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

2019

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 the annual report and there are no misrepresentations, misleading statements contained in or material omissions from the annual report for which they shall assume joint and several responsibilities.

The 2019 Annual Report of Yanzhou Coal Mining Company Limited has been approved by the thirty-third meeting of the seventh session of the Board. All eleven Directors of quorum attended the meeting.

SHINEWING (HK) CPA Limited issued the standard independent auditor report with unqualified 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 dividend of RMB5.8 (including tax) per 10 share based on the number of shares on the dividend distribution record date. Based on the Company's total share capital on 31 December 2019, the total amount of cash dividend is estimated to be RMB2.849 billion (including tax) in 2019.

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 terms have the following meanings:*

| | |
|---|---|
| "Yanzhou Coal", "Company" or "the Company" | Yanzhou Coal Mining Company Limited, a joint stock limited company incorporated under the laws of the PRC in 1997 and the H Shares and A Shares of which are traded on the HKEX 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 53.79% 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 investment projects 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 gauge and slurry and heating supply business; |
| "Ordos Neng Hua" | Yanzhou Coal Ordos Neng Hua Company Limited, a company with limited liability incorporated under the laws of the PRC in 2009 and a wholly-owned subsidiary of the Company, which is mainly engaged in the development and operation of coal resources and coal chemical projects of the Company in the Inner Mongolia Autonomous Region; |
| "Haosheng Company" | Inner Mongolia Haosheng Coal Mining Company Limited, a company with limited liability incorporated under the laws of the PRC in 2010 and a 59.38% 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 its main business, 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 95% 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, the shares of which are traded on the Australian Securities Exchange and the Hong Kong Securities Exchange 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 traded on the Shanghai Stock Exchange; |
| "PRC" | The People's Republic of China; |
| "Hong Kong" | The Hong Kong Special Administrative Region of the PRC; |

# Chapter 01 Definitions

| | |
|---|---|
| "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; |
| "HKEX" or "Hong Kong Stock Exchange" | The Stock Exchange of Hong Kong; |
| "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; |
| "Articles" | the articles of association of the Company; |
| "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; |
| "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. |

# Company Information and Major Financial Indicators

## I. INFORMATION OF THE COMPANY

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

## II. CONTACT DETAILS

| | Secretary to the Board: | Securities Representative of Shanghai Stock Exchange: |
|---|---|---|
| Name | Jin Qingbin | Shang Xiaoyu |
| Address | Secretary Office to the Board, 298 Fushan South Road, Zoucheng City, Shandong Province, PRC | Secretary Office to the Board, 298 Fushan South Road, Zoucheng City, Shandong Province, PRC |
| Tel | (86 537) 538 2319 | (86 537) 538 4451 |
| Fax | (86 537) 538 3311 | (86 537) 538 3311 |
| E-mail | yzc@yanzhoucoal.com.cn | xyshang.yzc@163.com |

## III. GENERAL INFORMATION

| | |
|---|---|
| Registered Address: | 298 Fushan South Road, Zoucheng City, Shandong Province, PRC |
| Postal Code: | 273500 |
| Office Address: | 298 Fushan South Road, Zoucheng City , Shandong Province, PRC |
| Postal Code: | 273500 |
| Official Website: | 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<br>Website for publishing H shares annual report: http://www.hkexnews.hk |
| The annual reports are available at: | Secretary Office to the Board, Yanzhou Coal Mining Company Limited, 298 Fushan South Road, Zoucheng City, Shandong, PRC. |

## V. CORPORATE STOCKS

| Stock type | Place of Listing | Stock Abbreviation | Stock Code |
|---|---|---|---|
| A share | The Shanghai Stock Exchange | Yanzhou Mei Ye | 600188 |
| H share | HKEX | N/A | 01171 |

## VI. OTHER INFORMATION

Certified Public Accountants (Domestic)

| | |
|---|---|
| Name: | Shine Wing Certified Public Accountants (special general partnership) |
| Office Address: | 9/F, Block A, Fuhua Mansion, 8 Chaoyangmen Beidajie, Dongcheng District, Beijing, PRC |
| Signing Auditor: | 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 Auditor: | Lau Kai Wong |

Domestic Legal Advisor

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

Hong Kong Legal Advisor

| | |
|---|---|
| Name: | Baker & McKenzie |
| Office Address: | 14th Floor, Block 1, Taikoo Place, 929 King's Road, Quarry bay, Hong Kong |

Shanghai Share Registrar

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

Hong Kong Share Registrar

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

Liaison Office in Hong Kong

| | |
|---|---|
| Office Address: | 40th Floor, 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 statement of profit or loss, consolidated statement of financial position and consolidated statement of cash flows of the Group from 2015 to 2019.

### (I) Operating Results

Unit: RMB' 000

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 | 2015 |
| Sales income | **67,804,644** | 67,447,104 | 52,672,105 | 33,272,432 | 36,404,086 |
| Gross profit | **21,029,486** | 24,306,538 | 18,915,405 | 9,463,988 | 6,153,611 |
| Finance cost | **-2,751,234** | -3,612,394 | -3,255,404 | -2,501,016 | -2,484,411 |
| Profit before tax | **14,986,842** | 15,931,098 | 11,278,241 | 2,695,112 | 622,257 |
| Net profit attributable to Shareholders | **9,388,645** | 8,582,556 | 7,362,675 | 1,649,391 | 164,459 |
| Earnings per share | **RMB1.91** | RMB1.75 | RMB1.50 | RMB0.34 | RMB0.03 |
| Dividend per share [Note] | **RMB0.58** | RMB0.54 | RMB0.48 | RMB0.12 | RMB0.01 |

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. and Yankuang Finance Company. In 2016, the Company consolidated the financial statements of Shandong Yanmei Property Services Co., Ltd., Shandong Zhongyin International Trade Co., Ltd. and Duanxin Investment Holding (Shenzhen) Co., Ltd. In 2015, the Company consolidated the financial statements of Shandong Duanxin Supply Chain Co., Ltd., Donghua Heavy Industry and Qingdao Vast Lucky International Trade Co., Ltd. ("Qingdao Vast Lucky").

② The dividend per share for the year 2019 is the recommended dividends to be declared. For details, please refer to the section headed *Profit Distribution Plan for 2019* in this report.

## (II) Assets and Liabilities

Unit: RMB'000

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 | 2015 |
| Net current assets | **-4,052,846** | 5,230,224 | 1,523,280 | -9,872,437 | 6,754,770 |
| Net value of property, plant and equipment | **44,995,450** | 45,296,120 | 46,267,729 | 31,023,022 | 28,659,378 |
| Total assets | **210,760,571** | 206,003,615 | 197,312,624 | 147,455,472 | 142,471,875 |
| Total borrowings | **65,375,491** | 68,677,923 | 70,360,694 | 65,577,791 | 69,479,805 |
| Equity attributable to Shareholders | **54,119,800** | 52,077,360 | 47,410,866 | 37,138,676 | 35,369,901 |
| Net asset value per share | **RMB11.02** | RMB10.60 | RMB9.65 | RMB7.56 | RMB7.20 |
| Return on net assets (%) | **17.35** | 16.48 | 15.53 | 4.44 | 0.46 |

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 for year 2015.

## (III) Summary of Cash Flow Statement

Unit: RMB' 000

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 | 2015 |
| Net cash from operating activities | **16,411,202** | 18,243,311 | 12,161,766 | 11,220,674 | 3,849,356 |
| Net increase (decrease) in cash and cash equivalents | **-4,885,829** | 6,180,131 | 4,900,230 | -3,695,940 | 7,217,642 |
| Net cash flow per share from operating activities | **RMB3.34** | RMB3.71 | RMB2.48 | RMB2.28 | RMB0.78 |

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

Chapter 03

# Business Highlights

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

### (I) Main Businesses and Business Model

#### *1. Coal business*

The Company is one of the main coal producers, suppliers and 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, Singapore, Australia and other countries.

#### *2. Coal chemicals business*

The Company's coal chemicals business is concentrated in Shaanxi Province and Inner Mongolia Autonomous Region. The main product of methanol is mostly sold to North China, East China and Northwest China.

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

The Company's mechanical and electrical equipment manufacturing business 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 2019, the supply-side structural reform in coal industry was deepened. Advanced and efficient production capacity was unleashed simultaneously with cutting ineffective one, smart and intelligent coal mine construction was speeding up, and clean and effective utilization of coal was improved. The supply and demand in coal market remained basically balanced, coal price fluctuated at a medium and high level, and the profitability of coal industry was kept at a stable level even facing more strict management and supervision on security and environmental protection.

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

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

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

Including: Overseas assets of RMB71.174 billion, representing 34.2% of total assets, with no significant change compared with that of the previous 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 incorporation, 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 2019, the Group, by seizing policy opportunities of supply-side structural reform and replacement of the old growth drives with new ones in coal industry, has continuously improved the vitality and core competitiveness in various ways, such as optimizing the industrial structure, strengthening lean management, and accelerating changes in operating mechanisms. The coal industry focused on an integrated growth with high efficiency and significant achievements on intelligent coal mine construction. A group of Smart Fully-Mechanized Caving Workfaces, advanced at home and abroad, was built and put into normal operations. The percentage of high value-added products had been increased continuously through devoting great energy to implementing the win by clean coal strategy. Through continuous improving operation quality and efficiency, the superior production capacity of major coal mines in the Australia base had been fully released, and it will be built into a world-class large-scale energy base with remarkable international competitiveness. The strength of coal resources in Shaanxi-Inner Mongolia base has been converted into economic strength at an accelerated speed, and the base showed a more powerful sustainable growth as its coalmine's license approvals had been progressed significantly. The two Phase II high-end fine chemical projects in this base were successfully constructed and put into a trial production, which will add new cluster and scale effects on the chemical industry. In 2019, the Company invested RMB265 million as R&D funds and accomplished several science and technology innovations, and completed sixty projects on science and technology, nineteen of which were ranked as leading position internationally. With implement of the on-going big data project and digital management and control, the Company launched an all-sided digital transformation, and the whole process with shared data for the core businesses had been accomplished. Aim to a green and low carbon recycling growth, the key technology on civil coal-fired clean heating process was reached an advanced international level, and the construction of a model project on ecological rehabilitation in the subsidence area was speed up, which set a leading trend in the industry.

