linshang Bank to acquire 317,697,143 shares in Linshang Bank for a cash consideration of approximately RMB953,901,000. The subscription and share transfer were completed on 4 December 2018. Following the completion of the subscription and share transfer, the Group has a total of 19.75% interests in Linshang Bank, being the largest shareholder severally with another party of Linshang Bank.

(x) Following the Transfer as stated in note 13, the Group's shareholding in Yancoal Property Service was reduced from 100% to 35% and therefore the Group loses control in Yancoal Property Service and accounts for the investment as an associate.

(xi) The Group considered that it has the practical ability to exercise significant influence on the associates even though it owns less than 20% of the ownership interest and voting control into account 1) the Group's ownership interest is significant relative to other shareholders due to the wide dipersion of shareholding interests; 2) the representation or right to appount/nominate directors on the board of directors of the associates; and 3) the righrs to participate in the policy-making process, including dividends and other distribution.

27. INTERESTS IN ASSOCIATES (Continued)

Except for Qilu Bank and Zheshang Bank, all of the associates are private companies whose quoted market price is not available. The fair value of Qilu Bank and Zheshang Bank's shares at 31 December 2018 were approximately RMB1,482,397,000 (2017: RMB1,482,878,000) and RMB3,567,703,000 (2017: n/a) respectively.

Summarised financial information in respect of the Group's material associates is set out below:

	Huadian Zouxian		Shaanxi Chemical		Qilu Bank	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current assets	**348,095**	476,441	**1,705,068**	3,666,822	**Note (i)**	232,020,651
Non-current assets	**4,530,923**	4,805,394	**18,495,872**	17,980,580	**Note (i)**	4,274,590
Current liabilities	**(1,207,418)**	(1,791,489)	**(3,294,387)**	(5,269,037)	**Note (i)**	(214,859,186)
Non-current liabilities	**–**	–	**(6,330,000)**	(7,199,045)	**Note (i)**	(3,000,634)
Revenue	**3,836,765**	3,497,850	**6,564,337**	6,520,130	**Note (i)**	5,425,826
Profit for the year	**181,254**	145,162	**1,371,105**	1,423,225	**Note (i)**	2,026,073
Other comprehensive income (expense) for the year	**–**	–	**26,128**	247,191	**Note (i)**	(973,257)
Total comprehensive income for the year	**181,254**	145,162	**1,397,233**	1,670,416	**Note (i)**	1,052,816
Dividend shared by the Group and received from the associate during the year	**–**	41,316	**–**	–	**Note (i)**	36,934

	伊泰	
	2018	2017
	RMB'000	RMB'000
Current assets	**680,151**	787,156
Non-current assets	**6,436,382**	6,032,242
Current liabilities	**(494,383)**	(397,140)
Non-current liabilities	**(874,426)**	(1,028,888)
Revenue	**1,917,365**	N/A
Profit for the year	**781,106**	N/A
Other comprehensive income for the year	**–**	N/A
Total comprehensive income for the year	**781,106**	N/A
Dividend shared by the Group and received from the associate during the year	**106,838**	N/A

27. INTERESTS IN ASSOCIATES (Continued)

	Zheshang Bank		Linshang Bank	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current assets	**1,601,988,952**	N/A	**77,923,944**	N/A
Non-current assets	**44,705,792**	N/A	**3,977,684**	N/A
Current liabilities	**(1,279,803,486)**	N/A	**(70,869,966)**	N/A
Non-current liabilities	**(264,442,721)**	N/A	**(2,683,180)**	N/A
Revenue	**39,022,476***	N/A	**2,278,390***	N/A
Profit for the year	**11,560,337***	N/A	**348,184***	N/A
Other comprehensive income for the year	**1,686,707***	N/A	**12,921***	N/A
Total comprehensive income for the year	**13,247,044***	N/A	**361,105***	N/A
Dividend shared by the Group and received from the associate during the year	**–**	N/A	**–**	N/A

* Representing the full year results of the associates

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates in respect of material associates recognised in the consolidated financial statements:

	Huadian Zouxian		Shaanxi Chemical		Qilu Bank	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Net assets of the associate's attributable to owners	**3,671,600**	3,490,346	**10,576,553**	9,179,320	**note (i)**	16,267,385
Proportion of the Group's ownership interest	**30%**	30%	**25%**	25%	**8.67%**	8.67%
Carrying amount of the Group's interest in the associate	**1,101,480**	1,047,104	**2,644,138**	2,294,830	**note (i)**	1,410,580

	伊泰	
	2018	2017
	RMB'000	RMB'000
Net assets of the associate's attributable to owners	**5,386,231**	5,040,382
Proportion of the Group's ownership interest	**25%**	25%
Carrying amount of the Group's interest in the associate	**1,346,558**	1,260,096

27. INTERESTS IN ASSOCIATES (Continued)

	Zheshang Bank		Linshang Bank	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net assets of the associate's attributable to owners	**85,927,834**	N/A	**8,348,482**	N/A
Proportion of the Group's ownership interest	**4.99%**	N/A	**19.75%**	N/A
Carrying amount of the Group's interest in the associate	**4,298,831**	N/A	**2,163,150**	N/A

Note (i): Qilu Bank, a public company traded on the National SME Equity Transfer System, is a material associate of the Group. Since the audited results of Qilu Bank for the year ended 31 December 2018 were not yet publicly available when these consolidated financial statements were approved, the financial information of Qilu Bank was not presented in accordance with the relevant rules and regulations in the PRC.

Aggregate information of Qilu Bank and other associates that are not individually material.

	At 31 December	
	2018	2017
	RMB'000	RMB'000
The Group's share of profit and total comprehensive income	**214,449**	28,951
Aggregate carrying amount of the Group's interests in these associates	**4,469,552**	2,641,595

28. LONG-TERM RECEIVABLES

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Current assets		
– Loan to a joint venture (i)	**–**	1,689,210
– Others (ii)	**1,638,609**	1,101,882
– Less: impairment loss recognised (ii)	**(67,325)**	–
	1,571,284	2,791,092
Non-current assets		
– Loan to an associate (iii)	**4,028,373**	3,626,895
– Loan to joint venture (i)	**1,051,126**	–
– Others (iv)	**3,704,748**	3,148,084
– Less: impairment loss recognised (iv)	**(129,605)**	(23,917)
	8,654,642	6,751,062
	10,225,926	9,542,154

28. LONG-TERM RECEIVABLES (Continued)

(i) Loan to a joint venture represented an unsecured interest-free loan to Middlemount Joint Venture of AUD218,000,000 (equivalent to approximately RMB1,051,850,000) (2017: AUD331,686,000. (equivalent to approximately RMB1,689,210,000)). From 1 January 2019, the shareholders of Middlemount agreed to make the loan interest-free for 24 months. As at 31 Decmeber 2018, the loan has been revalued to approximately AUD217,850,000 (equivalent to approximately RMB1,051,126,000) using the effective interest method, with the difference being recognised as a contribution to the joint venture.

(ii) Balance mainly represented loan receivables of approximately RMB1,588,129,000 (2017: RMB899,896,000), net of accumulated impairment loss of approximately RMB67,325,000 (2017: nil). The loan receivables carry interest at 5.22% to 7.5% per annum and are secured by the pledge of machinery of the borrowers.

(iii) Loan to an associate represented an unsecured loan to Watagan of AUD834,896,000 (equivalent to approximately RMB4,028,373,000) (2017: AUD712,161,000 (equivalent to approximately RMB3,626,895,000)). The loan bearing interest of Bank Bill Swap Bid Rate ("BBSY") plus 7.06% per annum with a maturity date of 1 April 2025.

(iv) As at 31 December 2018, other long-term receivables include investment in the long term bonds of a company of AUD31,500,000 (equivalent to approximately RMB151,988,000) (2017: AUD31,500,000 (equivalent to approximately RMB160,423,000) with floating interest rate. The balance as at 31 December 2018 also included loan receivables amounted to approximately RMB2,938,425,000 (2017: RMB2,391,740,000), net of accumulated impairment loss of approximately RMB129,605,000 (2017: RMB23,917,000). The loan receivables carry interest at 5.22% to 7.5% per annum and are secured by the pledge of machinery of the borrowers.

As at 31 December 2017, other long-term receivable included investment in preference shares of approximately AUD28,554,000 (equivalent to approximately RMB145,420,000) which was reclassified to financial assets at FVTPL upon adoption of IFRS 9 on 1 January 2018.

During the year ended 31 December 2018, in determining the ECL for these assets, the directors of the Company have taken into account the historical default experience, the financial position of the counterparties as well as the future prospects of the industries in which the debtors operate obtained from available market data considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these receivables.

28. LONG-TERM RECEIVABLES (Continued)

The Group has adopted IFRS 9 from 1 January 2018. As at 31 December 2018, an analysis of the gross amount of long-term receivables is as follows:

	12-month ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL – credit impaired RMB'000	Total RMB'000
Gross amount as at 31 December 2018				
– Performing	9,948,110	–	–	9,948,110
– Doubtful	–	400,379	–	400,379
– Default	–	–	74,367	74,367
	9,948,110	400,379	74,367	10,422,856

The movements in the impairment allowance for the long-term receivables during the year are as follows:

	12-month ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL – credit impaired RMB'000	Total RMB'000
At 1 January 2017	N/A	N/A	N/A	–
Provided for the year	N/A	N/A	N/A	23,917
At 31 December 2017	N/A	N/A	N/A	23,917
Adoption of IFRS 9	N/A	N/A	N/A	(120)
At 1 January 2018	23,797	–	–	23,797
Provided for the year	70,322	91,030	11,781	173,133
At 31 December 2018	94,119	91,030	11,781	196,930

29. DEPOSITS MADE ON INVESTMENTS

	At 31 December	
	2018 RMB'000	2017 RMB'000
Shaanxi Coal Mine Operating Company (note)	**117,926**	117,926

Note: During 2016, the Group entered into a co-operative agreement with two independent third parties to establish a company for acquiring a coal mine in Shaanxi province for operations. The Group will have to invest approximately RMB196,800,000 in order to obtain 41% equity interests. As at 31 December 2018, the Group made a deposit of RMB117,626,000 (2017: RMB117,626,000) in relation to this acquisition. As at 31 December 2018, the relevant registration procedures to establish the new company are still in progress, and the establishment has not yet been completed.

30. INTERESTS IN JOINT VENTURES

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Share of net assets	**660,221**	348,243

Name of joint venture	Place of establishment and operation	Class of shares held	Principal activity	2018 Voting power	2018 Interest held	2017 Voting power	2017 Interest Held
Australian Coal Processing Holdings Pty Ltd (i)	Australia	Ordinary shares	Investment Holding	**50%**	**90%**	50%	90%
Middlemount Joint Venture (i)	Australia	Ordinary shares	Coal mining and sales	**50%**	**50%**	50%	50%
Sheng Di Finlay Coal Processing Technology (Tianjin) Co., Ltd	PRC	Registered capital	Consultancy services for deep preprocess technology	**50%**	**50%**	50%	50%

The joint ventures are accounted for using equity method in the consolidated financial statements. All of the joint ventures are private companies whose quoted market price is not available.

Note (i): The interests held disclosed above represented the interests held by the Group through Yancoal Australia.

Aggregate information of joint ventures that are not individually material:

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
The Group's share of profit and total comprehensive income for the year	**273,690**	175,791
Aggregate carrying amount of the Group's interests in these joint ventures	**660,221**	348,243

As at 31 December 2018, the Group did not have any share of contingent liabilities or commitment of the joint ventures (2017: nil).

31. INTERESTS IN JOINT OPERATIONS

Information on major joint operations is as follows:

Name of joint operation	Place of establishment and operation	Principal activity	At 31 December 2018 Interest held	2017 Interest held
Boonal joint operation	Australia	Provision of a coal haul road and train load out facilities	**50%**	50%
Athena joint operation	Australia	Coal exploration	**51%**	51%
Moolarben joint operation (note 50(C))	Australia	Development and operation of open-cut and underground coal mines	**85%**	81%
Hunter Valley Australia Operation ("HVO") (note 50(A))	Australia	Underground coal mines	**51%**	67.6%
Warkworth Coal Sales Pty Ltd ("Warkworth Joint Venture") (note 50(B))	Australia	Development and operation of open-cut mines	**84.5%**	55.6%

The above joint operations are established and operated as unincorporated businesses and are held indirectly by the Company. The interest held disclosed above represented the interest held by the Group through Yancoal Australia.

32. INVESTMENTS IN SECURITIES

	At 31 December 2018 RMB'000	2017 RMB'000
Available-for-sale investments		
Equity securities listed on the SSE, at fair value (i)	**–**	424
Investment in equity securities listed on the HKEX, at fair value (ii)	**–**	1,877,228
Unlisted investment portfolio (iii)	**–**	213,841
Unlisted equity securities, at cost net of impairment (iv)	**–**	186,803
	–	2,278,296
Financial assets at FVTPL		
Unlisted equity securities, at fair value (iv)	**156,840**	–
Financial assets at FVTOCI		
Equity securities listed on the SSE, at fair value (i)	**277**	–
Unlisted equity securities, at fair value (iv)	**4,969**	–
	5,246	–
	162,086	2,278,296

32. INVESTMENTS IN SECURITIES (Continued)

(i) The investment in equity securities listed on the SSE represented Jiangsu Lianyungang Port Corporation Limited which is stated at the fair value as at 31 December 2018 of approximately RMB277,000 (2017: RMB424,000).