Chapter 04

# Chairman's Statement

Mr. Li Xiyong

*Chairman*

**Respected Shareholders,**

I, on behalf of the Board, would like to present the 2019 annual report of the Company and report our development plan for the year 2020 to all Shareholders.

In 2019, due to the ups and downs of international trade disputes, the world economy slowed down continuously. The Chinese government, with adherence to the general principle of pursuing growth while ensuring stability, has maintained steady development of the macro economy in China. The supply and demand of the coal market home and abroad basically kept balance and the coal price fluctuated in a medium-high range.

To resolve such complicated situation, the Company strived ahead despite pressure and obstacles, tackled tough issues and overcame difficulties by optimizing industry structure, intensifying funds management, exploiting internal potentials and innovating institutions and mechanisms, which delivered a good outcome for the general work with expanded business scale, increased growth rate, improved structure and higher profitability. During the reporting period, the Group produced 106.39 million tons of raw coal and 1.76 million tons of methanol; sold 116.12 million tons of salable coal and 1.75 million tons of methanol; recorded sales income of RMB67.805 billion, profit before tax RMB14.987 billion; net income attributable to shareholders RMB9.389 billion, with many economic indicators hitting a new historic record.

**Took full advantages of pillar industries and attained promotions in both quantity and efficiency.** The Company, focusing on global strategic layout, made its coal business better and stronger, and strived to be an international energy conglomerate. For **coal business**, a batch of intelligent mining and developing faces are launched and normally applied which took the lead and set the standards in the industry. The **Headquarters base** applied fine-grained mining, equipment upgrade, process optimization, that delivered stable production with high efficiency, thus continued functioning as the profit cornerstone. Concentrating superior resources, the **Shaanxi-Inner Mongolia base**, with all its strength, made every effort to get breakthroughs. The process for operation licenses and permits for Shilawusu coal mine made a significant progress, while the exploration permit and the project approval for Yingpanhao coal mine had been obtained, so the sustainable potential of the Group is further enhanced. The **Australia base** fully exerted the synergy effect of integration, accelerated the release of superior production capacity, its business size, growth quality and profitability had been promoted significantly. As for the **coal chemicals industry**, the existing running projects have realized the "safe, stable, long-term, full-load and high-quality" operation. The two Phase II high-end fine chemical projects in Ordos Neng Hua and Yulin Neng Hua were put into a trial production, which will amplify the cluster effect and scale effect of the industry.

**Implemented intelligent marketing policies to achieve efficiency improvement and market expansion.** With targets of "expanding market, increasing sales, guaranteeing stable production and improving efficiency" in mind, the Company scientifically studied and analyzed the market, actively grasped every opportunity, and had a significant achievement on intelligent marketing. **Implement the "win by clean coal" strategy:** The Company, always putting benefit first, devoted greater effort on CHPP technical upgrade to uplift its market share on clean coal. The clean coal accounted for 53.5% of the product mix across its coal mines within Shandong, and significant progress in generating revenue with clean coal is achieved. **Implement "Long-term contract and direct supply to End-user" strategy:** The sales for long-term contract clients in Headquarters base accounted for 74% over the same period last year, and the sales for direct-supply clients in Headquarter base accounted for more than 87%, which effectively resisted the downside risk of coal market. **Implement the customized product strategy:** Adhering to the market-oriented and value-leading principle, the Company tapped every potential in demand by carrying out the customized coal product and coal slurry reduction comprehensively in order to maximize product's value-added.

**Strengthened quality management and control to obtain improvements on lean management.** To improve the profit and cost driven mechanism, and closed-loop management on "volume-cost-profit" applied, costs were reviewed regularly and early warnings were given if needed, through which the operation and control quality is fine-tuned and lifted. **Tap internal potential:** Deepen the overall budget management, the Company continuously carried out the benchmarking activities, such as material consumption, equipment energy consumption and equipment utilization rate and idle rate, and made achievements on expenditure-reducing and efficiency improvement. **Plug expenditure loophole and cost control: Strengthening** procurement management, the Company boosted activities of centralized procurement, transparent procurement and public bidding procurement so as to maximize expenditure reduction and cost control. **Speed up growth and improve efficiency:** With the aid of big data project, the Company took full advantage of the shared planform to realize an integrated, informationized and standardized resource management with continuous improved operational efficiency.

**Performed social responsibilities and shouldered corporate responsibilities.** Adhering the principle of putting people first, the Company improved the supporting and protection systems for safety, environment and livelihood, and created a favorable environment for reform and development. **Aiming for a green and low carbon growth,** a new round of "three-year action plan" for environmental protection is launched, and a number of key environmental projects were progressed as scheduled. The key technology on coal-fired clean heating process reached an advanced international level, which brought a gradual released superposition effect to environmental protection. The Company planned and implemented a transformation development project in the industrialized subsidence area and a project on ecological protection and management. **With contributing and sharing growth with everyone in mind** and boosting return to Shareholders, the Company distributed an interim special cash dividend of RMB1 per share, jointly sharing development achievements with global investors. The Company actively implemented the national strategy of "precise poverty alleviation" with a cumulative contributed poverty-alleviating funds of RMB 26 million, shouldering an SOE's mission and responsibility during the battle against poverty.

# Chapter 04 Chairman's Statement

In 2019, by virtue of the excellent operating results and standardized corporate governance, Yanzhou Coal earned its 11th evaluation as "A Class for Listed Company Information Disclosure" by Shanghai Stock Exchange, and ranked No. 58 among 2019 Fortune 500 China, and No. 35 among 2020 Top 50 Global Mining Company by market value, won various honors as well, including "Top 100 Enterprises in China" and the "Gold Roundtable Award for the Best Board of Directors among China Listed Companies".

Looking ahead to 2020, economic globalization is advancing in the headwind, and the world structure is facing profound adjustments. Although the novel coronavirus epidemic has obviously affected the global economy, the Chinese economy has tremendous resilience and potential, and the long-term positive trend will not change. It is expected that the coal supply and demand relationship will maintain an overall balance in 2020, and coal prices will fluctuate in the green range.

In 2020, to face with the complex and severe domestic and international macroeconomic situation, Yanzhou coal will closely focus on the development requirements of "basing on the main business, optimizing stocks, increasing production and quality, and leapfrogging development". The Company will accurately grasp the changes in the domestic and international economic situation, and implement accurate response measures in accordance with the current situation. The Company will ensure that the economic benefits and operating quality will continue unabated in 2020 and develop steadily. In order to ensure the steady growth and the overall improvement of the Group's operations in 2020, after careful research, combined with the actual operation capacity, the 2020 business plan was formulated to sell 100 million tons of self-produced coal.

With regard to the operation of the year 2020, the Group will focus on the following measures.

**Focus on optimization of main business structure.** Adhering to the new development concept, the Company will carry out the "optimization of stocks and incremental leapfrogging". Highlighting the main coal industry, the Company will choose timing to adjust to industries that do not conform to the strategic direction and do not have competitive advantages. Through the acquisition of 10% equity of Moolarben Coal Mine and the divestiture of some non-coal trading companies, the Company will make the leading industries to become better and stronger.

**Focus on intensive and efficient production, tamp the incremental foundation of stable production.** The Company will speed up the upgrading of industry modernization, consolidate its core competitiveness and sustainability strength, and secure a steady, sound and quality growth. The Company will make full play of coal industry as a core and leading role to create a sound source of benefits and profits. **The Headquarters base** is to speed up its mine construction in a safe, green, intelligent and efficient way (which is called "four-standard mines"), optimize the organization of continuous production, and ensure stable and efficient production. **The Shaanxi and Inner Mongolia base** plans to concentrate on regulatory approval obtainment, disaster prevention and control, environmental protection and treatment, strategic cooperation and other key areas to unleash the incremental production capacity to the maximum, increase production and efficiency, and improve quality and efficiency. **The Australian base** will fully expand the advanced capacity of pillar mines, optimize the allocation of human resources, strictly control the operation cost, and improve the operation quality and economic benefits. **The coal chemical industry** is to focusing on the development of high-end fine chemicals, strengthen the technology research and development, extend the industrial chain, increase the added value of products and the marginal profit, give full play to the advantage of the high-end fine chemical industry cluster, strive for the realization of full capacity and efficient production of the Phase II projects, and turn them into a new supporting point of profit.

**Tap in-depth potential to improve quality, reduce cost accurately and enhance efficiency.** Implement reversed cost management and dynamic control, make overall volume, cost and profit analysis, and maximumly tap potential possibility to reduce cost and increase efficiency. **Reduce energy consumption:** further implementing the "three major benchmarkings" program to reduce cost and save energy at the very sources, which is to promote the application of green and energy saving technologies and replacing energy-consuming equipment. **Reduce material consumption:** by adhering to the establishment of an open and transparent procurement system, promote the mode of supermarket consignment sales and manufacturer consigned storage, and strengthen efforts to inventory clearance, so as to realize the coordinated sharing and efficient utilization of goods and materials. **Reduce marketing cost:** accelerate the establishment of an "integrated" linkage mechanism incorporating production, preparation, marketing and trade, regularly analyze the profit of transportation flow, reasonably allocate resources of transportation flow, thus to reduce marketing cost. **Reduce financial cost:** optimize the capital structure, explore multiple channels for financing to deliver cost reduction, implement the dual control of asset-liability ratio and interest-bearing liability, and minimize financial expenses.

**Strengthen intelligent marketing and promote synergies.** The Company will take a market-and-customers oriented strategy, stringently focus on clean coal increment, market expansion and products customization to achieve the maximum of economic benefit. **In terms of clean coal increment**, we will adhere to the strategy of "winning by clean coal", accelerate technical upgrading and transformation of intelligent coal handling and preparation plants, realize full washing of raw coal, and increase the proportion of clean coal products. **In terms of market expansion**, we will continue to underpin traditional markets for coal sales, and vigorously explore emerging markets such as gas-refined coal and chemical coal. We will thoroughly implement the strategy of "long-term plus direct-supply" to increase the percentage of direct selling and high-quality customers. **In terms of products customization**, we will, according to the market demand, give full play to the Company's advantages of diversified products, strengthen the research and development of new types of coal, implement customized sales, meet the needs of different customers and improve the added value of products.

**Corporate governance in a standard way to achieve efficient operation.** The Company will accelerate the change of operation model to LEAN, fine and intensive management. **Insist on talents marketization**, we will optimize allocation of human resources, explore and implement professional manager system, and build a market-oriented, professional and globalized management team. **Persist in corporate management in a scientific manner**, we will carry out digital transformation and reform, share the fruits of big data development, and accelerate the restructuring of enterprise management processes. We will fully implement LEAN, market-oriented and the integration of the two so as to build a full value chain management system. **Stick to risk prevention and control through various institutions**, we will accelerate the integration of compliance operations and risk management systems into business processes, strictly control investment, capital, laws, contracts and other risks, and prevent systemic business risks.

Strive ahead in spite of whatever challenges in front and continue to write colorful chapters. In 2020, Yanzhou Coal will keep in mind our original mission, forge ahead against difficulties, focus on its main business without any distractions and spare no efforts to promote development. The management of the Company believes that as long as we maintain our determination, keep pace with the trend, innovate in pioneering spirit, grow our strength through "wisdom plus sweat", and return to the society with "loyalty plus responsibility", Yanzhou Coal will be able to ride the wind and waves, and reach far.

On behalf of the Board
**Li Xiyong**
*Chairman*

Zoucheng, PRC
22 April 2020

Chapter 05

# Board of Directors' Report

## I. MANAGEMENTDISCUSSION AND ANALYSIS

### Main business by industries

| | | Unit | 2019 | 2018 | Increase/ Decrease | Increase/ Decrease (%) |
|---|---|---|---|---|---|---|
| 1. | **Coal Business** | | | | | |
| | Raw coal production volume | kiloton | **106,390** | 105,895 | 495 | 0.47 |
| | Salable coal production volume | kiloton | **94,469** | 95,101 | -632 | -0.66 |
| | Salable coal sales volume | kiloton | **116,119** | 113,942 | 2,177 | 1.91 |
| 2. | **Railway Transportation Business** | | | | | |
| | Transportation volume | kiloton | **19,256** | 19,879 | -623 | -3.13 |
| 3. | **Coal Chemicals Business** | | | | | |
| | Methanol production volume | kiloton | **1,762** | 1,656 | 106 | 6.40 |
| | Methanol sales volume | kiloton | **1,749** | 1,645 | 104 | 6.32 |
| 4. | **Power Generation Business** | | | | | |
| | Power generation | 10,000KWh | **265,307** | 277,533 | -12,226 | -4.41 |
| | Electricity sold | 10,000KWh | **161,339** | 171,197 | -9,858 | -5.76 |

Note: There were significant differences between production volumes and sales volumes of power generation business products 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 2019, the Group sold 116.12 million tons of salable coal, including: 91.60 million tons of self-produced coal, accounting for 91.6% of annual self-produced coal sales plan.

# II. MAIN BUSINESS DURING THE REPORTING PERIOD

## (I) The Operation of Business Segments

### *1. Coal Business*

#### (1) Coal Production

In 2019, the Group produced 106.39 million tons of raw coal, representing an increase of 0.5 million tons or 0.5% as compared with that of the previous year; produced salable coal of 94.47 million tons, representing a decrease of 0.63 million tons or 0.7% as compared with that of the previous year.

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

| | | 2019 (kiloton) | 2018 (kiloton) | Increase/ Decrease (kiloton) | Increase/ Decrease (%) |
|---|---|---|---|---|---|
| **I.** | **Raw Coal Production** | **106,390** | 105,895 | 495 | 0.47 |
| | 1. The Company | **31,189** | 32,482 | -1,293 | -3.98 |
| | 2. Shanxi Neng Hua | **1,722** | 1,730 | -8 | -0.46 |
| | 3. Heze Neng Hua | **2,733** | 3,267 | -534 | -16.35 |
| | 4. Ordos Neng Hua | **13,801** | 14,874 | -1,073 | -7.21 |
| | 5. Haosheng Company | **3,907** | 3,286 | 621 | 18.90 |
| | 6. Yancoal Australia | **46,544** | 43,784 | 2,760 | 6.30 |
| | 7. Yancoal International | **6,494** | 6,472 | 22 | 0.34 |
| **II.** | **Salable Coal Production** | **94,469** | 95,101 | -632 | -0.66 |
| | 1. The Company | **31,172** | 32,474 | -1,302 | -4.01 |
| | 2. Shanxi Neng Hua | **1,717** | 1,714 | 3 | 0.18 |
| | 3. Heze Neng Hua | **2,725** | 3,247 | -522 | -16.08 |
| | 4. Ordos Neng Hua | **13,784** | 14,851 | -1,067 | -7.18 |
| | 5. Haosheng Company | **3,907** | 3,286 | 621 | 18.90 |
| | 6. Yancoal Australia | **35,517** | 33,599 | 1,918 | 5.71 |
| | 7. Yancoal International | **5,647** | 5,930 | -283 | -4.77 |

(2) **Coal Prices and Marketing**

In 2019, the Group sold a total of 116.12 million tons of coal, representing an increase of 2.18 million tons or 1.9% as compared with that of the previous year.

In 2019, the Group realized sales income of coal business of RMB63.778 billion, representing an increase of RMB1.35 billion or 2.2% as compared with that of the previous year.

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

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Production Volume (kiloton) | Sales Volume (kiloton) | Sales Price (RMB/ton) | Sales Income (RMB' 000,000) | Production Volume (kiloton) | Sales Volume (kiloton) | Sales Price (RMB/ton) | Sales Income (RMB' 000,000) |
| 1. The Company | 31,172 | 31,082 | 625.33 | 19,437 | 32,474 | 32,260 | 599.36 | 19,335 |
| No. 1 clean coal | 1,117 | 1,122 | 936.68 | 1,051 | 792 | 797 | 893.49 | 712 |
| No. 2 clean coal | 9,382 | 9,469 | 866.53 | 8,205 | 8,626 | 8,684 | 843.44 | 7,325 |
| No. 3 clean coal | 3,108 | 3,129 | 608.51 | 1,904 | 2,654 | 2,553 | 660.61 | 1,686 |
| Lump coal | 2,117 | 2,112 | 722.41 | 1,527 | 2,225 | 2,230 | 717.51 | 1,600 |
| Sub-total of clean coal | 15,724 | 15,832 | 801.29 | 12,687 | 14,297 | 14,264 | 793.83 | 11,323 |
| Screened raw coal | 15,448 | 15,250 | 442.65 | 6,750 | 18,177 | 17,996 | 445.23 | 8,012 |
| 2. Shanxi Neng Hua | 1,717 | 1,681 | 322.56 | 542 | 1,714 | 1,727 | 341.28 | 589 |
| Screened raw coal | 1,717 | 1,681 | 322.56 | 542 | 1,714 | 1,727 | 341.28 | 589 |
| 3. Heze Neng Hua | 2,725 | 2,385 | 1,010.20 | 2,409 | 3,247 | 2,880 | 981.70 | 2,828 |
| No. 2 clean coal | 2,172 | 2,080 | 1,104.33 | 2,297 | 2,619 | 2,635 | 1,033.61 | 2,723 |
| Screened raw coal | 553 | 305 | 367.21 | 112 | 628 | 245 | 424.42 | 105 |
| 4. Ordos Neng Hua | 13,784 | 11,546 | 256.11 | 2,957 | 14,851 | 13,776 | 259.98 | 3,582 |
| Screened raw coal | 13,784 | 11,546 | 256.11 | 2,957 | 14,851 | 13,776 | 259.98 | 3,582 |
| 5. Haosheng Company | 3,907 | 3,849 | 300.73 | 1,157 | 3,286 | 3,302 | 300.87 | 993 |
| Screened raw coal | 3,907 | 3,849 | 300.73 | 1,157 | 3,286 | 3,302 | 300.87 | 993 |
| 6. Yancoal Australia | 35,517 | 35,518 | 548.86 | 19,495 | 33,599 | 33,654 | 623.21 | 20,974 |
| Semi-hard coking coal | 184 | 183 | 847.81 | 155 | 87 | 87 | 828.74 | 72 |
| Semi-soft coking coal | 2,780 | 2,780 | 823.00 | 2,289 | 2,744 | 2,748 | 869.62 | 2,390 |
| PCI coal | 2,385 | 2,386 | 844.98 | 2,016 | 2,416 | 2,420 | 866.71 | 2,097 |
| Thermal coal | 30,168 | 30,169 | 498.37 | 15,035 | 28,352 | 28,399 | 578.00 | 16,415 |
| 7. Yancoal International | 5,647 | 5,534 | 376.24 | 2,083 | 5,930 | 6,026 | 405.95 | 2,446 |
| Thermal coal | 5,647 | 5,534 | 376.24 | 2,083 | 5,930 | 6,026 | 405.95 | 2,446 |
| 8. Traded coal | – | 24,524 | 640.11 | 15,698 | – | 20,317 | 574.95 | 11,681 |
| 9. Total for the Group | 94,469 | 116,119 | 549.24 | 63,778 | 95,101 | 113,942 | 547.90 | 62,428 |