(ii) The investment in equity securities listed on the HKEX, at fair value included Zheshang Bank which is stated at fair value as of 31 December 2017 of approximately RMB1,877,228,000. As at 31 December 2017, such investment had been pledged to secure the bank borrowings of the Group. Upon the adoption of IFRS 9, such investment was reclassified to financial assets at FVTPL. During the year ended 31 December 2018, the Group subscribed additional shares in Zheshang Bank and Zheshenag Bank became an associate of the Group. Details of which are set out in note 27.

(iii) As at 31 December 2017, unlisted investment portfolio included several listed equity securities which are stated at fair value of approximately RMB213,841,000. The investment was fully disposed of during the year.

(iv) As at 31 December 2017, the unlisted equity securities are stated at cost less impairment.

These unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC. Part of these investments in equity instruments, amounting to approximately RMB29,403,000, are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI upon adoption of IFRS 9.

The remaining investments of approximately RMB157,400,000 are reclassified and measured as at FVTPL upon adoption of IFRS 9.

As at 31 December 2018, the investments in equity securities listed on the SSE and underlying investments included in the unlisted investment portfolio are carried at fair value determined according to the quoted market prices in active market.

33. ASSETS CLASSIFIED AS HELD FOR SALE

As at 31 December 2018, the Group had net assets classified as held for sale for which the relevant sales are expected to be completed in 2019 as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Interest in an associate (i)	**–**	128,963
Land held for sale (ii)	**272,902**	288,050
Interest in a joint operation (iii)	**–**	2,365,209
	272,902	2,782,222

33. ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

(i) Interest in an associate

On 31 August 2017, prior to the acquisition by the Group, C&A entered into a sale and purchase agreement with an independent third party for the disposal of 6.5% equity interests in PWCS for a cash consideration of United States Dollor ("USD") 20 million. The disposal was completed during the year ended 31 December 2018.

(ii) Land held for sale

The balance represented a freehold non-mining land that is held for future sale. In 2017, prior to the acquisition by the Group C&A entered into a sale and purchase agreement with an independent third party for the disposal of the land for a cash consideration of RMB288,050,000. The disposal has not yet been completed up to the date of this report.

(iii) Interest in a joint operation

On 27 July 2017, the Group entered into an agreement with an independent third party for the disposal of 16.6% interests in Hunter Valley Operation ("HVO") for a cash consideration of USD429 million, subject to certain adjustments on completion. The assets and liabilities disclosed below, refers to the share of assets and liabilities associated with the 16.6% interests in HVO.

	As at 31 December 2017 RMB'000
Assets	
Bank balances and cash	1,249
Inventories	59,165
Accounts receivable	6,736
Other receivables	1,053
Property, plant and equipment	942,181
Intangible assets	1,604,613
Construction in progress	91,504
Total assets classified as held for sale	2,706,501
Liabilities	
Provision for land subsidence, restoration, rehabilitation and environmental costs	145,338
Other payables	24,501
Accounts payable	171,453
Total liabilities associated with assets classified as held for sale	341,292
Net assets classified as held for sale	2,365,209

The disposal of 16.6% interest in HVO was completed on 4 May 2018.

34. HELD-TO-MATURITY INVESTMENT

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Debt security	**–**	69,427

As at 31 December 2017, the Group's held-to-maturity investment represents designated deposits and carries interest at 8.40% per annum. The investment was reclassified to financial asset at amortised cost upon adoption of IFRS 9 on 1 January 2018 and was matured in January 2018.

35. BILLS AND ACCOUNTS PAYABLES

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Accounts payable	**9,573,440**	6,437,858
Bills payable	**2,940,858**	2,535,580
	12,514,298	8,973,438

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
0-90 days	**9,615,259**	6,522,555
91-180 days	**1,040,167**	1,017,014
181-365 days	**953,486**	779,190
Over 1 year	**905,386**	654,679
	12,514,298	8,973,438

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

36. OTHER PAYABLES AND ACCRUED EXPENSES AND CONTRACT LIABILITIES

Other payables and accrued expenses

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Receipts in advance (note)	**–**	2,569,384
Accrued staff costs	**1,680,981**	1,330,758
Other taxes payable	**742,479**	661,177
Payables in respect of purchases of property, plant and equipment and construction materials	**727,729**	1,182,309
Accrued freight charges	**23,685**	118,105
Security deposits received	**1,077,107**	461,446
Deposits received from customers in relation to financing business	**11,284,197**	9,457,594
Interest payable	**744,857**	728,558
Dividends payable	**43,626**	41,706
Payables for acquisition of subsidiaries/associates	**1,998,501**	2,860,563
Others	**2,356,126**	2,204,807
	20,679,288	21,616,407

	31/12/2018	1/1/2018
	RMB'000	RMB'000
Contract liabilities	**2,207,641**	2,569,384

Note: Upon adoption of IFRS 15 on 1 January 2018, receipts in advance of approximately RMB2,569,384,000 were reclassified as contract liabilities.

Contract liabilities include advances received to deliver goods and advances received to render transportation services.

Revenue recognised during the year ended 31 December 2018 that was included in the contract liabilities as at 1 January 2018 is RMB2,569,384,000. There was no revenue recognised in the current year that related to performance obligations that were satisfied in prior year.

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

	2018 RMB'000	2017 RMB'000
Balance at 1 January	**3,975,612**	3,306,880
Exchange re-alignment	**(54,463)**	11,575
Acquisition of subsidiaries	**–**	713,319
Transfer to liabilities associated with assets held-for-sale	**–**	(145,338)
Additional provision in the year	**1,096,973**	1,825,361
Utilisation of provision	**(1,265,892)**	(1,736,185)
Balance at 31 December	**3,752,230**	3,975,612
Presented as:		
Current portion	**2,327,177**	2,679,015
Non-current portion	**1,425,053**	1,296,597
	3,752,230	3,975,612

Provision for land subsidence, restoration, rehabilitation and environmental costs has been determined by the management of the Group 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.

38. PROVISION

	At 31 December	
	2018 RMB'000	2017 RMB'000
Current provision		
– Provision of marketing service fee	**–**	6,642
– Take or pay provision (note (i))	**58,727**	82,444
– Onerous contract provision (note (ii))	**72,438**	174,572
– Others	**4,711**	26,088
	135,876	289,746
Non-current provision		
– Provision of marketing service fee	**–**	3,550
– Onerous contract provision (note (ii))	**271,974**	443,811
– Take or pay provision (note (i))	**161,183**	235,547
– Employee benefits (note (iii))	**382,713**	521,873
– Others	**371,359**	224,336
	1,187,229	1,429,117
	1,323,105	1,718,863

38. PROVISION (Continued)

(i) Take or pay provision, which arose from business combination in prior years, is the assessment of forecast excess capacity for port and rail contracts. A provision was recognised for the discounted estimated excess capacity. The provision is released to profit or loss over the period in which excess capacity is realised.

(ii) The onerous contract provision, which arose from the acquisition of C&A, is the assessment of a coal supply and transportation agreement to supply coal at below market prices. A provision was recognised for the discounted estimated variance between contract and market prices. The provision has a finite life and will be released to profit or loss over the contract term.

(iii) The balance mainly included provision for long-term employee entitlements and other employee incentives, which arose mainly from the acquisition of C&A.

39. BORROWINGS

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Current liabilities		
Bank borrowings		
– Unsecured borrowings (i)	**7,646,000**	7,023,710
– Secured borrowings (ii)	**4,811,175**	7,560,588
Loans pledged by machineries (iii)	**600,000**	1,000,000
Finance lease liabilities (iv)	**63,727**	176,316
Guaranteed notes (v)	**6,948,783**	11,990,684
	20,069,685	27,751,298
Non-current liabilities		
Bank borrowings		
– Unsecured borrowings (i)	**12,531,432**	8,574,000
– Secured borrowings (ii)	**21,436,627**	22,968,621
Loans pledged by machineries (iii)	**–**	600,000
Finance lease liabilities (iv)	**141,586**	20,813
Guaranteed notes (v)	**14,498,593**	10,445,962
	48,608,238	42,609,396
Total borrowings	**68,677,923**	70,360,694

39. BORROWINGS (Continued)

(i) Unsecured borrowings are repayable as follows:

	At 31 December 2018 RMB'000	2017 RMB'000
Within one year	**7,646,000**	7,023,710
More than one year, but not exceeding two years	**749,242**	1,802,000
More than two years, but not more than five years	**2,782,190**	772,000
More than five years	**9,000,000**	6,000,000
	20,177,432	15,597,710

At 31 December 2018, short-term borrowings of the Group amounting to approximately RMB5,850,000,000 (2017: RMB6,350,710,000) carrying interest at 4.35% to 5.00% per annum (2017: 2.90% to 4.35% per annum), including foreign currency borrowing of nil (2017: RMB94,072,000 carrying interest at 2.95% per annum).

Long-term borrowings of the Group amounting to approximately RMB14,327,432,000 (2017: RMB9,247,000,000) carrying interest at 4.31% to 5.9% and 12 monhts Loan Prime Rate ("LPR") plus a margin of 0.45% per annum (2017: 4.51% to 5.9% per annum).

(ii) Secured borrowings are repayable as follows:

	At 31 December 2018 RMB'000	2017 RMB'000
Within one year	**4,811,175**	7,560,588
More than one year, but not exceeding two years	**4,145,799**	919,599
More than two years, but not more than five years	**16,105,530**	20,019,005
More than five years	**1,185,298**	2,030,017
Total	**26,247,802**	30,529,209

At 31 December 2018, secured borrowings of Yancoal Australia were amounting to approximately RMB12,411,944,000 (USD1,825,000,000) (2017: RMB15,996,615,000 (USD2,450,000,000)). Such borrowings carried interest at three-month LIBOR plus a margin of 2.8% to 3.1% and six-month LIBOR plus a margin of 2.75% (2017: three-month LIBOR plus a margin of 2.8% to 3.1%) per annum, approximately 4.66% to 5.24% (2017: 4.4% to 4.7%) per annum as at 31 December 2018.

At 31 December 2018, secured borrowings of Yancoal International were amounting to approximately RMB1,366,988,000 (approximately HKD1,560,132,000) (2017: nil) and RMB3,431,593,000 (USD500,000,000) 2017: RMB5,031,343,000 (USD770,000,000). These secured borrowings carried interest at three-month LIBOR plus a margin of 1.1% (2017: three-month LIBOR plus a margin of 1.10% to 3.9%), approximately 2.96% (2017: 2.40% to 3.61%) per annum or fixed rate of 4.58% (2017: 3.9%) per annum as at 31 December 2018.

39. BORROWINGS (Continued)

(ii) Secured borrowings are repayable as follows: (Continued)

At 31 December 2018, secured borrowings of Premier Coal Limited and Premier Holdings Pty., Ltd., were amounted to approximately RMB77,191,000 (AUD15,872,000) (2017: RMB69,757,000 (AUD13,697,000)) which carried interest at 8.7% per annum.

Other than the above, at 31 December 2018, secured borrowings of the Group amounting to approximately RMB8,960,086,000 (2017: RMB9,431,494,000) of which approximately RMB5,710,449,000 (USD833,000,000) (2017: RMB5,575,868,000 (approximately USD1,149,768,000)) were denominated in foreign currency. Such borrowings carried interest at six-month LIBOR plus a margin of 2.1% (2017: three-month LIBOR plus a margin of 0.6% to 3.0%), approximately 4.59% (2017: 4.69%) per annum.

As at 31 December 2018 and 2017, certain of the borrowings of the Group were secured by the pledge of the Group's interests in certain subsidiaries and joint operations in overseas.

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

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

At 31 December 2018, a loan of RMB600,000,000 (2017: RMB1,600,000,000) carried interest at lending rate of 3-5 years loan published by the People's bank of China's Rate ("PBOC") plus a margin of 4% (2017: 4%) per annum, approximately 8.75% (2017: 8.75%) per annum.

(iv) Finance lease liabilities are repayable as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Minimum lease payments		
Within one year	**73,662**	185,088
More than one year, but not exceeding two years	**48,578**	7,015
More than two years, but not more than five years	**103,288**	16,711
	225,528	208,814
Less: Future finance charges	**(20,215)**	(11,685)
Present value of lease payments	**205,313**	197,129

39. BORROWINGS (Continued)

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Present value of minimum lease payments		
Within one year	**63,727**	176,316
More than one year, but not exceeding two years	**42,447**	6,366
More than two years, but not more than five years	**99,139**	14,447
	205,313	197,129
Less: Amounts due within one year and included in current liabilities	**(63,727)**	(176,316)
Amounts due after one year and included in non-current liabilities	**141,586**	20,813

Finance lease liabilities of RMB205,313,000 (AUD42,552,000) (2017: RMB197,129,000 (AUD38,702,000)) carried interest ranged from 4.98% - 5.49% (2017: 5.52%) per annum.

(v) Guaranteed notes are detailed as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Guaranteed notes denominated in RMB repayable within one year	**6,948,783**	11,990,684
Guaranteed notes denominated in USD repayable within two to five years	**2,992,227**	1,487,320
Guaranteed notes denominated in RMB repayable within two to five years	**8,472,124**	5,927,450
Guaranteed notes denominated in RMB repayable after five years	**3,034,242**	3,031,192
	21,447,376	22,436,646

39. BORROWINGS (Continued)

(v) Guaranteed notes are detailed as follows: (Continued)

On 16 May 2012, USD guaranteed notes with par value of USD1,000,000,000 in aggregate were issued by a subsidiary of the Company. As at 31 December 2018, guaranteed notes with par value of USD103,954,000 (2017: USD227,620,000) will mature in 2022 with interest rate of 5.730% per annum. The notes are unconditionally secured by the Company and the respective security is non-cancellable.