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 | -705 | 807 |
| Shanxi Neng Hua | -16 | -31 |
| Heze Neng Hua | -487 | 68 |
| Ordos Neng Hua | -580 | -45 |
| Haosheng Company | 165 | -1 |
| Yancoal Australia | 1,162 | -2,641 |
| Yancoal International | -200 | -164 |
| Traded Coal | 2,419 | 1,598 |

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 2019:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Sales Volume (kiloton)** | **Sales Income (RMB' 000,000)** | Sales Volume (kiloton) | Sales Income (RMB' 000,000) |
| 1. China | **82,969** | **46,117** | 77,673 | 41,370 |
| East China | **40,596** | **25,344** | 50,217 | 28,490 |
| South China | **20,216** | **9,598** | 5,955 | 3,122 |
| North China | **16,551** | **7,321** | 14,182 | 6,662 |
| Northwest China | **3,056** | **2,041** | 4,704 | 1,383 |
| Other regions | **2,550** | **1,813** | 2,615 | 1,713 |
| 2. Japan | **9,492** | **6,157** | 7,726 | 6,261 |
| 3. South Korea | **4,599** | **2,692** | 4,288 | 3,175 |
| 4. Singapore | **4,607** | **1,840** | 11,030 | 5,622 |
| 5. Australia | **7,477** | **2,554** | 10,518 | 4,724 |
| 6. Others | **6,975** | **4,418** | 2,707 | 1,276 |
| 7. Total for the Group | **116,119** | **63,778** | 113,942 | 62,428 |

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

The following table sets out the Group's coal sales by industries for the year 2019:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Sales Volume (kiloton)** | **Sales Income (RMB'000,000)** | Sales Volume (kiloton) | Sales Income (RMB'000,000) |
| 1. Power | **50,245** | **23,562** | 50,978 | 25,631 |
| 2. Metallurgy | **7,768** | **6,696** | 6,859 | 6,147 |
| 3. Chemical | **8,701** | **6,802** | 9,406 | 7,347 |
| 4. Trade business | **48,882** | **26,407** | 46,299 | 23,063 |
| 5. Others | **523** | **311** | 400 | 240 |
| 6. Total for the Group | **116,119** | **63,778** | 113,942 | 62,428 |

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

In 2019, the Group's cost of coal sales amounted to RMB40.00 billion, representing an increase of RMB3.998 billion or 11.1% as compared with that of the previous year.

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

| | | Unit | 2019 | 2018 | Increase/ Decrease | Increase/ Decrease (%) |
|---|---|---|---|---|---|---|
| The Company | Total cost of sales | RMB million | **8,961** | 8,752 | 209 | 2.39 |
| | Cost of sales per ton | RMB/ton | **287.04** | 270.07 | 16.97 | 6.28 |
| Shanxi Neng Hua | Total cost of sales | RMB million | **367** | 431 | -64 | -14.85 |
| | Cost of sales per ton | RMB/ton | **218.54** | 249.89 | -31.35 | -12.55 |
| Heze Neng Hua | Total cost of sales | RMB million | **1,394** | 1,523 | -129 | -8.47 |
| | Cost of sales per ton | RMB/ton | **529.94** | 466.38 | 63.56 | 13.63 |
| Ordos Neng Hua | Total cost of sales | RMB million | **2,228** | 2,648 | -420 | -15.86 |
| | Cost of sales per ton | RMB/ton | **193.00** | 192.24 | 0.76 | 0.40 |
| Haosheng Company | Total cost of sales | RMB million | **1,158** | 1,294 | -136 | -10.51 |
| | Cost of sales per ton | RMB/ton | **300.83** | 391.97 | -91.14 | -23.25 |
| Yancoal Australia | Total cost of sales | RMB million | **9,672** | 9,231 | 441 | 4.78 |
| | Cost of sales per ton | RMB/ton | **272.32** | 274.30 | -1.98 | -0.72 |
| Yancoal International | Total cost of sales | RMB million | **1,287** | 1,373 | -86 | -6.26 |
| | Cost of sales per ton | RMB/ton | **232.59** | 227.82 | 4.77 | 2.09 |
| Traded coal | Total cost of sales | RMB million | **15,180** | 11,107 | 4,073 | 36.67 |
| | Cost of sales per ton | RMB/ton | **618.99** | 546.71 | 72.28 | 13.22 |

The changes for Haosheng Company's cost of coal sales per ton was mainly due to ① the decrease of RMB49.84 per ton in term of cost of coal sales per ton as compared with that of the previous year attributable to the increase of the sales volume of saleable coal; ② the decrease of RMB12.38 per ton in term of cost of coal sales per ton as compared with that of the previous year attributable to the reduction in raw materials and other controllable expenditures; ③the decrease of RMB18.65 per ton in term of cost of coal sales as compared with that of the previous year attributable to the optimization of the structure of employees and the reduction of labor expenses.

### 2. *Railway Transportation Business*

In 2019, the transportation volume of the Company's Railway Assets was 19.26 million tons, decreased by 0.62 million tons or 3.1% as compared with that of the previous year. The income from railway transportation services was RMB383 million, representing a decrease of RMB37.757 million or 8.8% as compared with that of the previous year. The cost of railway transportation services was RMB177 million, representing an increase of RMB2,796 thousand or 1.6% as compared with that of the previous year.

### 3. *Coal Chemicals Business*

The following table sets out the Group's methanol business for 2019:

| | **Methanol Production Volume (kiloton)** | | | **Methanol Sales Volume (kiloton)** | | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | Increase/ Decrease (%) | **2019** | 2018 | Increase/ Decrease (%) |
| 1.Yulin Neng Hua | **723** | 706 | 2.41 | **721** | 696 | 3.59 |
| 2.Ordos Neng Hua | **1,039** | 950 | 9.37 | **1,028** | 949 | 8.32 |

| | **Sales Income (RMB'000)** | | | **Cost of Sales (RMB'000)** | | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | Increase/ Decrease (%) | **2019** | 2018 | Increase/ Decrease (%) |
| 1.Yulin Neng Hua | **1,199,021** | 1,484,529 | -19.23 | **963,059** | 1,004,898 | -4.16 |
| 2.Ordos Neng Hua | **1,664,417** | 2,010,362 | -17.21 | **1,187,903** | 1,293,953 | -8.20 |

### 4. *Power Generation Business*

The following table sets out the operation of the Group's power business for the year 2019:

| | **Power Generation (10,000KWh)** | | | **Power Output Dispatch (10,000KWh)** | | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | Increase/ Decrease (%) | **2019** | 2018 | Increase/ Decrease (%) |
| 1 Hua Ju Energy | **82,236** | 88,502 | -7.08 | **27,339** | 28,571 | -4.31 |
| 2 Yulin Neng Hua | **28,020** | 30,048 | -6.75 | **1,599** | 2,720 | -41.21 |
| 3 Heze Neng Hua | **155,051** | 158,983 | -2.47 | **132,401** | 139,906 | -5.36 |

| | Sales Income (RMB'000) | | | Cost of Sales (RMB'000) | | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | Increase/ Decrease (%) | **2019** | 2018 | Increase/ Decrease (%) |
| 1 Hua Ju Energy | **118,252** | 112,929 | 4.71 | **111,246** | 109,904 | 1.22 |
| 2 Yulin Neng Hua | **3,060** | 5,103 | -40.04 | **7,229** | 11,210 | -35.51 |
| 3 Heze Neng Hua | **462,146** | 474,045 | -2.51 | **379,588** | 424,493 | -10.58 |

Note: During the reporting period, the sales volume, sales income and cost of sales of Yulin Neng Hua's power products decreased significantly, mainly due to: the decrease in external sales of electricity as compared with that of the previous year.

### 5. *Heat Business*

Hua Ju Energy generated heat energy of 1,040 thousand steam tons and sold 200 thousand steam tons in 2019, realizing sales income of RMB32.859 million, with cost of sales at RMB20.452 million.

### 6. *Electrical and Mechanical Equipment Manufacturing Business*

The sales income from electrical and mechanical equipment manufacturing business for the year 2019 was RMB 165 million, with cost of sales at RMB165 million.

### 7. *Equity Investment Business*

The return from equity investment business for the year 2019 was RMB 1,575 million.

## (II) Analysis of Main Business

### 1. *Analysis of changes in consolidated income statement items and consolidated statement of cash flow items*

Unit: RMB million

| Items | 2019 | 2018 | Increase/ Decrease (%) |
|---|---|---|---|
| Sales income | **67,805** | 67,447 | 0.53 |
| Sales cost | **43,011** | 39,390 | 9.19 |
| Selling, general and administrative expenses | **8,777** | 10,660 | -17.66 |
| Net cash flow from operating activities | **16,411** | 18,243 | -10.04 |
| Net cash flow from investment activities | **-11,368** | -10,172 | – |
| Net cash flow from financing activities | **-9,929** | -1,891 | – |
| Attributable results of the associated companies | **1,710** | 1,296 | 31.94 |
| Finance cost | **2,751** | 3,612 | -23.84 |
| Income Tax | **3,160** | 4,608 | -31.42 |

### 2. *Analysis on income and cost*

The changes of sales income is due to: ① the fall of sales price of self-produced coal caused a decrease of RMB1.567 billion in sales income as compared with that of the previous year, and the decrease of sales volume of self-produced coal caused a decrease of RMB1,100 million in sales income as compared with that of the previous year; ② the sales income from traded coal increased by RMB4.017 billion as compared with that of the previous year; ③ the sales income from coal chemicals decreased by RMB631 million as compared with that of the previous year; ④ the sales income from electrical and mechanical equipment decreased by RMB312 million as compared with that of the previous year.