In 2012, with the approval from China Securities Regulatory Commission, the Company had issued RMB notes with aggregate par value of RMB5,000,000,000 to the public and institutional investors. An unconditional and irrecoverable corporate guarantee was provided by the Parent Company on the RMB notes. At 31 December 2018, RMB notes of RMB3,986,000,000 (2017: RMB3,982,000,000) will mature in 2022 with interest rate of 4.95% per annum.

In 2014, with the approval from China Securities Regulatory Commission, the Company was allowed to issue 5-year RMB notes at RMB1,950,000,000 with interest rate of 5.20% per annum and 10-year RMB notes at RMB3,050,000,000 with interest rate of 6.15% per annum. At 31 December 2018, the 5-year RMB notes and 10-year notes amounted to RMB1,949,350,000 (2017: RMB1,945,450,000) and RMB3,034,242,000 (2017: RMB3,031,192,000) respectively.

In 2017, the Company issued 2017 eight tranches short-term notes at par value of RMB16,500,000,000 with 9 months maturity at an average interest rate ranging from 3.50% to 5.38% per annum. In 2017, such short-terms notes with par value of RMB4,500,000,000 were redeemed by the Company. As at 31 December 2017, the remaining amount of short-term notes was RMB12,000,000,000 which were fully redeemed by the Company in 2018.

In 2018, the Company issued 2018 five tranches short-term notes at par value of RMB7,500,000,000 with 6 months to 9 months maturity at an average interest rate ranging from 4.83% to 4.96% per annum. In 2018, such short-terms notes with par value of RMB2,500,000,000 were redeemed by the Company. As at 31 December 2018, the remaining amount of short-term notes is RMB4,999,433,000.

In 2018, the Company issued 2018 two tranches medium-term notes at par value of RMB4,500,000,000 which will mature in 2021 at an average interest rate ranging from 4.39% to 4.89% per annum. As at 31 December 2018, the remaining amount of medium-term notes is RMB4,486,124,000.

In November 2018, USD guaranteed notes with par value of USD335,000,000 in aggregate were issued by a subsidiary of the Company. As at 31 December 2018, guaranteed notes with par value of USD335,000,000 will mature in 2021 with interest rate of 6% per annum. The notes are unconditionally guaranteed by the Company.

40. DERIVATIVE FINANCIAL INSTRUMENTS

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current asset		
Derivatives not for hedge		
– Forward foreign exchange contracts	**–**	21,888
Current liability		
Derivatives not for hedge		
– Forward foreign exchange contracts	**1,254**	–

41. LONG-TERM PAYABLE

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Non-contingent royalty payable	**251,974**	816,514
Analysed for financial reporting purpose:		
Current Portion	**122,388**	605,522
Non-current portion	**129,586**	210,992
Total	**251,974**	816,514

Non-contingent royalty payable represented part of the consideration for the acquisition of C&A. The amount is payable by the Group by installments from 2017 to 2021.

42. DEFERRED TAXATION

Deferred tax assets (liabilities) of the Group and the movements thereon for both reporting periods are:

	Financial assets at FVTOCI RMB'000	Available-for-sale investment RMB'000	Mining rights (mining reserves) RMB'000	Temporary differences on income and expenses RMB'000	Tax losses RMB'000	Cash flow hedge reserve RMB'000	Total RMB'000
Balance at 1 January 2017	–	(1,173)	(6,241,065)	789,018	5,433,306	347,745	327,831
Exchange re-alignment	–	–	(72,641)	(299)	29,212	(20,134)	(63,862)
Acquisition of subsidiaries	–	–	(1,531,178)	703,595	7,885	–	(819,698)
(Charge) credit to other comprehensive income	–	(31,996)	–	–	–	182,344	150,348
Credit (charge) to the consolidated statement of profit or loss	–	–	256,635	736,816	(733,412)	–	260,039
Balance at 31 December 2017	–	(33,169)	(7,588,249)	2,229,130	4,736,991	509,955	(145,342)
Effect of adoption of IFRS 9	(25,818)	33,169	–	(7,234)	–	–	117
Balance at 1 January 2018	(25,818)	–	(7,588,249)	2,221,896	4,736,991	509,955	(145,225)
Exchange re-alignment	–	–	250,544	(97,245)	(221,982)	(26,815)	(95,498)
Acquisition of additional interests in joint operations	–	–	–	50,233	–	–	50,233
Credit to other comprehensive income	37	–	–	–	–	125,174	125,211
Credit (charge) to the consolidated statement of profit or loss	25,734	–	207,660	(591,254)	(1,039,865)	–	(1,397,725)
Balance at 31 December 2018	(47)	–	(7,130,045)	1,583,630	3,475,144	608,314	(1,463,004)

The temporary differences on income and expenses recognised mainly arose from unpaid provision of salaries and wages, provisions of compensation fees for mining rights and land subsidence, restoration, rehabilitation and environmental costs and also included payments on certain expenses such as exploration costs and certain income in Australia.

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Deferred tax assets	**6,545,102**	8,200,262
Deferred tax liabilities	**(8,008,106)**	(8,345,604)
	(1,463,004)	(145,342)

42. DEFERRED TAXATION (Continued)

At the reporting date, the Group has unused tax losses of RMB16,093 million (2017: RMB25,879 million) available for offset against future profits. RMB3,475 million deferred tax asset has been recognised (2017: RMB4,737 million) for such tax losses. No deferred tax asset has been recognised in respect of tax losses of RMB4,271 million (2017: RMB9,460 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB1,001 million, RMB78 million, RMB86 million, RMB888 million and RMB2,218 million (2017: RMB7,407 million, RMB1,001 million, RMB78 million, RMB86 million and RMB888 million) that will be expiring in 2019, 2020, 2021, 2022 and 2023 (2017: 2018, 2019, 2020, 2021 and 2022) respectively.

By reference to financial budgets, management believes that there will be sufficient future profits for the realisation of deferred tax assets which have been recognised in respect of tax losses.

43. SHAREHOLDERS' EQUITY

Share capital

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

	Domestic invested shares A shares	Foreign invested shares H shares	Total
Number of shares			
At 31 December 2017, 1 January 2018 and 31 December 2018	2,960,000,000	1,952,016,000	4,912,016,000

	Domestic invested shares A shares RMB'000	Foreign invested shares H shares RMB'000	Total RMB'000
Registered, issued and fully paid			
At 31 December 2017, 1 January 2018 and 31 December 2018	2,960,000	1,952,016	4,912,016

Each share has a par value of RMB1.

43. SHAREHOLDERS' EQUITY (Continued)

Capital reserve

During the year ended 31 December 2018, Yancoal Australia launched a global offering in connection with its dual listing on HKEX which commenced on 6 December 2018. On 6 December 2018 Yancoal Australia issued 59,441,900 new shares under the global offering and on 28 December 2018, 563,881 new shares were issued under the retail entitlement offer and on 3 January 2019, 4,361,900 new shares under partial exercise of the overallotment option, all in connection with the global offering for HK$23.48 per new share. Following the global offering, the Group's equity interests in Yancoal Australia was first diluted to 62.47% as at 31 December 2018 and then further diluted to 62.26% under partial exercise of the overallotment option on 3 January 2019 without any change to the Group's control over Yancoal Australia. A gain arising from such dilution of interests of approximately RMB27,495,000 was credited to capital reserve.

During the year ended 31 December 2017, Yancoal Australia had undergone a series of fund raising activities including the issuance of ordinary shares and raised equity funds amounted to approximately RMB9,621,437,000 in aggregate from shareholders other than the Group. In addition, the Group had converted part of the subordinated capital notes of Yancoal Australia into ordinary shares of Yancoal Australia. Following such transactions, the Group's equity interests in Yancoal Australia was diluted to 65.46% without any change to the Group's control over Yancoal Australia. A gain arising from such dilution of interests of approximately RMB509,651,000 was credited to capital reserve.

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.

43. SHAREHOLDERS' EQUITY (Continued)

Reserves (Continued)

Future Development Fund (Continued)

In accordance with the regulations of the State Administration of Work Safety, the Company has a commitment to incur RMB15 from 1 February 2012 onwards (Shanxi Tianch RMB30 from 1 October 2013 onwards, Xintai and Ordos RMB15 from 1 February 2012 onwards) for each tonne of raw coal mined which will be used for enhancement of safety production environment and improvement of facilities ("Work Safety Cost"). In prior years, the work safety expenditures are recognised only when acquiring the assets or incurring other work safety expenditures. The Company, Heze, Shanxi Tianchi, Xintai and Ordos make appropriation to the future development fund in respect of unutilised Work Safety Cost from 2008 onwards.

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

Statutory Common Reserve Fund

The Company and its subsidiaries in the PRC have to set aside 10% of its profit for the statutory common reserve fund (except where the fund has reached 50% of its registered capital). The statutory common reserve fund can be used for the following purposes:

– to make good losses of the previous years; or
– to convert into capital, provided such conversion is approved by a resolution at a shareholders' general meeting and the balance of the statutory common reserve fund does not fall below 25% of the registered capital.

Retained earnings

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

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

The Company's distributable reserve as at 31 December 2018 is the retained earnings computed under IFRS which amounted to approximately RMB44,635,365,000 (2017: RMB38,566,866,000).

44. PERPETUAL CAPITAL SECURITIES

	Perpetual capital securities issued by the Company RMB'000 (notes (i) to (iv))	Perpetual capital securities issued by a subsidiary RMB'000 (note (v))	Total RMB'000
At 1 January 2017	6,662,191	–	6,662,191
Issuance of perpetual capital securities	5,000,000	3,417,351	8,417,351
Redemption of perpetual capital securities	(2,485,000)	–	(2,485,000)
Dividend to holders of perpetual capital security	496,258	131,612	627,870
Distribution paid to holders of perpetual capital security	(423,800)	(131,612)	(555,412)
At 31 December 2017 and 1 January 2018	**9,249,649**	**3,417,351**	**12,667,000**
Issuance of perpetual capital securities	**4,962,500**	**–**	**4,962,500**
Redemption of perpetual capital securities	**(3,964,000)**	**–**	**(3,964,000)**
Dividend to holders of perpetual capital security	**607,095**	**202,733**	**809,828**
Distribution paid to holders of perpetual capital security	**(538,800)**	**(202,733)**	**(741,533)**
At 31 December 2018	**10,316,444**	**3,417,351**	**13,733,795**

Notes:

(i) The Company issued 6.8% perpetual capital securities with par value of RMB1,500,000,000 and RMB1,000,000,000 on 19 September 2014 and 17 November 2014 respectively. Coupon payments of 6.8% per annum on the perpetual capital securities are paid in arrears twice in a year. 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 such perpetual capital securities.

(ii) The Company issued 6.50% and 6.19% perpetual capital securities with par value of RMB2,000,000,000 and RMB2,000,000,000 on 10 April 2015 and 30 April 2015 respectively. Coupon payments of 6.50% and 6.19% per annum, which will be reset every 3 years, on the perpetual capital securities are paid in arrears. 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. In 2018, the Company redeemed such perpetual capital securities.

(iii) The Company issued 5.7% perpetual capital securities with par value RMB5,000,000,000, on 18 August 2017. Coupon payments of 5.7% per annum, which will be reset every 3 years, on the perpetual capital securities are paid in arrears. 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.

44. PERPETUAL CAPITAL SECURITIES (Continued)

(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. These perpetual capital securities have no fixed maturity and are redeemable at the discretion of the Group at their principal amounts together with any accrued, unpaid or deferred coupon interest payments. In addition, while any coupon payments are unpaid or deferred, the Company undertakes not to declare, pay any dividends nor to make any distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank. Since the perpetual capital security does not include any payment of cash or other contractual obligation of financial instrument, it is categorised as equity under IFRS.

45. SUBORDINATED CAPITAL NOTES

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

SCN do not have any fixed maturity date and do not have to be redeemed except in a winding up of the Issuer or Yancoal Australia. Conversion occurs at a fixed price so the value of the Yancoal Australia ordinary shares issued on conversion may be more or less than the face value of the SCN converted. Note holders will be permitted to convert the SCN into Yancoal Australia ordinary shares after 40 days until the 30 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.

As at 31 December 2017, there were 4,900 SCN outstanding. On 31 January 2018, 1,606 SCN were converted into new shares of Yancoal Australia and 3,294 SCN were redeemed for cash. At 31 December 2018 there were no SCN in issue.

46. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings, perpetual capital securities and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company assess the annual budget prepared by the accounting and treasury department and consider and evaluate the cost of capital and the risks associated with each class of capital. The Group will balance its capital structure through the payment of dividends, issue of new shares and new debts or the repayment of existing debts.

47. FINANCIAL INSTRUMENTS

47a. Categories of financial instruments

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost/loans and receivables (including cash and cash equivalents)	**61,264,619**	59,918,663
Financial assets at FVTOCI		
– Listed equity instruments at FVTOCI	**277**	–
– Unlisted equity instruments at FVTOCI	**4,969**	–
Financial assets at FVTPL		
– Unlisted equity instruments at FVTPL	**156,840**	–
– Royalty receivables	**931,256**	1,038,334
Available-for-sale financial assets (investment securities)	**–**	2,278,296
Held-to-maturity investments	**–**	69,427
Derivative financial instruments	**–**	21,888
Financial liabilities		
Financial liabilities at amortised cost	**103,053,137**	99,890,683
Derivative financial instruments	**1,254**	–

47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial risk management objectives and policies

The Group's major financial instruments include equity and investments in securities, bills and accounts receivables, royalty receivables, other receivables, bank balances and cash, term deposits, restricted cash, long-term receivables, derivative financial instruments, bills and accounts payables, other payables, long-term payables, borrowings, amounts due to Parent Company and its subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no significant change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2018 and 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 58.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The Group maintains its cash and cash equivalents with reputable banks. Therefore, the directors consider that the credit risk for such is minimal.

The Group generally grants the customers with long-relationship credit terms not exceeding 180 days, depending on the situations of the individual customers. For small to medium sized new customers, the Group generally requires them to pay for the products before delivery.

Most of the Group's domestic sales are sales to electric power plants, metallurgical companies, construction material producers and railway companies. The Group generally has established long-term and stable relationships with these companies. The Group also sells its coal to provincial and city fuel trading companies.

As the Group's PRC operation does not currently have direct export rights, all of its export sales must be made through National Coal Corporation, Shanxi Coal Corporation or Minmetals Trading. The qualities, prices and final customer destinations of the Group's export sales are determined by the Group, National Coal Corporation, Shanxi Coal Corporation or Minmetals Trading.

As at 31 December 2017, impairment loss was recognised when there was objective evidence of impairment loss.

47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Starting from 1 January 2018, for accounts and bills receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-trade related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

In order to minimise credit risk, the Group has tasked its operation management committee to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Bills and accounts receivables	Other financial assets /other items
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	Lifetime ECL – not credit impaired	12 – month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date (refer to as Stage 1)	Lifetime ECL – not credit impaired	12 – month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The credit quality of the Group's financial asset as well as the Group's maximum exposure to credit risk rating grades are disclosed in respective notes.

47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Details of the accounts receivable from the five customers with the largest gross receivable balances at 31 December 2018 and 2017 are as follows:

	Percentage of accounts receivable At 31 December	
	2018	2017
Five largest receivable balances	**26.43%**	22.23%

The management considers the strong financial background and good creditability of these customers, and there is no significant uncovered credit risk.

The table below shows the credit limit and balance of 5 major counterparties at the reporting date:

Counterparty	Location	**31 December 2018** Credit limit RMB'000	**31 December 2018** Carrying amount RMB'000	31 December 2017 Credit limit RMB'000	31 December 2017 Carrying amount RMB'000
Company A	PRC	**Not applicable**	**578,246**	Not applicable	N/A
Company B	PRC	**Not applicable**	**307,134**	Not applicable	N/A
Company C	PRC	**Not applicable**	**176,683**	Not applicable	N/A
Company D	PRC	**Not applicable**	**164,990**	Not applicable	151,008
Company E	PRC	**Not applicable**	**127,603**	Not applicable	N/A
Company F	PRC	**Not applicable**	**N/A**	Not applicable	264,537
Company G	PRC	**Not applicable**	**N/A**	Not applicable	184,149
Company H	PRC	**Not applicable**	**N/A**	Not applicable	162,294
Company I	PRC	**Not applicable**	**N/A**	Not applicable	153,356
			1,354,656		915,344

The Group's geographical concentration of credit risk is mainly in East Asia (excluding the PRC) and Australia. As at 31 December 2018 over 46% (2017: 42%) of the Group's total trade receivables were from customers, located in Australia and East Asia (excluding the PRC).

47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

The Group's sales are denominated mainly in the functional currency of the relevant group entity making the sale, whilst costs are mainly denominated in the group entity's functional currency. Accordingly, there is no significant exposure to transactional foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities in currencies other than the functional currencies of the relevant group entities at the reporting date are as follows:

	Liabilities		**Assets**	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**27,276,294**	27,934,265	**9,378,142**	7,375,890
EUR ("EUR")	**–**	–	**16,768**	128,352
Hong Kong Dollar ("HKD")	**1,366,988**	–	**164,229**	323,187
Australian Dollar ("AUD")	**352,605**	459,362	**1,470,730**	1,179,811

The sales of the Group's subsidiaries in Australia are mainly export sales and some of their fixed assets are imported from overseas. Their foreign exchange exposures are hedged by foreign currency denominated borrowings. The Group's operations in the PRC do not adopt any foreign exchange hedging policy.

Sensitivity analysis

The Group is mainly exposed to the fluctuation against the currency of USD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against relevant foreign currencies. 5% represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates and also assumes all other risk variables remained constant. The sensitivity analysis includes loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower.

47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

	US$ Impact (note (i))	
	2018	2017
	RMB'000	RMB'000
(Decrease) increase in profit		
– if RMB weakens against respective foreign currency	**(171,239)**	(141,028)
– if RMB strengthens against respective foreign currency	**171,239**	141,028

	US$ Impact (note ii)	
	2018	2017
	RMB'000	RMB'000
(Decrease) increase in profit		
– if RMB weakens against respective foreign currency	**474,412**	28,275
– if RMB strengthens against respective foreign currency	**(474,412)**	(28,275)
(Decrease) increase in other equity		
– if RMB weakens against respective foreign currency	**891,477**	588,408
– if RMB strengthens against respective foreign currency	**(891,477)**	(588,408)

Notes:

(i) This is mainly attributable to the exposure of the Group's outstanding bank deposit and loans denominated in US$.

(ii) This is mainly attributable to the exposure of the Group's outstanding bank borrowings in foreign currency and derivative financial instruments designated as cash flow hedge.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, term deposits, restricted cash (note 17) and variable rate borrowings (note 39).

The Group's exposures to interest rate risk on financial assets and financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the PBOC arising from the Group's RMB borrowings and the LIBOR arising from the Group's USD borrowings.

Sensitivity Analysis

The following table details the Group's sensitivity to a change of 100 basis points in the interest rate, assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all the variables were held constant. It includes the interest rate fluctuation of the abovementioned PBOC rate and LIBOR.

	2018 RMB'000	2017 RMB'000
(Decrease) increase in profit or loss		
– if increases by 100 basis points	**(103,409)**	(311,615)
– if decreases by 100 basis points	**103,409**	311,615
Increase (decrease) in shareholders' equity		
– if increases by 100 basis points	**(103,399)**	(311,510)
– if decreases by 100 basis points	**103,399**	311,510

(iii) Other price risk

In addition to the above risks relating to financial instruments, the Group is exposed to equity price risk through investment in listed equity securities, unlisted investment portfolio, unlisted equity securities, royalty receivables, investment in preference shares and derivative financial instruments and also to price risk in non-financial instruments such as steel and metals (the Group's major raw materials). The Group currently does not have any arrangement to hedge the price risk exposure of its investment in equity securities and its purchase of raw materials. The Group's exposure to equity price risk through investment in listed equity securities and also the result of the sensitivity analysis is not significant.

47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate %	Within 1 years or on demand RMB'000	1-5 years RMB'000	5+ years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 31 December RMB'000
2018						
Non-derivative financial liabilities						
Bills and accounts payable	N/A	12,514,298	–	–	12,514,298	12,514,298
Other payables	N/A	20,679,288	–	–	20,679,288	20,679,288
Amounts due to Parent Company and its subsidiary companies	N/A	929,654	–	–	929,654	929,654
USD guaranteed note	5.73% - 6%	177,606	3,351,560	–	3,529,166	2,992,227
RMB guaranteed note	3.5% - 6.15%	7,598,124	10,074,301	3,068,495	20,740,920	18,455,149
Finance lease liabilities	4.98% - 5.49%	73,662	151,867	–	225,529	205,313
Bank borrowings	2.05% - 8.7%	14,391,920	27,876,218	11,180,176	53,448,314	46,425,234
Loan pledged by machineries	8.75%	610,206	–	–	610,206	600,000
Long term payable	6.4%	130,221	146,704	–	276,925	251,974
		57,104,979	41,600,650	14,248,671	112,954,300	103,053,137
Financial guarantees issued						
Maximum amount guaranteed (note)	N/A	–	–	4,221,989	4,221,989	–

Note: the amount presented is the maximum contractual presented under guarantees issued.

47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate %	Within 1 years or on demand RMB'000	1-5 years RMB'000	5+ years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 31 December RMB'000
2017						
Non-derivative financial liabilities						
Bills and accounts payable	N/A	8,973,438	–	–	8,973,438	8,973,438
Other payables	N/A	19,047,023	–	–	19,047,023	19,047,023
Amounts due to Parent Company and its subsidiary companies	N/A	693,014	–	–	693,014	693,014
USD guaranteed note	5.70%	84,778	1,773,240	–	1,858,018	1,487,320
RMB guaranteed note	3.5%-6.3%	12,689,156	7,430,106	3,293,751	23,413,013	20,949,326
Finance lease liabilities	5.43%-5.60%	185,088	7,015	16,711	208,814	197,129
Bank borrowings	2.404%-8.7%	16,457,420	27,825,110	9,071,119	53,353,649	46,126,919
Loan pledged by machineries	8.75%	1,077,579	610,206	–	1,687,785	1,600,000
Long term payable	6.15%-6.50%	642,762	237,742	–	880,504	816,514
		59,850,258	37,883,419	12,381,581	110,115,258	99,890,683
Financial guarantees issued						
Maximum amount guaranteed (note)	N/A	–	–	5,301,560	5,301,560	–

Note: the amount presented is the maximum contractual presented under guarantees issued.

47c. Fair values

The fair value of listed equity 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 value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

The following table presents the carrying value of financial instruments measured at fair value across the three levels of the fair value hierarchy:

47. FINANCIAL INSTRUMENTS (Continued)

47c. Fair values (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	At 31 December Total RMB'000
2018				
Assets				
Financial assets at FVTPL:				
– Unlisted equity investments	**–**	**–**	**156,840**	**156,840**
– Royalty receivables	**–**	**–**	**931,256**	**931,256**
– Investment in preference shares	**–**	**–**	**–**	**–**
Fianancial assets at FVTOCI				
– Investments in securities listed on the SSE	**277**	**–**	**–**	**277**
– Unlisted equity securities	**–**	**–**	**4,969**	**4,969**
	277	**–**	**1,093,065**	**1,093,342**
Liabilities				
Financial assets at FVTPL:				
– Derivative financial instruments	**–**	**1,254**	**–**	**1,254**

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	At 31 December Total RMB'000
2017				
Assets				
Available-for-sale investments				
– Investments in securities listed on the SSE	424	–	–	424
– Investments in securities listed on the HKEX	1,877,228	–	–	1,877,228
Derivative financial instruments:				
– Forward foreign exchange contracts	–	21,888	–	21,888
Royalty receivable	–	–	1,016,446	1,016,446
	1,877,652	21,888	1,016,446	2,915,986

During the years ended 31 December 2018 and 2017, there are no change in categories between level 1 and level 2 and no movement from or into level 3. For more information about royalty receivable, please refer to note 19.

47. FINANCIAL INSTRUMENTS (Continued)

47c. Fair values (Continued)

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

48. ACQUISITION OF SUBSIDIARIES NOT UNDER COMMON CONTROL

For the year ended 31 December 2017

(A) Acquisition of C&A

On 24 January 2017 and as subsequently amended on 26 June 2017, Yancoal Australia entered into binding agreements with an independent third party, Rio Tinto Limited, to acquire the entire equity interests in C&A for a cash consideration of USD2.69 billion (equivalent to approximately RMB16,622,899,000), including an adjustment for net debt and working capital, and USD240 million (equivalent to approximately RMB1,441,262,000) in non-contingent royalty payments (deferred consideration) over five years from completion. The acquisition was completed on 1 September 2017. Further details of the acquisition are set out in the Company's circulars dated 2 June 2017 and 30 June 2017.

	RMB'000
Consideration transferred	
Cash consideration	16,622,899
Non-contingent royalty	1,441,262
	18,064,161

Acquisition-related costs amounting to approximately RMB84,045,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2017, within selling, general and administrative expenses in the consolidated statement of profit or loss.

48. ACQUISITION OF SUBSIDIARIES NOT UNDER COMMON CONTROL (Continued)

(A) Acquisition of C&A (Continued)

The net assets acquired on the acquisition date are as follows:

	RMB'000
Bank balances and cash	774,106
Bills and accounts receivables	687,528
Prepayments and other receivables	305,568
Inventories	402,331
Assets classified as held for sale (note)	417,013
Interests in associates	995,850
Property, plant and equipment	6,753,053
Construction in progress	550,022
Intangible assets	12,686,165
Deferred tax assets	534,744
Bills and accounts payable	(1,535,686)
Other payables and accrued expenses	(340,023)
Provision for land, subsidence, restoration, rehabilitation and environmental cost	(713,319)
Provision	(1,181,202)
Deferred tax liabilities	(1,375,056)
Net assets acquired	18,961,094
Gain on bargain purchase	(896,933)
	18,064,161
Net cash outflow arising on acquisition:	
Consideration transferred	
Cash paid on acquisition	16,622,899
Non-contingent royalty paid	723,178
Less: Bank balances and cash acquired	(774,106)
	16,571,971

Note: Included interest in associate of RMB128,963,000 and a freehold non-mining land of RMB288,050,000.

The Group recognised a gain on a bargain purchase of approximately RMB896,933,000 in the consolidated statement of profit or loss for the year ended 31 December 2017. In the opinion of the directors of the Company, the bargain purchase is mainly attributable to the improved industry performance on completion date compared to the date the acquisition price was fixed.

The fair value and the gross amount of bills and accounts receivables, prepayments and other receivables at the date of acquisition amounted to approximately RMB993,096,000. No estimated uncollectible contractual cash flows were expected at the acquisition date.

48. ACQUISITION OF SUBSIDIARIES NOT UNDER COMMON CONTROL (Continued)

(A) Acquisition of C&A (Continued)

During the period from the acquisition date to 31 December 2017, C&A had contributed a total revenue of approximately RMB3,785,671,000 and net profit of approximately RMB1,086,675,000.

If the acquisition had occurred on 1 January 2017, the consolidated revenue and net profit of the Group for the year ended 31 December 2017 would have been increased by approximately RMB10,982,994,000 and approximately RMB4,134,417,000 respectively.