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

Unit: RMB million

Main business by industries

| By industries | Sales Income | Cost of Sales | Gross Profit (%) | Increase/ Decrease in sales income as compared with that of the previous year (%) | Increase/ Decrease in cost of sales as compared with that of the previous year (%) | Increase/Decrease in gross profit as compared with that of the previous year |
|---|---|---|---|---|---|---|
| 1. Coal business | 63,778 | 40,000 | 37.28 | 2.16 | 11.10 | Decreased by 5.05 percentage point |
| Include: self-produced coal | 48,080 | 24,820 | 48.38 | -5.26 | -0.30 | Decreased by 1.76 percentage point |
| Traded coal | 15,698 | 15,180 | 3.30 | 34.39 | 36.67 | Decreased by 1.61 percentage point |
| 2. Railway transportation business | 383 | 177 | 53.79 | -8.81 | 1.14 | Decreased by 4.54 percentage point |
| 3. Coal chemicals business | 2,863 | 2,151 | 24.87 | -18.08 | -6.44 | Decreased by 9.35 percentage point |
| 4. Power generation business | 583 | 498 | 14.58 | -1.52 | -8.79 | Increased by 6.81 percentage point |
| 5. Heat business | 33 | 20 | 39.39 | -2.94 | 5.26 | Decreased by 4.73 percentage point |
| 6. Electrical and mechanical equipment manufacturing | 165 | 165 | 0.00 | -65.48 | -52.72 | Decreased by 26.99 percentage point |

Main business by products

| Main business by products | Sales Income | Cost of Sales | Gross Profit (%) | Increase/ Decrease in sales income as compared with that of the previous year (%) | Increase/ Decrease in cost of sales as compared with that of the previous year (%) | Increase/Decrease in gross profit as compared with that of the previous year (%) |
|---|---|---|---|---|---|---|
| 1. Coal | 63,778 | 40,000 | 37.28 | 2.16 | 11.10 | Decreased by 5.05 percentage point |
| Include: self-produced coal | 48,080 | 24,820 | 48.38 | -5.26 | -0.30 | Decreased by 1.76 percentage point |
| Traded coal | 15,698 | 15,180 | 3.30 | 34.39 | 36.67 | Decreased by 1.61 percentage point |
| 2. Railway transportation | 383 | 177 | 53.79 | -8.81 | 1.14 | Decreased by 4.54 percentage point |
| 3. Coal chemicals | 2,863 | 2,151 | 24.87 | -18.08 | -6.44 | Decreased by 9.35 percentage point |
| 4. Power generation | 583 | 498 | 14.58 | -1.52 | -8.79 | Increased by 6.81 percentage point |
| 5. Heat business | 33 | 20 | 39.39 | -2.94 | 5.26 | Decreased by 4.73 percentage point |
| 6. Electrical and mechanical equipment manufacturing | 165 | 165 | 0.00 | -65.48 | -52.72 | Decreased by 26.99 percentage point |

Main business by regions

| | Sales Income | Cost of Sales | Gross Profit (%) | Increase/ Decrease in sales income as compared with that of the previous year (%) | Increase/ Decrease in cost of sales as compared with that of the previous year (%) | Increase/Decrease in gross profit as compared with that of the previous year (%) |
|---|---|---|---|---|---|---|
| Domestic | 43,837 | 29,671 | 32.32 | 12.26 | 24.59 | Decreased by 6.69 percentage point |
| Overseas | 23,968 | 13,340 | 44.34 | -15.60 | -14.35 | Decreased by 0.81 percentage point |

Explanation on main business by industries, products or regions

For details of the sales of the above business segments, please refer to the Note "*Other Significant Matters-Segment Information*" to the financial statement prepared in accordance with the CASs.

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

Unit: thousand tons

| Main products | Production volume | Sales volume | Inventory | Increase/ Decrease in production volume as compared with that of the previous year (%) | Increase/ Decrease in sales volume as compared with that of the previous year (%) | Increase/Decrease in inventory as compared with the beginning of the previous year (%) |
|---|---|---|---|---|---|---|
| Self-produced salable coal | 94,469 | 91,595 | 6,849 | -0.66 | -2.17 | 38.90 |
| Methanol | 1,762 | 1,749 | 78 | 6.40 | 6.32 | 56.00 |

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 | Current amount | Percentage of total cost in 2019 (%) | The amount of the previous year | Percentage of total cost in 2018(%) | Percentage increased or decreased in current amount as compared with the amount of the previous year (%) |
|---|---|---|---|---|---|
| **I. Self-produced coal cost** | **24,820** | 100.00 | 24,895 | 100 | -0.30 |
| 1. Materials | **3,914** | 15.77 | 3,962 | 15.91 | -1.21 |
| 2. Salary and employee welfare | **6,636** | 26.74 | 6,288 | 25.26 | 5.53 |
| 3. Electricity | **837** | 3.37 | 861 | 3.46 | -2.79 |
| 4. Depreciation | **2,996** | 12.07 | 2,793 | 11.22 | 7.27 |
| 5. Subsidence expense | **1,256** | 5.06 | 1,266 | 5.09 | -0.79 |
| 6. Amortization of mining rights | **1,463** | 5.89 | 1,354 | 5.44 | 8.05 |
| 7. Sales taxes and sur-charges | **2,031** | 8.18 | 2,288 | 9.19 | -11.23 |
| 8. Others | **5,687** | 22.92 | 6,083 | 24.43 | -6.51 |
| **II. Traded coal cost** | **15,180** | – | 11,107 | – | 36.67 |
| III. Total | **40,000** | – | 36,002 | – | 11.10 |

**Other explanations**

① Reason for changes in sales cost: The sales of cost of traded coal increased by RMB4.073 billion as compared with that of the previous year.

② Cost of coal sales account for 93.0% of the Group's total sales cost, and the 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 revenue attributable to the biggest customer is RMB2,335 million, representing 3.4% over the annual sale revenue. The sales revenue attributable to the top five customers is RMB9,507 million, accounting for 14.0% of total annual sales revenue; the sales revenue attributable to connected parties among the top five customers is RMB1,687 million, accounting for 2.5% of the total annual sales revenue.

The amount of procurement attributable to the biggest supplier is RMB859 million, accounting for 4.6% of total annual purchase. The amount of procurement from the top five suppliers is RMB3,759 million, accounting for 20.2% of total annual purchases, including the procurement amount from connected parties among the top five suppliers is RMB0.00 yuan, accounting for 0% of the total annual procurement.

Other explanation

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

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

### *3. Expenses and Others*

Causes for changes in attributable enterprise results from associated companies: During the reporting period, the Group's income from attributable income from the associated companies on equity basis increased as compared with that of the previous year.

Explanation for changes in finance cost: The Group implemented deleveraging and reduced interest-bearing liabilities, and decreased the interests as compared with that of the previous year.

Explanation for changes in income tax: During the reporting period, Yancoal Australia confirmed the deferred tax resulting from the acquisition of C&A, which affected the decrease in income tax as compared with that of the previous year.

### 4. *Research and Development Expenditure*

(1) Table on Research and Development Expenditure

Unit: RMB million

| | |
|---|---|
| Expensed research and development expenditure for 2019 | 265 |
| Capitalized research and development expenditure for 2019 | 0 |
| Total research and development expenditure | 265 |
| Percentage of total research and development expenditure to sales income (%) | 0.65 |
| Number of research and development staff | 2,592 |
| Percentage of research and development staff to the total employees | 4.23 |
| Percentage of capitalized expenditure of research and development (%) | 0 |

(2) Explanation

The Group, with the objective to promote industry structure optimization, gave priority to the core technology breakthrough in pillar industries, adhered to the principle "open to cooperation based on the enterprise, persist in upgrading and innovation in combination with industry, seek key breakthrough and achieve leapfrog development", proposed an innovation-oriented development strategy to realize the goals of production automation, high-end products, self-owned intellectual property of technology, informationized management, low-carbon development and business globalization. This serves to improve the Company's capability in technology innovation and drive the company into an innovation-oriented one.

In 2019, the Company achieved 60 scientific and technological achievements, 19 of which reached the international advanced level, the Company was granted 126 technology patents and awarded 39 provincial and ministerial science and technology awards. By the end of the reporting period, the Group had 2,592 employees engaged in research and development.

### 5. *Cash Flow*

Causes for changes in net cash flow from operating activities: The fluctuation of the Company's operating profit led to the decrease of the net operating cash inflow of the Company compared with that of the previous year.

Causes for changes in net cash flow from investing activities: ①The cash expenditure for purchasing intangible assets increased by RMB2,773 million as compared with that of the previous year; ②The expenditure of investment in associated companies decreased by RMB2,004 million as compared with that of the previous year; ③The net cash outflow for additional purchase of equity interest in joint operations decreased by RMB1,984 million as compared with that of the previous year; ④The net cash inflow from sale of joint operations decreased by RMB2,704 million as compared with that of the previous year.

Causes for changes in net cash flow from financing activities: An increase of RMB8,000 million in cash outflow attributed to the payments for acquisition of additional interests in non-controlling subsidiaries.