The proforma financial information was for illustrative purpose only and did not necessarily reflect the Group's revenue and operating results if the acquisition has been completed on 1 January 2017 and could not serve as a basis for the forecast of future operation result.

During the year ended 31 December 2018, adjustments have been made to the provisional acquisition accounting of C&A. This resulted in an increase in provisions of approximately RMB38.6 million offset by increases in mining tenements of approximately RMB4.8 million and intangible assets of approximately RMB4.8 million together with the resulting deferred tax impacts. Deferred tax assets increased by approximately RMB9.7 million and deferred tax liabilities decreased by approximately RMB19.3 million. The changes have resulted from further analysis of agreements and the nature and status of assets that existed as at the acquisition date that, if known, would have affected the measurement of the amounts recognised as at the date of acquisition.

(B) Acquisition of 無錫鼎業能源有限公司

On 30 June 2017, the Company acquired the entire equity interest in 無錫鼎業能源有限公司 ("無錫鼎業") from an independent third party as a settlement of other receivable of RMB131,933,000 due by that third party.

	RMB'000
Non-cash consideration	
Other receivable	131,933

Acquisition–related costs were insignificant and have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2017, within selling, general and administrative expenses in the consolidated statement of profit or loss.

48. ACQUISITION OF SUBSIDIARIES NOT UNDER COMMON CONTROL (Continued)

(B) Acquisition of 無錫鼎業能源有限公司 (Continued)

The net assets acquired at the acquisition date are as follows:

	RMB'000
Bank balances and cash	100
Prepayments and other receivables	31
Construction in progress	508,078
Other payables	(376,276)
Net assets acquired	131,933
Consideration transferred	(131,933)
	–
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	100

During the period from the date of acquisition to 31 December 2017, 無錫鼎業 made immaterial contribution to the Group's revenue and profit for the year.

49. ACQUISITION OF YANKUANG FINANCE

On 31 October 2017, the Group acquired additional 65% equity interest in Yankuang Finance, a financial institution registered in the PRC, from the Parent Company for a cash consideration of approximately RMB1,124,228,000 to expand into the financing services business. Prior to the acquisition of the 65% equity interest, the Group had 25% equity interest in Yankuang Finance. Following such acquisition, Yankuang Finance became a non-wholly owned subsidiary of the Group.

	RMB'000
Considerations transferred:	
Fair value of previously-held equity interest	425,870
Cash consideration	1,124,228
	1,550,098

49. ACQUISITION OF YANKUANG FINANCE (Continued)

Acquisition-related costs were insignificant and have been excluded from the consideration transferred and have been recognised as an expense for the year ended 31 December 2017, within selling, general and administrative expenses in the consolidated statement of profit or loss.

Assets acquired and liabilties recognised at the acquisition date are as follows:

	RMB'000
Bank balances and cash	3,531,385
Prepayments and other receivables	4,923,834
Long term receivables – due within one year	185,250
Property, plant and equipment	2,534
Deferred tax assets	20,614
Other payables and accrued expenses	(6,955,292)
Tax payable	(4,846)
Net assets acquired	1,703,479
Non-controlling interest, at proportionate share	(170,347)
Goodwill	16,966
Consideration transferred	1,550,098
Net cash inflow arising on acquisition:	
Cash paid on acquisition	(1,124,228)
Bank balances and cash acquired	3,531,385
	2,407,157

The fair value and the gross amounts of prepayments and other receivables and long term receivables at the date of acquisition amounted to approximately RMB5,109,084,000. No estimated uncollectible contractual cash flows were expected at the acquisition date.

The goodwill arising from the acquisition is attributable to develop of more diversified operating activity and the profitability of the business, and operational synergies and strategic benefits expected to arise subsequent to the acquisition. Such goodwill is not deductible for tax purposes.

During the period from the acquisition date to 31 December 2017, Yankuang Finance had contributed a total other income of approximately RMB58,832,000 and net profit of approximately RMB24,719,000.

If the acquisition had occurred on 1 January 2017, the consolidated other income and net profit of the Group for the year ended 31 December 2017 would have been increased by approximately RMB247,658,000 and approximately RMB124,059,000 respectively.

The proforma financial information was for illustrative purpose only and does not necessarily reflect the Group's other income and operating results if the acquisition has been completed on 1 January 2017 and could not serve as a basis for the forecast of future operation result.

50. OTHER ACQUISITION AND DISPOSALS

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

On 4 May 2018, 16.6% interest in HVO a joint operation, was disposed to Glencore Coal Pty Ltd. at a cash consideration of USD429 million, subject to certain adjustments. 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.

	RMB'000
Cash consideration	2,767,218
Non-contingent royalties	423,107
Working capital and shares of net cash outflows adjustment (included in other payables and accrued expenses)	(170,264)
Total disposal consideration	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

50. OTHER ACQUISITION AND DISPOSALS (Continued)

(B) Acquisition of Warkworth Joint Venture

On 1 March 2018, the Group has completed the acquisition of the 28.898% interest in Warkworth Joint Venture for USD230 million (equivalent to approximately RMB1,716,745,000)). Upon the completion of the Acquisition, the interest of Yancoal Australia in Warkworth Joint Venture increased to approximately 84.5%, and Yancoal Australia's share of coal production from Mount Thorley Warkworth operations increased from 64.1% to 82.9%. Before and after the acquisition, Warkworth Joint Venture was accounted for as a joint operation of the Group.

	RMB'000
Consideration transferred	
Cash consideration	1,716,745

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Bank balances and cash	29,180
Bills and accounts receivables	350,158
Inventories	63,223
Property, plant and equipment, net	843,658
Intangible assets	707,735
Prepayments and other receivables	9,726
Bills and accounts payables	(209,122)
Provisions	(77,813)
Net assets acquired	1,716,745

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

The accounting for the acquisition has been determined on a provisional basis at 31 December 2018. Any adjustments to the provisional values as a result of completing work on the fair values of assets and liabilities acquired will be recognised within 12 months of the acquisition date and will be recognised as if they had occurred as at the date of acquisition.

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

50. OTHER ACQUISITION AND DISPOSALS (Continued)

(C) Acquisition of 4% of Moolarben

On 30 November 2018, Moolarben Coal Mine Pty Ltd a 100% owned subsidiary of Yancoal Australia acquired a 4% interest in Moolarben Coal Joint Venture ("Moolarben JV") from Kores Australia Moolarben Coal Pty Ltd ("Kores"). The Moolarben JV is accounted for as a joint operation. With the 4% acquisition the Group now holds an 85% interest in the Moolarben JV. The cash consideration paid and payable was AUD84 million (equivalent to approximately RMB405,300,000), split over four instalments of AUD21 million each, and reduced by a AUD21 million effective date adjustment whereby the cash consideration was reduced by 4% of the Moolarben JV's net cash inflow from the date of the sales agreement (15 April 2018) to the date of completion.

	RMB'000
Consideration transferred	
Purchase price	405,300
Effective date adjustment	(101,672)
Total consideration	303,628

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Bank balances and cash	7,315
Bills and accounts receivables	7,266
Inventories	14,784
Property, plant and equipment, net	243,098
Intangible assets	7,387
Prepayments and other receivables	3,295
Bills and accounts payables	(21,317)
Provisions	(8,433)
Deferred tax assets	50,233
Net assets acquired	303,628
Goodwill	–
Consideration transferred	303,628

50. OTHER ACQUISITION AND DISPOSALS (Continued)

(C) Acquisition of 4% of Moolarben (Continued)

The fair value of bills and accounts receivables at the date of acquisition amounted to approximately RMB7,266,000. The gross contractual amounts of those bills and accounts receivables acquired amounted to approximately RMB7,266,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB nil.

The accounting for the acquisition has been determined on a provisional basis at 31 December 2018. Any adjustments to the provisional values as a result of completing work on the fair values of assets and liabilities acquired will be recognised within 12 months of the acquisition date and will be recognised as if they had occurred as at the date of acquisition.

	RMB'000
Net cash outflow arising on acquisition:	
Cash paid on acquisition	303,628
Less: Bank balance and cash acquired	(7,315)
	296,313

51. NON-CONTROLLING INTEREST

Summarised financial information of material non-controlling interests of subsidiaries is set out below. For the details of transactions with non-controlling interests, please refer to note 52.

	Yancoal Australia At 31 December		Haosheng At 31 December	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Non-controlling interests percentage	**34.54%/37.53%**	22%/34.54%	**22.26%**	22.26%
Summarised financial information				
Current assets	**9,270,771**	10,307,241	**286,577**	430,424
Non-current assets	**49,655,299**	51,621,246	**4,091,265**	4,187,078
Current liabilities	**(4,379,462)**	(5,203,090)	**(959,817)**	(2,904,126)
Non-current liabilities	**(27,100,406)**	(31,943,054)	**(2,423,268)**	(143,585)
Net assets	**27,446,202**	24,782,343	**994,757**	1,569,791
Carrying amounts of non-controlling interests	**10,300,560**	8,559,821	**221,433**	349,435
Revenue	**23,271,056**	12,228,644	**1,009,071**	1,813,647
Profit (loss) for the year	**4,272,873**	818,112	**(532,486)**	505,689
Other comprehensive (expense) income	**(947,270)**	1,808,990	**–**	–
Total comprehensive income (expense)	**3,325,603**	2,627,102	**(532,486)**	505,689
Total comprehensive income (expense) allocated to non-controlling interests	**1,148,663**	907,401	**118,531**	112,566
Cash flows generated from (used in) operating activities	**9,541,201**	2,062,154	**(455,387)**	335,531
Cash flows from (used in) investing activities	**735,909**	(17,432,280)	**(380,394)**	(371,744)
Cash flows (used in) from financing activities	**(6,376,098)**	15,476,267	**632,537**	102,062
Net increase (decrease) in cash and cash equivalents	**3,901,012**	106,141	**(203,244)**	65,849
Dividends paid to non-controlling interests	**285,877**	–	**–**	–

The amount of above financial information is before elimination of intra-group transactions.

51. NON-CONTROLLING INTEREST (Continued)

	Jinan DuanxinMingren At December		Jinan DuanxinMingli At December	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Non-controlling interests percentage	**80%**	80%	**80%**	80%
Summarised financial information				
Current assets	**12,740**	14,293	**7,455**	4,592
Non-current assets	**5,000,000**	5,000,000	**5,000,000**	5,000,000
Current liabilities	**(4,349)**	(13,654)	**–**	–
Non-current liabilities	**–**	–	**–**	–
Net assets	**5,008,391**	5,000,639	**5,007,455**	5,004,592
Carrying amounts of non-controlling interests	**4,006,713**	4,000,511	**4,005,964**	4,003,674
Revenue	**–**	–	**–**	–
Profit for the year	**263,252**	256,045	**260,252**	266,997
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**263,252**	256,045	**260,252**	266,997
Total comprehensive income allocated to non-controlling interests	**210,602**	204,836	**208,201**	213,598
Cash flows (used in) generated from operating activities	**(1,553)**	598	**2,578**	(6,801)
Cash flows from investing activities	**–**	–	**–**	–
Cash flows from financing activities	**–**	–	**–**	–
Net (decrease) increase in cash and cash equivalents	**(1,553)**	598	**2,578**	(6,801)
Dividends paid to non-controlling interests	**204,400**	207,600	**205,911**	218,711

51. NON-CONTROLLING INTEREST (Continued)

	Jinang DuanxinMingzhi At December	
	2018	2017
	RMB'000	RMB'000
Non-controlling interests percentage	**80%**	80%
Summarised financial information		
Current assets	**3,283**	6,819
Non-current assets	**1,250,000**	1,250,000
Current liabilities	**–**	–
Non-current liabilities	**–**	–
Net assets	**1,253,283**	1,256,819
Carrying amounts of non-controlling interests	**1,002,626**	1,005,455
Revenue	**–**	–
Profit for the year	**66,311**	68,472
Other comprehensive income	**–**	–
Total comprehensive income	**66,311**	68,472
Total comprehensive income allocated to non-controlling interests	**53,049**	54,778
Cash flows used in operating activities	**(3,607)**	(6,550)
Cash flows from investing activities	**–**	–
Cash flows from financing activities	**–**	–
Net (decrease) increase in cash and cash equivalents	**(3,607)**	(6,550)
Dividends paid to non-controlling interests	**55,878**	49,478

52. RELATED PARTY BALANCES AND TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed. In accordance with Main Board Listing Rules Chapter 14A, continuing connected transactions are disclosed below:

Balances and transactions with related parties

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Nature of balances (other than those already disclosed)		
Bills and accounts receivable		
– Parent Company and its subsidiaries	**890,182**	804,258
– Joint ventures	**45,370**	56,892
– Associates	**45,437**	
Prepayments and other receivables		
– Parent Company and its subsidiaries	**142,695**	267,730
– Associates	**92,943**	93,762
Long-term receivables		
– Parent Company and its subsidiaries	**42,893**	13,599
– Joint ventures	**1,051,127**	–
– Associates	**4,028,373**	–
Bills and accounts payable		
– Joint ventures	**2,509**	–
– Associates	**6**	1,287
– Parent Company and its subsidiaries	**929,654**	693,014
Other payables and accrued expenses		
– Parent Company and its subsidiaries	**11,394,349**	9,681,685
– Associates	**574**	–

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

52. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Balances and transactions with related parties (Continued)

During the years, the Group had the following significant transactions with the Parent Company and/or its subsidiary companies (excluding the Group):

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Income		
Sales of coal	**2,269,360**	1,090,239
Sales of auxiliary materials	**1,154,088**	394,548
Supply of power and heat	**73,448**	82,288
Sales of methanol	**1,588**	4,033
Equipment leasing	**9,202**	2,815
Professional services	**4,279**	3,906
Labour and services	**48,908**	–
Expenditure		
Utilities and facilities	**14,399**	41,671
Purchases of materials and facilities	**296,747**	1,280,646
Repair and maintenance services	**25,323**	32,968
Labour and services	**2,235,266**	1,840,384
Road transportation services	**41,408**	–
Construction services	**1,044,908**	931,284
Coal train escort services	**51,550**	25,184
Financial services	**1,670**	110
Insurance fund management and payment services (free of charge)	**900,552**	654,642
Purchase of bulk commodities	**160,656**	–
Commissioned management services	**17,550**	–

Expenditures for social welfare and support services (excluding medical and child care expenses) are approximately RMB193,398,000 (2017: RMB187,041,000) for the year ended 31 December 2018. These expenses will be negotiated with and paid by the Parent Company each year.