In 2019, the Group's principal source of capital fund was operating income of cash, bonds issuance and bank loans. And the fund was mainly used for the payment of operating business, purchase of property, machinery and equipment, shareholders' dividends, repayment of bank loans, consideration for assets and equity acquisition.

In 2019, the Group's capital expenditure for the purchase of property, machinery and equipment was RMB11.391 billion, representing an increase of RMB582 million or 5.4% as compared that of the previous year.

## (III) Elaboration of Significant Profit Changes in Non-Major Business

During the reporting period, the results of the associated companies attributable to the Group increased by RMB414 million 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 2019 | Percentage to total assets in 2019(%) | Closing amount of 2018 | Percentage to total assets in 2018(%) | Percentage of increase/ decrease in closing amount (%) | Notes |
|---|---|---|---|---|---|---|
| Pledged fixed term deposit | 210 | 0.10 | 1,913 | 0.93 | -89.02 | The fixed term deposit was released from mortgage. |
| Inventories | 6,007 | 2.85 | 4,069 | 1.98 | 47.64 | ① Inventory of Shandong Zhongyin International trade Co., Ltd. ("Zhongyin International Trade") increased by RMB585 million; ② Inventory of Qingdao Vast Lucky increased by RMB538 million; ③ Inventory of Yankuang Hainan Intelligent Logistics Co., Ltd ("Intelligent Logistics") increased by RMB421 million. |
| Construction in progress | 16,288 | 7.73 | 10,896 | 5.29 | 49.49 | ① The Phase II coal chemical project of Ordos Neng Hua increased the construction in progress by RMB2.099 billion; ② The Phase II coal chemical project of Yulin Neng Hua increased the construction in progress by RMB1.589 billion; ③ The mine construction of Wanfu Coal Mine increased the construction in progress by RMB756 million. |
| Deferred tax asset | 1,621 | 0.77 | 6,545 | 3.18 | -75.23 | The deferred tax asset of Yancoal Australia decreased by RMB4,981 million. |
| Notes payable and accounts payable | 19,117 | 9.07 | 12,514 | 6.07 | 52.76 | The notes payable increased due the adjustments of payment policy of the subsidiaries. |

| Items | Closing amount of 2019 | Percentage to total assets in 2019(%) | Closing amount of 2018 | Percentage to total assets in 2018(%) | Percentage of increase/ decrease in closing amount (%) | Notes |
|---|---|---|---|---|---|---|
| Other payables and accrued expenses | 26,798 | 12.71 | 20,679 | 10.04 | 29.59 | The margin deposits receivable from customers in financing business increased by RMB6.562 billion. |
| Deferred tax liabilities | 3,414 | 1.62 | 8,008 | 3.89 | -57.37 | The deferred tax liabilities of Yancoal Australia decreased by RMB4,763 million. |
| Long-term payables due over one year | 2,416 | 1.15 | 130 | 0.06 | 1,764.67 | This period confirms that the consideration of mining rights payable of Haosheng Coal increased. |
| Non-controlling interests | 17,500 | 8.30 | 21,234 | 10.31 | -17.59 | ① Repayment of industry borrowing fund decreased the non-controlling interests by RMB8 billion; ② Issuance of capital by Haosheng Company resulted in an increase in noncontrolling interests by RMB3.411 billion; ③ Share of operating results from Yancoal Australia increased the non-controlling interests of RMB1.33 billion. |

Other explanation

(1) Debt on equity ratio

As at 31 December 2019, the equity attributable to Shareholders and the total borrowings amounted to RMB54.120 billion and RMB65.375 billion respectively, representing a debt to equity ratio of 120.8%.

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

(2) Contingent liabilities

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

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

(Prepared under the CASs)

As at the end of 2019, the restricted assets of the Group were RMB57,942 million, mainly including the monetary fund, note receivable which were restricted for usage, and pledged asset for borrowings. For details, please refer to Note "*Notes to the Consolidated Financial Statement – Ownership or Usage Rights to the Restricted Asset*" to the financial statements prepared under the CASs.

3. *Other explanations*

Not applicable.

## (V) Analysis of Industrial Business Information

1. *Analysis of Coal Business*

For details of the main situation of coal business for the year 2019, please refer to the section headed *The Operation of Business Segments* in this chapter.

2. *Coal Reserves*

| Major coal mine | Location | Coal type | China National Standards[1] Retained Resource Reserves (Mt) | China National Standards[1] Reserves (Mt) | JORC Standards[2] In-situ Resource Reserves (Mt) | JORC Standards[2] Recoverable Reserves (Mt) |
|---|---|---|---|---|---|---|
| Coal mines of the Company | Jining city, Shandong Province | Thermal coal | 3,217 | 459 | 762 | 290 |
| Coal mines of Heze Neng Hua | Heze City, Shandong Province | 1/3 coking coal | 395 | 185 | 87 | 27 |
| Coal mines of Shanxi Neng Hua | Heshun County, Shanxi Province | Thermal coal | 111 | 53 | 27 | 13 |
| Coal mines of Ordos Neng Hua[3] | Ordos, Inner Mongolia | Thermal coal | 2,852 | 1,600 | 337 | 209 |
| Coal mines of Haosheng Company | Ordos, Inner Mongolia | Thermal coal | 2,345 | 1,070 | 734 | 505 |
| **Subtotal reserve of domestic coal mines** | – | – | 8,920 | 3,367 | 1,948 | 1,044 |
| Coal mines of Yancoal Australia[4] | Queensland and New South Wales | PCI coal, thermal coal, semi-soft coking coal, semi-hard coking coal | / | / | 9,720 | 1,765 |
| Coal mines of Yancoal International | Queensland and Western Australia | PCI coal, thermal coal, | / | / | 1,652 | 216 |
| **Subtotal of reserve of overseas coal mines[5]** | – | – | / | / | 11,372 | 1,981 |
| **Total** | – | – | 8,920 | 3,367 | 13,320 | 3,025 |

Notes:

① According to the standard of Solid Mineral Resources/Reserves Classification (China's National Standard GB/T 17766-1999), the retained resource reserves refer to the amount of the basic reserves and the amount of resources. Reserves refer to the recoverable amount of the basic reserves after deducting the loss of design part.

② As required by the Hong Kong Stock Exchange, the Group made assessment on the resources/reserves of its coal mines located in China in accordance with international standard of JORC.

The In-situ Resources and Recoverable Reserves of coal are estimated in accordance with 100% equity and JORC Code 2012 as at 31 December 2019, 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 2020 and overseas In-situ Resources and Recoverable Reserves are based on the report prepared by competent persons appointed by overseas subsidiaries.

③ Resource assessment on Yingpanhao Coal Mine of Ordos Neng Hua was made in accordance with China National Standards GB/T 1776-1999 Solid Mineral Resources/Reserves Classification. As at 31 December 2019, its retained resource reserve and reserve was about 2,263 million tons and1,325 million tons, respectively. And the resources/reserves assessment under international standard has not been made due to the ongoing approval procedures through administrative authorities.

④ The in-situ resources and recoverable reserves of the coal mines owned by Yancoal Australia were based on 100% equity, including relevant 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 was not consolidated into the consolidated financial statements of the Group. Watagan Mining Pty Ltd. is a special purpose company and was not consolidated into the consolidated financial statements of the Group.

⑤ The Group did not make assessment on the resources/reserves of the coal mines of Yancoal Australia and Yancoal International in accordance with China National Standard of Resource Reserve.

### 3. *Other Explanations*

**(1) The surrounding transportation of main mining areas**

The coal produced by the Group's mines located in Shandong Province are mainly transported to the users by truck or self-owned railway directly, or connected to the national railway through Yanzhou-Shijiusuo Railway and Tianjin-Shanghai Railway, and meanwhile connected to riverside regions or coastal regions through Beijing-Hangzhou Grand Canal or Rizhao Port. In Shanxi Province, the Group supplied coal to the ports in Hebei province, Shandong Province and their surrounding area by Yangquan-Shexian railway, which passes through Tianchi Coal Mine of Shanxi Neng Hua. In Inner Mongolia Autonomous Region, the Group transported the coal to the surrounding users by truck, or to the users in west Inner Mongolia, east Ningxia, the coastal ports, North China, East China, Central China, Southwest China and other regions through Dongsheng-Wuhai Railway, Baotou-Xianzhangqiao Railway, Huaidong Railway and Haoji Railway.

Premier Coal Mine in Australia has entered into a long-term supply contract with Verve Energy Power Plant of 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 the mines located in eastern Australia is transported to Newcastle Port, Gladstone Port and other ports through railways of third parties, and then export to South Korea, Japan and other region by sea freight.

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

In 2019, the coal exploration expenditure of the Group was RMB46.891 million, mainly including the MTW underground exploration and the Moolarben new underground mine exploration of Yancoal Australia; the capital expenditure for coal exploration and mining was RMB8,905 million, mainly including the investment in fixed assets of current coal mines and the development and mining expenses of Wanfu Coal Mine.

**(3) Major mine construction project**

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

| No. | Project | Designed Capacity (10,000 tons/Year) | Investment Amount as at the End of the Reporting Period (RMB100 million) | Construction Progress |
|---|---|---|---|---|
| 1 | Wanfu Coal Mine | 180 | 32.30 | It is expected to be put into test production in 2021. |
| | Total | 180 | 32.30 | – |

## (VI) Analysis of Investment

(All financial data contained in this section are prepared under CASs)

### 1. *Significant equity investment*

Not applicable.

### 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 special right to earnings of Middlemount coal mine, equity investment and etc. The initial investment is RMB1,989 million and the balance as at the end of the reporting period is RMB1,331 million. The liabilities mainly are interests swap agreement and non-contingent royalties, and the initial investment is RMB1,477 million and the balance as at the end of the reporting period is RMB218 million.

As at the end of the reporting period, the Group's financial assets measured at fair value and recorded in other comprehensive income mainly include the equity instrument investment. The initial investment is RMB5.058 million, and the balance as at the end of the reporting period is RMB4.624 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 Other Non-current 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 Invested Companies

(All financial data in this section are prepared under CASs)

### *1. Major controlled companies*

The following table sets out the major controlled companies that have significant impact on the Group's net profits attributable to the listed company.

Unit : RMB million

| Name of the Company | Registered Capital | 31 December 2019 Total Assets | Net Assets | Net Profit for the Year 2019 |
|---|---|---|---|---|
| Yancoal Australia | AUD6,027 million | 53,431 | 29,397 | 3,525 |
| Yancoal International | USD689 million | 17,742 | 5,881 | 590 |
| Heze Neng Hua | 3,000 | 9,844 | 6,754 | 760 |

Note: For more information about the main business, main financial indicators of the Group's major controlled subsidiaries, please refer to the note "Interests in Other Entities-Interests in Subsidiaries" to the financial statement prepared under CASs.

**Yancoal Australia**

In 2019, the net profit of Yancoal Australia decreased to RMB 3,525 million from RMB 4,273 million in 2018, representing a decrease of RMB 748 million or 17.5%, which is mainly due to the fall of international coal price.

**Yancoal International**

The net profit of Yancoal International in 2019 is RMB590 million, while that of 2018 was RMB1,112 million, representing a decrease of RMB522 million or 46.9%, which is mainly due to the fall of international coal price.

For more information about the related operation of Yancoal Australia and Yancoal International, please refer to the section "Main Business During the Reporting Period" of this chapter.

*2. Major invested companies*

For more information about the main business and main financial indicators of the Group's major invested companies, please refer to the note headed Interests in Other Entities-Interests in Joint Venture and Associated Companies to the financial statement prepared under CASs.

*3. Operation of Yankuang Finance Company*

As at the end of the reporting period, the Company directly held 95% 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 five special committees, namely, Strategy Development & Planning Committee, Risk Management Committee, Auditing Compliance Committee, Investment Decision-Making Committee and Information Technology Committee. In line with their respective work scopes, the board of directors and these five committees performed their duties in a diligent and efficient manner, which ensured 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 based on corporate governance, which takes 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 thorough manner to continuously improve risk management capability.

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

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

Unit: RMB million

| | 31 December 2019 | 31 December 2018 | Increase/ Decrease (%) |
|---|---|---|---|
| Deposit balance | **21,510** | 21,623 | –0.52 |
| Loan balance | **11,006** | 7,551 | 45.76 |

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

Unit: RMB million

| Major operational indicators | 2019 | 2018 | Increase/ Decrease (%) |
|---|---|---|---|
| Operating income | **500** | 467 | 7.07 |
| Net profit | **172** | 196 | –12.24 |

| | 31 December 2019 | 31 December 2018 | Increase/ Decrease (%) |
|---|---|---|---|
| Net asset | **3,149** | 1,488 | 111.63 |
| Total asset | **24,694** | 23,146 | 6.69 |

## (IX) Entities Controlled by the Company

Watagan Mining Company Pty Ltd is a special purpose vehicle incorporated by Yancoal Australia for purpose of implementing asset securitization overseas. It implemented the asset securitization of three coal mines in New South Wales, Australia in 2016. For detailed information, please see the note headed "Oher Significant Events-Matter of Watagan" in the consolidated financial statements prepared in accordance with CASs.

## III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

### (I) Industry 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 be risk-aware and understand the difference between operation plan and performance commitments.

### (IV) Capital Expenditure Plan

The Group's capital expenditure for the year 2020 is expected to be RMB9.904 billion, which is mainly sourced from the Group's internal capital fund, bank loans, bond issue and other channels.

The capital expenditure for the year 2019 and the estimated capital expenditure for the year 2020 of the Group (grouped by entity) are set out in the following table:

Unit: RMB0,000

| | 2020 (Estimated) | 2019 | Main Items |
|---|---|---|---|
| The Company | **257,515** | 271,217 | Maintenance of simple reproduction, safety and technical revamp input |
| Ordos Neng Hua | **177,485** | 415,913 | Investment for Phase II coal chemical project construction, investment for coal mine project, and specialized railway construction project. |
| Yulin Neng Hua | **41,874** | 167,235 | Investment for Phase II coal chemical project and investment in production safety and environmental protection. |
| Heze Neng Hua | **140,692** | 89,334 | Investment for mine construction, safety and environmental protection. |
| Hua Ju Energy | **1,961** | 2,414 | Maintenance of simple reproduction |
| Haosheng Company | **53,454** | 13,264 | Investment for coal mine construction. |
| Donghua Heavy Industry | **32,489** | 22,960 | Technical revamp input for products optimization and technology upgrading |
| Shanxi Neng Hua | **3,573** | 1,714 | Mine safety input |
| Yancoal Australia | **264,419** | 122,972 | Maintenance of simple reproduction, safety, environment protection, and exploration, etc. |
| Yancoal International | **15,425** | 26,520 | Maintenance of simple reproduction, safety, environment protection, and expenditures in Canadian potash project. |
| Others | **1,543** | 5,507 | Capital expenditure of other subsidiaries |
| Total | **990,430** | 1,139,050 | |

The table below sets out the capital expenditure of the Group in 2019 and the capital expenditure plan for 2020 (grouped by fund application purpose):

Unit: RMB0,000

| | Plan for 2020 | 2019 |
|---|---|---|
| Infrastructure Project | **490,618** | 658,331 |
| Coal mine infrastructure | **307,643** | 257,897 |
| Infrastructure for chemical projects | **56,853** | 369,800 |
| Infrastructure for logistics and warehouse | **103,384** | 16,519 |
| Infrastructure for machinery and equipment fabrication | **4,156** | 5,226 |
| Other infrastructures | **18,582** | 8,889 |
| Maintenance of simple reproduction | **368,712** | 337,989 |
| Safety production plan expenditure | **86,172** | 52,660 |
| Technology revamp plan | **44,928** | 90,070 |
| Total | **990,430** | 1,139,050 |

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 segments 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:** Improve the safety management and control system, specify tiered management and control responsibilities, and implement professional and regional synergetic management in an orderly manner; Accelerate the innovation-oriented development by integration of automation, intelligentization and informationization, upgrade the intelligent level of production system like coal mining and excavating; Implement special campaigns to address potential safety hazards; Implement strict evaluation of safety technology, including the formulation, review, supervision and acceptance of the relevant rectification plan; Strengthen safety assessment and accountability, and intensify investigation and accountability for accidents.

*Risks arising from exchange rate*

As a multinational company, the Company's business, such as overseas investment, overseas financing, international trade and etc., are subject to the fluctuation of foreign exchange rate, which will in turn bring uncertainties to the operation results and strategic development of the Company.

**Counter measures:** Strengthen the study and analysis on the trend of foreign exchange, and take advantage of comprehensive financial derivative instruments to reduce the risks brought by the fluctuation of foreign exchange; Adopt hedging measures to lock in future exchange rates; Implement professionals training program to enhance the Company's ability in exchange rate risks management and control.

*Risks arising from creditability*

Due to the slowdown of domestic economy, some of the Company's business partners have suffered from insufficient liquidity, declined solvency and other problems, which will consequently impact the Company's receivables collection.

**Counter measures:** Strengthen the pre-transaction management of business partners, carry out due diligence in advance, then prudently grant credit lines to them according to their nature, scale, and credit qualifications. Dynamically monitor the credit business in compliance with credit line and credit period constraint mechanism. In case of credit default, the response mechanism shall be launched in time, and legal means shall be used when necessary to safeguard the rights and interests of the Company.

## (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 RMB134 million during the reporting period.

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

To hedge the exchange losses of USD debts arising from the fluctuation of foreign exchange, Yancoal Australia and Yancoal International have adopted foreign exchange hedging measures to such debts 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 further hedge the exchange rate between RMB and foreign currencies in the reporting period.

### 2. *Taxation*

In 2019, save as some domestic subsidiaries of the Company incorporated in the PRC that are subject to an income tax rate of 15% on their taxable profits under preferential income tax policy, the Company and the other subsidiaries incorporated in the PRC are subject to an income tax rate of 25% on their taxable profits. Yancoal Australia and Yancoal International are subject to a tax rate of 30% and 16.5%, respectively, on their taxable profits.

For details of the preferential income tax policies and tax rates for the domestic subsidiaries of the Company, please refer to the note Preferential Taxes 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 RMB6.333 million and RMB137 million in 2019 and 2018, 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 2019, the employees' housing allowances paid by the Group amounted to RMB421 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 RMB37.733 million in 2019.

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 PURSUANT TO THE RELEVANT RULES OR NATIONAL OR BUSINESS SECRETS

Not applicable.

Chapter 06

# Significant Events

## I. PROFIT DISTRIBUTION OF ORDINARY SHARES 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 basis of profit distribution after tax of the Company for an accounting year is the lower of the profit after tax in the financial statements prepared in accordance with the CASs, IFRS or overseas accounting standard. 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 and recognized as statutory reserve. The Company may not withdraw statutory reserve when the accumulated statutory reserve reaches more than 50% of the registered capital of the Company. Final dividends shall be distributed and paid once a year with an ordinary resolution passed by the general meeting of shareholders authorizing the Board to distribute and pay such dividend. The Company may distribute interim cash dividends upon approval from the Board and the shareholders at general meeting. There should be at least a 6-month accounting period interval between the distributions of 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 withdrawing the statutory reserve for that particular year, unless the Company has scheduled significant investments or significant cash requirements. In the scenario that the Company is in sound operation 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 2018 annual general meeting of the Company held on 24 May 2019 approved the Company to distribute annual cash dividends for 2018 of RMB2,652.5 million (tax inclusive) to the Shareholders, i.e. RMB0.54 per share (tax inclusive). As at the date of this annual report, the 2018 cash dividends have been distributed to the Shareholders.