During the period from 1 January 2017 to the date Yankuang Finance became a subsidiary of the Group, the interest income received from Yankuang Finance amounted to approximately RMB7,918,000 and there was no finance cost paid to Yankuang Finance.

As at 31 December 2018, the Parent Company and its subsidiaries had deposited approximately RMB9,985,986,000 (2017: RMB8,171,447,000) to Yankuang Finance. For the year ended 31 December 2018, interest income from and interest expense to the Parent Company and its subsidiaries (excluding the Group) amounted to approximately RMB199,352,000 and RMB104,380,000 respectively. For the year ended 31 December 2017, during the period from the date Yankuang Finance became a subsidiary of the Group, interest income from and interest expense to the Parent Company and its subsidiaries (excluding the Group) amounted to approximately RMB332,860,000and RMB10,802,000 respectively.

In addition to the above, the Company participates in a retirement benefit scheme of the Parent Company in respect of retirement benefits (note 54).

52. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Balances and transactions with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a large group of companies under the Parent Company which is controlled by the PRC government. Apart from the transactions with the Parent Company and its subsidiaries disclosed above, the Group also conducts business with other state-controlled entities. The directors of the Company consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Trade sales	**3,820,529**	1,571,108
Trade purchases	**550,141**	1,280,646

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Amounts due to other state-controlled entities	**655,120**	334,708
Amounts due from other state-controlled entities	**180,750**	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 of the Company are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations and no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

52. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Balances and transactions with joint ventures/associates

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Loan to a joint venture and an associate (note 28)	**5,079,499**	5,316,105

Interest received by the Group in the current year amounting to approximately RMB423,318,000 (2017: RMB337,676,000).

Compensation of key management personnel

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Directors fee	**520**	520
Salaries, allowance and other benefits in kind	**9,486**	6,878
Retirement benefit scheme contributions	**1,666**	1,200
	11,672	8,598

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

53. COMMITMENTS

Save as disclosed elsewhere is the consolidated financial statements the Group had the following capital commitments.

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
Acquisition of property, plant and equipment		
– the Group	**8,904,861**	12,935,792
– share of joint operations	**219,185**	122,405
– others	**10,866**	10,822
Intangible assets		
– share of joint operations	**12,509**	46,497
Exploration and evaluation		
– share of joint operations	**2,538**	241
	9,149,959	13,115,757

54. RETIREMENT BENEFITS

Qualifying employees of the Company are entitled to pension, medical and other welfare benefits. The Company participates in a scheme of the Parent Company and pays a monthly contribution to the Parent Company in respect of retirement benefits at an agreed contribution rate based on the monthly basic salaries and wages of the qualified employees. The Parent Company is responsible for the payment of all retirement benefits to the retired employees of the Company.

Pursuant to the Provision of Insurance Fund Administrative Services Agreement entered into by the Company and the Parent Company on 21 March 2014, the monthly contribution rate is at 20% (2017: 20%) of the total monthly basic salaries and wages of the Company's employees for the period from 1 January 2015 to 31 December 2017. Other welfare benefits will be provided by the Parent Company, which will be reimbursed by the Company.

The amount of contributions paid to the Parent Company were approximately RMB900,552,000 and RMB405,687,000 for the years ended 31 December 2018 and 2017 respectively.

The Company's subsidiaries are participants in a state-managed retirement scheme pursuant to which the subsidiaries pay a fixed percentage of its qualifying staff's wages as a contribution to the scheme. The subsidiaries' financial obligations under this scheme are limited to the payment of the employer's contribution. During the year, contributions paid and payable by the subsidiaries pursuant to this arrangement were insignificant to the Group. The Group's overseas subsidiaries pay fixed contribution as pensions under the laws and regulations of the relevant countries.

During the year and at the balance sheet date, there were no forfeited contributions which arose upon employees leaving the above schemes available to reduce the contributions payable in future years.

55. HOUSING SCHEME

A. The Parent Company is responsible for providing accommodation to its employees and the domestic employees of the Company. The Company and the Parent Company share the incidental expenses relating to the accommodation at a negotiated amount for each of the two years ended 31 December 2018 and 2017. Such expenses, amounting to RMB137,200,000 and RMB137,200,000 for each of the years ended 31 December 2018 and 2017 respectively, have been included as part of the social welfare and support services expenses summarised in note 52.

B. The Company currently makes a fixed monthly contribution for each of its qualifying employees to a housing fund which is equally matched by a contribution from the employees. The contributions are paid to the Parent Company which utilises the funds, along with the proceeds from the sales of accommodation and, if the need arises, from loans arranged by the Parent Company, to construct new accommodation.

56. POST BALANCE SHEET EVENTS

(i) Subsequent to the end of the reporting period, the Company adopted a share option scheme. Further details of the share option scheme are set out in the Company's circular dated 21 January 2019.

(ii) Subsequent to the end of the reporting period, in March 2019, the Group entered into an agreement with Shanghai Zhouhai Property Development Company Limited* (上海洲海房地產開發有限公司), a wholly-owned subsidiary of the Parent, for the acquisition of the entire equity interest in Shanghai Dongjiang Properties Development Company Limited* (上海東江房地產開發有限公司) for a cash consideration of RMB185,371,000. Further details of the transaction are set out in the Company's announcement dated 29 March 2019.

* English name for identification purpose only

57. OPERATING LEASE COMMITMENTS

The Group as lessee	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Within one year	**160,184**	261,814
In the second to fifth years inclusive	**297,436**	769,294
	457,620	1,031,108

Operating leases have average remaining lease terms of 1 to 5 years (2017: 1 to 5 years). Items that are subject to operating leases include mining equipment, office space and small items of office equipment.

58. CONTINGENT LIABILITIES

(i) Guarantees

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
(a) The Group		
Performance guarantees provided to daily operations	**1,005,073**	1,792,067
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	**546,196**	405,331
Guarantees provided in respect of land acquisition	**–**	255
(b) Joint operations		
Performance guarantees provided to external parties	**693,983**	993,247
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	**1,137,861**	1,265,436
(c) Related parties		
Performance guarantees provided to external parties	**571,979**	557,606
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	**266,897**	287,618
	4,221,989	5,301,560

58. CONTINGENT LIABILITIES

(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 the audit for the year 31 December 2012 has been completed. Yancoal Australia has agreed to reverse tax deductions totaling AUD26.5 million (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;

– 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; and

– 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.

59. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Certain of the consideration for the additional investment in an associate during 2017 amounted to approximately RMB971,250,000 was not yet settled as at 31 December 2017 and was included in payables for acquisition of subsidiaries/associates at 31 December 2017 under other payables and accrued expenses.

During the year ended 31 December 2018, investment in securities of approximately RMB3,781,200,000 was reclassified to interests in associates.

The Group's property, plant and equipment and construction-in-progress amounted to approximately RMB1,000,000,000 and RMB3,000,000,000 respectively were settled through bills during the year ended 31 December 2018.

60. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Dividends payable (Note 36) RMB'000	Customers' deposits in relation to financial services (Note 36) RMB'000	Borrowings (Note 39) RMB'000	Total RMB'000
At 1 January 2018 (Originally stated)	41,706	9,457,594	70,360,694	79,859,994
Change in accounting policies	–	–	(81,968)	(81,968)
At 1 January 2018 (Restated)	41,706	9,457,594	70,278,726	79,778,026
Dividends declaration	3,477,891	–	–	3,477,891
Cash flows	(3,475,971)	1,826,603	(1,927,906)	(3,577,274)
Exchange adjustment	–	–	327,103	327,103
At 31 December 2018	43,626	11,284,197	68,677,923	80,005,746

	Dividends payable (Note 36) RMB'000	Customers' deposits in relation to financial services (Note 36) RMB'000	Borrowings (Note 39) RMB'000	Total RMB'000
At 1 January 2017	2,781	–	65,577,791	65,580,572
Acquisition of subsidiaries	–	6,955,292	–	6,955,292
Dividends declaration	1,097,101	–	–	1,097,101
Cash flows	(1,058,176)	2,502,302	6,860,747	8,304,873
Exchange adjustment	–	–	(2,077,844)	(2,077,844)
At 31 December 2017	41,706	9,457,594	70,360,694	79,859,994

61. INFORMATION OF THE COMPANY

The Company's statement of financial position is disclosed as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
ASSETS		
CURRENT ASSETS		
Bank balances and cash	**13,653,633**	9,822,236
Pledged term deposits	**1,823,231**	3,184,908
Restricted cash	**1,629,645**	1,959,938
Bills and accounts receivable	**4,904,199**	9,870,713
Inventories	**578,184**	529,071
Loans to subsidiaries	**–**	890,000
Prepayments and other receivables	**39,472,294**	32,474,893
Prepaid lease payments	**13,388**	13,388
TOTAL CURRENT ASSETS	**62,074,574**	58,745,147
NON-CURRENT ASSETS		
Mining reserves	**989,558**	1,157,946
Prepaid lease payments	**381,019**	414,412
Property, plant and equipment	**9,757,349**	7,143,152
Investments in subsidiaries (note a)	**62,219,428**	61,141,742
Investments in securities	**5,246**	424
Investments in associates	**8,745,421**	7,285,597
Investment in joint venture	**28,762**	24,538
Deposit made on investments	**117,926**	117,926
Deferred tax assets	**1,193,597**	1,434,564
TOTAL NON-CURRENT ASSETS	**83,438,306**	78,720,301
TOTAL ASSETS	**145,512,880**	137,465,448

61. INFORMATION OF THE COMPANY (Continued)

	At 31 December 2018 RMB'000	2017 RMB'000
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bills and accounts payable	**3,425,208**	2,285,836
Other payables and accrued expenses	**13,526,037**	14,326,378
Contract liabilities	**749,246**	–
Provision for land subsidence, restoration, rehabilitation and environmental costs	**1,844,810**	2,342,564
Borrowings – due within one year	**11,899,433**	16,340,572
Long term payable – due within one year	**16,588,063**	3,216,682
Tax payable	**261,345**	598,691
TOTAL CURRENT LIABILITIES	**48,294,142**	39,110,723
NON-CURRENT LIABILITIES		
Borrowings – due after one year	**29,349,927**	34,551,593
Long term payable	**2,771,712**	2,141,313
TOTAL NON-CURRENT LIABILITIES	**32,121,639**	36,692,906
TOTAL LIABILITIES	**80,415,781**	75,803,629
EQUITY (note b)	**54,780,655**	52,412,170
PERPETUAL CAPITAL SECURITIES	**10,316,444**	9,249,649
TOTAL EQUITY	**65,097,099**	61,661,819
TOTAL LIABILITIES AND EQUITY	**145,512,880**	137,465,448

61. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2018 and 2017 are as follows:

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power controlled		Principal activities
			2018		2017		2018	2017	
			Directly	Indirectly	Directly	Indirectly			
Shanxi Neng Hua (note 1)	PRC	RMB600,000,000	100%	–	100%	–	100%	100%	Investment holding
Shanxi Tianchi (note 1)	PRC	RMB90,000,000	–	81.31%	–	81.31%	81.31%	81.31%	Coal mining business
Shanxi Tianhao (note 1)	PRC	RMB150,000,000	–	99.89%	–	99.89%	99.89%	99.89%	Methanol and electricity power business
Beisheng Industry and Trade (note 1)	PRC	RMB2,404,000	100%	–	100%	–	100%	100%	Coal Mining and sales
Shandong Yanmei Shipping Co., Ltd. ("Yanmei Shipping") (note 1)	PRC	RMB5,500,000	92%	–	92%	–	92%	92%	Transportation via rivers and lakes and the sales of coal and construction materials
Inner Mongolia Haosheng Coal Mining Co., Ltd("Haosheng") (note 1)	PRC	RMB904,900,000	77.74%	–	77.74%	–	77.74%	77.74%	Sales of coal mine machinery equipment and accessories
Zhongyan Trade Co., Ltd ("Zhongyan") (note 1)	PRC	RMB50,000,000	100%	–	100%	–	100%	100%	Trade and storage in free trade zone
Yanzhou Coal Mining Yulin Neng Hua Co., Ltd ("Yulin") (note 1)	PRC	RMB1,400,000,000	100%	–	100%	–	100%	100%	Methanol and electricity power business
Heze (note 1)	PRC	RMB3,000,000,000	98.33%	–	98.33%	–	98.33%	98.33%	Coal mining and sales
Ordos (note 1)	PRC	RMB8,100,000,000	100%	–	100%	–	100%	100%	Investment holding, coal mining and sales
Yize (note 1)	PRC	RMB675,000,000	–	100%	–	100%	100%	100%	Development of methanol project
Inner Mongolia Rongxin Chemicals Co., Ltd ("Rongxin") (note 1)	PRC	RMB648,360,000	–	100%	–	100%	100%	100%	Development of methanol project
Inner Mongolia Daxin Industrial Gas Co., Ltd ("Daxin Industrial") (note 1)	PRC	RMB209,992,568	–	100%	–	100%	100%	100%	Development of methanol project
Xintai (note 1)	PRC	RMB5,000,000	–	100%	–	100%	100%	100%	Coal mining and sales
Ordos Zhuanlongwan Coal Mining Company Limited ("Zhuanlongwan")	PRC	RMB5,050,000,000	–	100%	–	100%	100%	100%	Coal mining and sales, manufacturing and sales of mining equipment and machinery

61. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2018 and 2017 are as follows: (Continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power controlled		Principal activities
			2018		2017		2018	2017	
			Directly	Indirectly	Directly	Indirectly			
Ordos Yingpanhao Coal Mining Company Limited ("Yingpanhao") (note 1)	PRC	RMB300,000,000	–	100%	–	100%	100%	100%	Coal mining and sales, manufacturing and sales of mining equipment and machinery
Hua Ju Energy (note 1)	PRC	RMB288,589,774	95.14%	–	95.14%	–	95.14%	95.14%	Electricity and heat supply
Rizhao (note 1)	PRC	RMB300,000,000	51%	–	51%	–	51%	51%	Coal wholesale management and others
Qingdao Yanmei Dongqi Energy Co., Ltd ("Dongqi") (note 1)	PRC	RMB50,000,000	–	51%	–	51%	100%	100%	Coal and Related Products Wholesale
Trading Centre (note 1)	PRC	RMB100,000,000	51%	–	51%	–	51%	51%	Coal Mining and sales
Shandong Zhongyin International Trade Co., Ltd. (note 1)	PRC	RMB300,000,000	100%	–	100%	–	100%	100%	Coal and non-ferrous metal wholesale
Zhongyin Logistics (note 1)	PRC	RMB300,000,000	–	100%	–	100%	100%	100%	Trade Broker and Agent
Zhongyin Financial (note 1)	PRC	RMB7,060,000,000	90%	9%	90%	9%	99%	99%	Financial leasing
Duanxin (note 1)	PRC	RMB:3,310,000,000	100%	–	100%	–	100%	100%	Investment and assets management
Shandong Duanxin Supply Chain Management Co., Ltd ("Supply Chain") (note 1)	PRC	RMB200,000,000	100%	–	100%	–	100%	100%	Logistics storage and leasing
Heze Duanxin Supply Chain Management Co., Ltd ("Heze Duanxin") (note 1)	PRC	RMB10,000,000	–	100%	–	100%	100%	100%	Logistics storage and leasing
Dalateqi Duanxin Supply Chain Management Co., Ltd ("Dalateqi") (note 1)	PRC	RMB5,000,000	–	100%	–	100%	100%	100%	Logistics storage and leasing
Ejin Horo Qi Duanxin Supply Chain Management Co., Ltd. (note 1)	PRC	RMB10,000,000	–	100%	–	100%	100%	100%	Logistics storage and leasing
Ruifeng (note 1)	PRC	RMB200,000,000	51%	–	51%	–	51%	51%	Trading
Yancoal International (Singapore) Pte. Ltd.	Singapore	USD10,000,000	–	100%	–	100%	100%	100%	Trading

61. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2018 and 2017 are as follows: (Continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power controlled		Principal activities
			2018		2017		2018	2017	
			Directly	Indirectly	Directly	Indirectly			
Yancoal Australia (note 2)	Australia	2018: AUD6,482,144,000 ((2017: AUD6,216,604,000)	**62.47%**	**–**	65.46%	–	**62.47%**	65.46%	Investment holding
Austar Coal Mine Pty, Limited ("Austar")	Australia	AUD64,000,000	**–**	**62.47%**	–	65.46%	**100%**	100%	Coal mining business in Australia
Gloucester	Australia	AUD719,720,808	**–**	**62.47%**	–	65.46%	**100%**	100%	Coal resource exploration development
Yancoal Australia Sales Pty Ltd	Australia	AUD100	**–**	**62.47%**	–	65.46%	**100%**	100%	Coal sales
Yancoal SCN Ltd	Australia	AUD5	**–**	**62.47%**	–	65.46%	**100%**	100%	Issue subordinated capital note
Yancoal Mining Services Ltd	Australia	AUD100	**–**	**62.47%**	–	65.46%	**100%**	100%	Provide management services to the underground mines
Yancoal Resources Ltd	Australia	AUD446,409,065	**–**	**62.47%**	–	65.46%	**100%**	100%	Coal mining business in Australia
Westralian Prospectors NL	Australia	AUD93,001	**–**	**62.47%**	–	65.46%	**100%**	100%	No business in Australia
Eucla Mining NL	Australia	AUD2	**–**	**62.47%**	–	65.46%	**100%**	100%	Coal mining
CIM Duralie Pty Ltd	Australia	AUD665	**–**	**62.47%**	–	65.46%	**100%**	100%	No business in Australia
Duralie Coal Marketing Pty Ltd	Australia	AUD2	**–**	**62.47%**	–	65.46%	**100%**	100%	No business in Australia
Duralie Coal Pty Ltd	Australia	AUD2	**–**	**62.47%**	–	65.46%	**100%**	100%	Coal mining
Gloucester (SPV) Pty Ltd	Australia	AUD2	**–**	**62.47%**	–	65.46%	**100%**	100%	Holding company
Gloucester (Sub Holdings 1) Pty Ltd	Australia	AUD2	**–**	**62.47%**	–	65.46%	**100%**	100%	Holding company
Gloucester (Sub Holdings 2) Pty Ltd	Australia	AUD2	**–**	**62.47%**	–	65.46%	**100%**	100%	Holdings company
SASE Pty Limited	Australia	AUD9,650,564	**–**	**56.22%**	–	58.91%	**90%**	90%	No business in Australia, to be liquidated
Proserpina Coal Pty Ltd	Australia	AUD1	**–**	**62.47%**	–	65.46%	**100%**	100%	Coal mining and sales
Yarrabee Coal Company Pty Ltd	Australia	AUD92,080	**–**	**62.47%**	–	65.46%	**100%**	100%	Coal mining and sales
White Mining Limited	Australia	Ordinary shares AUD3,300,000 A Shares AUD200	**–**	**62.47%**	–	65.46%	**100%**	100%	Investment holding and management of operations

61. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2018 and 2017 are as follows: (Continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power controlled		Principal activities
			2018		2017		2018	2017	
			Directly	Indirectly	Directly	Indirectly			
Moolarben Coal Operations Pty Ltd	Australia	AUD2	–	62.47%	–	65.46%	100%	100%	Management of coal operations
Moolarben Coal Mines Pty Limited	Australia	AUD1	–	62.47%	–	65.46%	100%	100%	Coal business development
Felix NSW Pty Ltd	Australia	AUD2	–	62.47%	–	65.46%	100%	100%	Investment holding
Moolarben Coal Sales Pty Ltd	Australia	AUD2	–	62.47%	–	65.46%	100%	100%	Coal sales
CIM Mining Pty Ltd	Australia	AUD30,180,720	–	62.47%	–	65.46%	100%	100%	No business in Australia
Donaldson Coal Holdings Limited	Australia	AUD204,945,942	–	62.47%	–	65.46%	100%	100%	Holdings company
Monash Coal Holdings Pty Ltd	Australia	AUD100	–	62.47%	–	65.46%	100%	100%	Dormant
Athena Coal Operation Pty Ltd	Australia	AUD1	–	62.47%	–	65.46%	100%	100%	Dormant
Athena Coal sales Pty Ltd	Australia	AUD1	–	62.47%	–	65.46%	100%	100%	Dormant
Paway Limited	British Virgin Islands	AUD1	–	62.47%	–	65.46%	100%	100%	Dormant
White Mining Services Pty Limited	Australia	AUD2	–	62.47%	–	65.46%	100%	100%	No business in Australia, to be liquidated
Ashton Coal Operations Pty Limited	Australia	AUD5	–	62.47%	–	65.46%	100%	100%	Management ofoperations
Ashton Coal mines Limited	Australia	AUD5	–	62.47%	–	65.46%	100%	100%	Coal sales
White Mining (NSW) Pty Limited	Australia	AUD10	–	62.47%	–	65.46%	100%	100%	Coal miningand sales
CIM Stratford Pty Ltd	Australia	AUD21,558,606	–	62.47%	–	65.46%	100%	100%	Dormant
CIM Services Pty Ltd	Australia	AUD8,400,002	–	62.47%	–	65.46%	100%	100%	Dormant
Donaldson Coal Pty Ltd	Australia	AUD6,688,782	–	62.47%	–	65.46%	100%	100%	Coal miningand sales
Donaldson Coal Finance Pty Ltd	Australia	AUD10	–	62.47%	–	65.46%	100%	100%	Investment company
Monash Coal Pty Ltd	Australia	AUD200	–	62.47%	–	65.46%	100%	100%	Coal miningand sales
Stradford Coal Pty Ltd	Australia	AUD10	–	62.47%	–	65.46%	100%	100%	Coal mining
Stradford Coal Marketing Pty Ltd	Australia	AUD10	–	62.47%	–	65.46%	100%	100%	Coal sales
Abakk Pty Ltd	Australia	AUD6	–	62.47%	–	65.46%	100%	100%	Liquidated
Newcastle Coal Company Pty Ltd	Australia	AUD2,300,999	–	62.47%	–	65.46%	100%	100%	Coal miningand sales
Primecoal International Pty Ltd	Australia	AUD1	–		–	65.46%	100%	100%	No business inAustralia, tobe liquidated

61. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2018 and 2017 are as follows: (Continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power controlled		Principal activities
			2018		2017		2018	2017	
			Directly	Indirectly	Directly	Indirectly			
Coal & Allied Industries Limited ("C&A")	Australia	AUD3,724,000,000	–	62.47%	–	65.46%	100%	100%	Coal miningbusiness
Australian Coal Resources Ltd	Australia	AUD5	–		–	65.46%	100%	100%	Coal MiningBusiness
Kalamah Pty Ltd	Australia	AUD1	–	62.47%	–	65.46%	100%	100%	Investment, holding company
RioTinto Coal (NSW) Pty Ltd	Australia	AUD1	–	62.47%	–	65.46%	100%	100%	Employment, management company
Coal & Allied Operations Pty Ltd	Australia	AUD17,147,500	–	62.47%	–	65.46%	100%	100%	Coal mining,processing and sales
CNA Investments (UK) Pty Ltd	Australia	AUD202,000	–	62.47%	–	65.46%	100%	100%	Investment Management
CNA Resources Holdings Pty Ltd	Australia	AUD405	–	62.47%	–	65.46%	100%	100%	Investment holding
HV Operations Pty Ltd	Australia	AUD1	–	62.47%	–	65.46%	100%	100%	Management company
Lower Hunter Land Holdings Pty Ltd	Australia	AUD6	–	62.47%	–	65.46%	100%	100%	Management, holding company
Oaklands Coal Pty Ltd	Australia	AUD5,005,000	–	62.47%	–	65.46%	100%	100%	Management company
Novacoal Australia Pty Ltd	Australia	AUD530,000	–	62.47%	–	65.46%	100%	100%	Management company
Yancoal International (Holding) Co., Ltd	Hong Kong	USD689,313,091	100%	–	100%	–	100%	100%	Investment holding
Yancoal International Resources Development Co., Limited	Hong Kong	USD600,000	–	100%	–	100%	100%	100%	Coal resourceexploration development
Yancoal International Technology Development Co., Limited	Hong Kong	USD1,000,000	–	100%	–	100%	100%	100%	Coal miningtechnology development, transfer andconsultation
Yancoal International Trading Co., Limited	Hong Kong	USD1,000,000	–	100%	–	100%	100%	100%	Entrepot trade
Yancoal Luxembourg Resources Holding Co., Ltd	Luxembourg	USD500,000	–	100%	–	100%	100%	100%	Investment holding
Yancoal Canada Resources Holding Co., Ltd	Canada	USD290,000,000	–	100%	–	100%	100%	100%	Potash exploration
Athena Holdings P/L	Australia	AUD24,450,405	–	100%	–	100%	100%	100%	Holding company
Premier Coal Holdings Pty Ltd	Australia	AUD321,613,108	–	100%	–	100%	100%	100%	Holding company

61. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2018 and 2017 are as follows: (Continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power controlled		Principal activities
			2018		2017		2018	2017	
			Directly	Indirectly	Directly	Indirectly			
Tonford Holdings Pty Ltd	Australia	AUD46,407,917	–	100%	–	100%	100%	100%	Holding company
Wilpeena Holdings Pty Ltd	Australia	AUD3,457,381	–	100%	–	100%	100%	100%	Holding company
Yancoal Energy Pty Ltd	Australia	AUD202,977,694	–	100%	–	100%	100%	100%	Holding company
Yancoal International Technology Development Pty Ltd	Australia	AUD75,407,506	–	100%	–	100%	100%	100%	Holding company
Athena Coal Mine Pty Ltd	Australia	AUD2	–	100%	–	100%	100%	100%	Coal exploration
Premier Coal Limited	Australia	AUD8,779,250	–	100%	–	100%	100%	100%	Coal miningand sales
Tonford Pty Ltd	Australia	AUD2	–	100%	–	100%	100%	100%	Coal exploration
Syntech Holdings Pty Ltd	Australia	AUD223,470,552	–	100%	–	100%	100%	100%	Investment holding and management ofcoal operation
Syntech Holdings II Pty Ltd	Australia	AUD6,318,490	–	100%	–	100%	100%	100%	Investment holding
UCC Energy Pty Limited	Australia	AUD2	–	100%	–	100%	100%	100%	Ultra clean coaltechnology
Premier Char Pty Ltd	Australia	AUD1,000,000	–	100%	–	100%	100%	100%	Charcoal Product Development
Yancoal Technology Development Pty Ltd	Australia	AUD2	–	100%	–	100%	100%	100%	LTCC technology development andequipment rental
AMH (Chinchilla Coal) Pty Ltd	Australia	AUD2	–	100%	–	100%	100%	100%	Coal exploration
Syntech Resources Pty Ltd	Australia	AUD1,251,431	–	100%	–	100%	100%	100%	Coal mining andsales
Mountfield Properties Pty Ltd	Australia	AUD100	–	100%	–	100%	100%	100%	Investment holding
Donghua (note 1)	PRC	RMB1,277,888,000	100%	–	100%	–	100%	100%	Manufacturing ofcoal miningand excavatingequipment
Yankuang Group Tangcun Industrial Co., Ltd ("Tangcun") (note 1)	PRC	RMB51,000,000	–	100%	–	100%	100%	100%	Manufacturing and repair ofmachinery andcable
Shandong Yankuang Group Changlong Cable Manufacturing Co., Ltd ("Changlong") (note 1)	PRC	RMB20,000,000	–	95%	–	95%	95%	95%	Manufacturing and sale ofcable, rubberproducts

61. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2018 and 2017 are as follows: (Continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power controlled		Principal activities
			2018		2017		2018	2017	
			Directly	Indirectly	Directly	Indirectly			
Zhoucheng Chengyan Material Inspection and Testing Co., Ltd ("Chengyan") (note 1)	PRC	RMB300,000	–	100%	–	100%	100%	100%	Mining products supporting materials testing
Yankuang Group Mainland Machinery Co. Ltd ("Mainland Machinery") (note 1)	PRC	RMB50,000,000	–	79.69%	–	79.69%	79.69%	79.69%	Manufacturing ofspecial coal mining equipment
Yankuang Group Yanzhou Sanfanggang Structural Engineering ("Sanfanggang") (note 1)	PRC	RMB8,000,000	–	62.50%	–	62.50%	62.50%	62.50%	Production and processing of steel engineering components
Yankuang Group Zoucheng Jinming Electrical Company Limited ("Jinming") (note 1)	PRC	RMB50,000,000	–	100%	–	100%	100%	100%	Manufacturing, installation and repair of electrical equipments
Yankuang Group Zoucheng Dehailan Rubber Product Co., Ltd ("Dehailan") (note 1)	PRC	RMB860,000	–	41.86%	–	41.86%	41.86%	41.86%	Processing and sale of composite pipe and plastic profile products
Yanzhou Dongfang Electrical Co., Ltd ("Dongfang") (note 1)	PRC	RMB50,000,000	–	94.34%	–	94.34%	94.34%	94.34%	Manufacturing and installation ofmining equipments
Yankuang Group Jintong Rubber Co., Ltd ("Jintong") (note 1)	PRC	RMB6,600,000	–	54.55%	–	54.55%	54.55%	54.55%	Manufacturing and sale ofrubber products
Jinan DuanxinMingren Financial Consulting Partnership (LP) (notes 1 and 3)	PRC	RMB5,000,000,000	–	20%	–	20%	100%	100%	Financial advisory; Assetmanagement consultancy service; Business advisory; Business service; Marketinformation consultation and investigation

61. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2018 and 2017 are as follows: (Continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power controlled		Principal activities
			2018		2017		2018	2017	
			Directly	Indirectly	Directly	Indirectly			
Jinan DuanxinMingli Financial Consulting Partnership (LP) (notes 1and 3)	PRC	RMB5,000,000,000	–	20%	–	20%	100%	100%	Management consulting service, Assetmanagement consultancy service; Business advisory; Business service; Market information consultation and investigation
Jining Duanxin Mingzhi Financial Consulting Partnership (LP) (notes 1and 3)	PRC	RMB1,250,000,000	–	20%	–	20%	100%	100%	Investment holding
Qingdao Duanxin Asset Management Company Limited	PRC	RMB500,000,000	100%	–	100%	–	100%	100%	Equity investment fund management, Management of corporate asset, Foreign investment funds, Import and export service, International Trading, Export
Yancoal Property Service (note 1)	PRC	RMB12,000,000	–	35%	–	100%	35%	100%	Property management, Garden greening engineering, Sewage treatment and rental housingagency service
Duanxin Investment Holding (Shenzhen) Company Limited (note 1)	PRC	RMB1,100,000,000	–	100%	–	100%	100%	100%	Equity investment, the entrusted assets and investment management, corporate management and investment advisory
Zhongyin Finance Lease Company Limited (note 1)	PRC	RMB5,790,800,000	–	100%	–	100%	100%	100%	Investment Holding
Yankuang Finance	PRC	RMB1,703,000	90%	N/A	90%	N/A	90%	90%	Financial services

61. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2018 and 2017 are as follows: (Continued)

Unless otherwise specified, the capital of the above subsidiaries are registered capital (those established in the PRC) or ordinary shares (those established in other countries).

Note 1: The companies are established in the PRC as limited liability companies.

Note 2: The investment cost of RMB21,425,119,000 (2017: RMB21,425,119,000) in respect of investment in Yancoal Australia, a subsidiary dually listed on the Australia Stock Exchange and HKEx, was included in investment in subsidiaries. As at 31 December 2018, the market value of these shares was approximately RMB15,550,291,000 (AUD3,222,858,000) (2017: approximately RMB21,982,195,000 (AUD4,316,328,000).

During the year ended 31 December 2018, Yancoal Australia launched a global offering in connection with its dual listing on the HKEX which commenced on 6 December 2018. On 6 December 2018 Yancoal Australia issued 59,441,900 new shares under the global offering and on 28 December 2018 563,881 new shares were issued under the retail entitlement offer and on 3 January 2019 4,361,900 new shares under partial exercise of the overallotment option, all in connection with the global offering for HK$23.48 per new share. Following the global offering, the Group's equity interests in Yancoal Australia was first diluted 62.47% as at 31 December 2018 and then further diluted to 62.26% under partial exercise of the overallotment option on 3 January 2019 without any change to the Group's control over Yancoal Australia. A gain arising from such dilution of interests of approximately RMB27,495,000 was credited to other capital reserve.

During the year ended 31 December 2017, Yancoal Australia had undergone a series of fund raising activities including the issuance of ordinary shares and raised equity funds amounted to approximately RMB9,621,437,000 in aggregate from shareholders other than the Group. In addition, the Group had converted part of the subordinated capital notes of Yancoal Australia into ordinary shares of Yancoal Australia. Following such transactions, the Group's equity interests in Yancoal Australia was diluted to 65.46% without any change to the Group's control over Yancoal Australia. A gain arising from such dilution of interests of approximately RMB509,651,000 was credited to other capital reserve.

Note 3: Pursuant to the respective partnership agreements, the Group is able to control 100% of the voting power of these partnerships in relation to the respective relevant activities. Thus, these partnerships are accounted for as subsidiaries of the Group.

61. INFORMATION OF THE COMPANY (Continued)

(b) The Company's equity is as follows:

	Share capital RMB'000	Capital Reserve RMB'000	Share premium RMB'000	Future development fund reserve RMB'000	Statutory common fund RMB'000	Investment revaluation reserve RMB'000	Retained earnings RMB'000	Perpetual capital securities (note 44) RMB'000	Total RMB'000
Balance at 1 January 2017	4,912,016	–	2,967,947	780,222	5,855,024	305	33,857,242	6,662,191	55,034,947
Profit for the year	–	–	–	–	–	–	4,628,874	496,258	5,125,132
Other comprehensive expense									
– Fair value changes of available-for-sale investment	–	–	–	–	–	(18)	–	–	(18)
Total comprehensive income for the year	–	–	–	–	–	(18)	4,628,874	496,258	5,125,114
Transactions with owners:	–								
– Distribution paid to holders of perpetual capital securities	–	–	–	–	–	–	–	(423,800)	(423,800)
Dividends	–	–	–	–	–	–	(589,442)	–	(589,442)
Redemption of perpetual capital securities	–	–	–	–	–	–	–	(2,485,000)	(2,485,000)
Issuance of perpetual capital securities	–	–	–	–	–	–	–	5,000,000	5,000,000
Total transactions with owners	–	–	–	–	–	–	(589,442)	2,091,200	1,501,758
Balance at 31 December 2017	4,912,016	–	2,967,947	780,222	5,855,024	287	37,896,674	9,249,649	61,661,819
At 1 January 2018 (Originally stated)	4,912,016	–	2,967,947	780,222	5,855,024	287	37,896,674	9,249,649	61,661,819
Change in accounting polices	–	–	–	–	–	–	6,832	–	6,832
As at 1 January 2018 (Restated)	4,912,016	–	2,967,947	780,222	5,855,024	287	37,903,506	9,249,649	61,668,651
Profit for the year	–	–	–	–	–	–	4,719,532	607,095	5,326,627
Other comprehensive expense									
– Fair value changes of financial assets at FVTOCI	–	–	–	–	–	(111)	–	–	(111)
Total comprehensive (expense) income for the year	–	–	–	–	–	(111)	4,719,532	607,095	5,326,516
Transactions with owners:									
– Distribution paid to holders of perpetual capital securities	–	–	–	–	–	–	–	(538,800)	(538,800)
Dividends	–	–	–	–	–	–	(2,357,768)	–	(2,357,768)
Redemption of perpetual capital securities	–	–	–	–	–	–	–	(3,964,000)	(3,964,000)
Issuance of perpetual capital securities	–	–	–	–	–	–	–	4,962,500	4,962,500
Total transactions with owners	–	–	–	–	–	–	(2,357,768)	459,700	(1,898,068)
Balance at 31 December 2018	4,912,016	–	2,967,947	780,222	5,855,024	176	40,265,270	10,316,444	65,097,099

SUPPLEMENTAL INFORMATION

I. SUMMARY OF DIFFERENCES BETWEEN CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND THOSE UNDER THE PRC ACCOUNTING RULES AND REGULATIONS ("PRC GAAP")

The Group has also prepared a set of consolidated financial statements in accordance with relevant accounting principles and regulations applicable to PRC enterprises.

The consolidated financial statements prepared under IFRS and those prepared under PRC GAAP have the following major differences:

(1) Future development fund and work safety cost

(1a) Appropriation of future development fund is charged to profit before income taxes under PRC GAAP. Depreciation is not provided for plant and equipment acquired by utilising the future development fund under PRC GAAP but charged to expenses when acquired.

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

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

(2a) Under IFRS, the acquisitions of Jining II, Railway Assets, Heze, Shanxi Group, Hua Ju Energy, Beisu and Yangcun, Donghua and Yankuang Finance have been accounted for using the acquisition method which accounts for their assets and liabilities at their fair value at the date of acquisition. Any excess of the purchase consideration over the fair value of the net assets acquired is capitalised as goodwill.

Under PRC GAAP, as the entities above are under the common control of the Parent Company, their assets and liabilities of are required to be included in the consolidated balance sheet of the Group at historical cost. The difference between the historical cost of their assets and liabilities acquired and the purchase price paid is recorded as an adjustment to shareholders' equity.

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

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

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

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

SUPPLEMENTAL INFORMATION (continued)

I. SUMMARY OF DIFFERENCES BETWEEN CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND THOSE UNDER THE PRC ACCOUNTING RULES AND REGULATIONS ("PRC GAAP") (continued)

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

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

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

The following tables summarises the differences between consolidated financial statements prepared under IFRS and those under PRC GAAP:

	Net income attributable to the equity holders of the Company for the year ended 31 December		Net assets attributable to the equity holders of the Company as at 31 December	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
As per consolidated financial statements prepared under IFRS	**8,582,556**	7,362,675	**52,077,360**	47,410,866
Impact of IFRS adjustments in respect of:				
– Future development fund charged to income before income taxes	**(992,958)**	(744,852)	**–**	–
– Reversal of provision of work safety cost	**73,195**	134,674	**(60,388)**	(133,583)
– Fair value adjustment and amortisation	**10,000**	10,000	**(240,052)**	(250,052)
– Goodwill arising from acquisition of Jining II, Railway Assets, Heze, Shanxi Group, Hua Ju Energy, Beisu and Yangcun	**–**	–	**(899,403)**	(899,403)
– Acquisition of Donghua	**2,042**	2,042	**(422,717)**	(424,759)
– Pre-acquisition results of Yankuang Finance	**–**	80,638	**–**	–
– Goodwill arising from acquisition of Yankuang Finance	**–**	–	**(16,966)**	(16,966)
– Deferred tax	**223,869**	245,572	**350,302**	126,433
– Perpetual capital security	**–**	–	**10,316,444**	9,249,649
– Reversal of impairment loss on intangible assets in Yancoal Australia	**10,199**	(320,131)	**(760,459)**	(770,658)
– Others	**–**	–	**647,648**	647,648
As per consolidated financial statements prepared under PRC GAAP	**7,908,903**	6,770,618	**60,991,769**	54,939,175

Chapter 13

Documents Available for Inspection

Documents available for inspection	The financial statements sealed and signed by the persons in charge of the Company, the accounting work and the accounting department, respectively.
Documents available for inspection	The original copy of the auditor's report sealed by the accounting firm, and sealed and signed by the certified public accountants.
Documents available for inspection	The original copies of all documents and announcements published during the reporting period in websites designated by the CSRC.
Documents available for inspection	The annual report released in other securities markets.

Li Xiyong
Chairman

Approved by the Board for the submission on 29 March 2019

Revised information
Not applicable.

For further details
about information disclosure,
please visit the website of
Yanzhou Coal Mining Company Limited at