The second extraordinary general meeting of the Company held on 1 November 2019 approved the Company to distribute 2019 interim cash dividends of RMB4,912 million (tax inclusive) to the Shareholders, i.e., RMB1.00 per share (tax inclusive). As at the date of this annual report, the 2019 interim cash dividends have been distributed to the Shareholders.

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

## (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

| Annual 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 Profit Attributable to the shareholders of the Company in the Consolidated Statements during the Cash Dividend Distribution Year | Percentage of Net Profit Attributable to the shareholders of the Company in the Consolidated Statements (%) |
|---|---|---|---|---|---|---|
| **2019** | **0** | **5.80** | **0** | **28.490**② | **86.679** | **32.87** |
| 2019 interim | 0 | 10.00 | 0 | 49.120 | 53.609③ | 91.63④ |
| 2018 | 0 | 5.40 | 0 | 26.525 | 79.089 | 33.54 |
| 2017 | 0 | 4.80 | 0 | 23.578 | 67.706 | 34.82 |

Note: ① The above "Net Profit Attributable to the shareholders of the Company in the Consolidated Statements during the Cash Dividend Distribution Year" was prepared in accordance with CASs and the cash dividend policy of the Company.

② The amount of cash dividends of the year 2019 is estimated based on the number of ordinary shares of the Company as at 31 December 2019.

③ It is the net profit attributable to the shareholders of the Company based on the 2019 interim reporting data prepared in accordance with CASs.

④ It refers to the proportion of the amount of 2019 interim special cash dividends (tax-included) over the net profit attributable to the shareholders of the Company based on the 2019 interim reporting data prepared in accordance with CASs.

### *1. Annual Profit Distribution Plan for 2019*

In return for the long-term support of the Shareholders, the Board proposed a dividend of RMB0.58 (including tax) per share based on the number of shares on the dividend distribution record, date. Based on the Company's total share capital on 31 December 2019, the total amount of cash dividend is estimated to be RMB2.849 billion (including tax) for the year 2019. This dividend distribution plan shall be submitted to the Shareholders for consideration at the 2019 annual general meeting and the dividend will be distributed to all the Shareholders within two months (if approved). The cash dividend for the year 2019 is expected to be distributed on 19 August 2020.

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

### *2. Reserves*

For details of the changes of reserves for 2019 and distributable reserves as at 31 December 2019, please refer to Notes "Shareholders' Equity" and "Supplementary 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) Tax and Tax Exemption or Reduction

### *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 PRC 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 a rate of 10% before distributing the 2019 final dividend to non-resident enterprise shareholders as shown 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 Macao residents or whose country (or region) of domicile is a country (or region) which has entered into a tax treaty with the PRC stipulating a dividends 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 dividends 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 are less than 10% under tax treaty, such individual holders must submit to the H Share Register 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 (or region) which has entered into a tax treaty with the PRC stipulating a dividends 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 regulations 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 2018 Annual Equity Interests Distribution Implementation of Yanzhou Coal Mining Company Limited dated 3 June 2019. 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 Related Parties During the Reporting Period or Extended to the Reporting Period

| Background | Type | Undertaker | Undertakings | Date and Term of Undertakings | 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 | None |
| 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 approved 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 | None |

| Background | Type | Undertaker | Undertakings | Date and Term of Undertakings | 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 | Yankuang Group made undertakings in relation to finance business with Yankuang Finance Company as followings.<br><br>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 on the financial business between Yankuang Finance Company and Yankuang Group on its own accord 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;<br><br>2) To ensure the safety of the Company's fund managed by Yankuang Finance Company, Yankuang Group and its controlled companies undertook to carry out financial business with Yankuang Finance Company in accordance with laws and regulations, and will not appropriate the Company's fund through Yankuang Finance Company in any other forms.<br><br>3) In case Yankuang Group or its controlled companies misappropriated 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.<br><br>4) Yankuang Group undertook 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 as the controlling shareholder, nor impair the legal interests of Yanzhou Coal and other public shareholders. | 27 July 2018<br>Long-term effective | No | Yes | Under normal performance | None |

| Background | Type | Undertaker | Undertakings | Date and Term of Undertakings | With Performance Deadline or Not | Perform Timely and Strictly or Not | Reasons for Failure of Performance Timely | Measures in Case of Failure of Performance Timely |
|---|---|---|---|---|---|---|---|---|
| | Other | Yankuang Group and 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 from the listing of Yancoal Australia in HKEX:<br><br>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.<br><br>2. Yanzhou Coal shall instantly inform Yancoal Australia when 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 | Completed | None |
| Other undertakings | Other | Yankuang Group and Yankuang Group (Hong Kong) Limited, the person acting in concert | Undertakings made as to increase shareholding of the H shares of the Company: Except that the approved 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 30 July 2019 to 30 January 2020 | Yes | Yes | Completed | None |

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

Not applicable

## (III) Whether the Undertakings of Company Performance can be Achieved or Not and its Influence to the Goodwill Impairment Test

Not applicable.

## III. FUNDS APPROPRIATIONS AND CLEARING PROGRESS

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

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

### (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: RMB 0,000

| | Current Appointment |
|---|---|
| Name of the Certified Public Accountants (Domestic) | Shine Wing Certified Public Accountants (special general partnership) |
| Remuneration of the Certified Public Accountants (Domestic) | 660 (including internal control auditing) |
| 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) | 200 |
| 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) | 165 |

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

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

The Company shall pay RMB8.6 million for the domestic and overseas audit services of 2019, including RMB6.6 million for domestic service to Shine Wing Certified Public Accountants (special general partnership) (including internal control audit fees) and RMB2 million for overseas service to SHINEWING (HK) CPA Limited. Except the accountants' on-site accommodation and meal expenses during their working in the Company, the Company borne no other related expenses such as traveling expenses. The Board was authorized to decide the payment for increased follow-up audit, internal control audit and other services due to the Company's new subsidiaries or changes of regulations.

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

According to the Financial Reporting Council Ordinance of Chapter 588 of the Laws of Hong Kong (effective from 1 October 2019), the Company's 2019 accountant SHINEWING (HK) CPA Limited is a registered public interest entity auditor.

**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

| Item Overview | Query index |
|---|---|
| **Arbitration involving Inner Mongolia New Changjiang Mining & Investment Co., Ltd. ("New Changjiang") and Yanzhou coal**<br><br>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, liquidated damages of RMB656 million, and the legal fees, arbitration fees and preservation fees involved in this case.<br><br>CIETAC held two hearings on the case in October 2018 and December 2018, respectively, and no ruling was issued.<br><br>In April 2019, New Changjiang changed its arbitration request to the termination of the equity transfer agreement and obtained the permission of CIETAC.<br><br>CIETAC held the third and fourth hearings on the case in August 2019 and December 2019 respectively.<br><br>Currently, there is no ruling issued yet.<br><br>As the case is undergoing the 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 2019. 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:**

| Plaintiff (applicant) | Respondent | Joint and several liable party | Type | Background | Amount involved | Estimated liabilities and amount | Progress | Judgment and impact | Judgment execution |
|---|---|---|---|---|---|---|---|---|---|
| Shanxi Neng Hua | Shanxi Jinhui Coking Chemical Co., Ltd ("Shanxi Jinhui") | No | Arbitration | As Shanxi Jinhui unilaterally terminated to fulfill the Raw and Auxiliary Material Supply Agreement and suspended the gas supply, Shanxi Tianhao Chemicals Co., Ltd. ("Tianhao Chemicals"), a controlled company of Shanxi Neng Hua, ceased full production of methanol in April 2012. In September 2013, Shanxi Neng Hua submitted the arbitration request to Beijing Arbitration Commission, requesting Shanxi Jinhui to make compensation for the loss in accordance with the contracts.<br><br>After full consideration, Shanxi Neng Hua applied to Beijing Arbitration Commission for withdrawal of the request for arbitration in August 2015 and got approval. The Company made provision for impairment of assets for Tianhao Chemicals in 2012.<br><br>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.<br><br>In April 2019, the Beijing Arbitration Commission ruled that Shanxi Jinhui make the compensation of RMB72.664 million in total to Shanxi Neng Hua and Tianhao Chemicals.<br><br>In June 2019, Shanxi Neng Hua applied to Lvliang Intermediate People's Court in Shanxi Province ("Lvliang Intermediate Court") for compulsory execution. | RMB 341 million | No | Concluded | The case has concluded. The lawsuit will not adversely affect the Company's subsequent profit. | Implementing |

| Plaintiff (applicant) | Respondent | Joint and several liable party | Type | Background | Amount involved | Estimated liabilities and amount | Progress | Judgment and impact | Judgment 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 suited Yanzhou Coal in Jinan Railway Transportation Court, requiring Yanzhou Coal to repay goods payment 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 opposed the cause of action of Jinan Railway Trade.<br><br>In October 2017, the Company lost the first-instance lawsuit and Jinan Railway Transportation Court ruled that the Company shall bear responsibility of compensation.<br><br>In November 2017, the Company lodged an appeal to Jinan Railway Transportation Intermediate Court ("Railway Intermediate Court").<br><br>Railway Intermediate Court ruled the Company should bear responsibility of compensation at the second instance in March 2019. | RMB 19.9498 million | No | Concluded | The case has been concluded. According to the court's judgment, the Company has paid the money involved in the case to Jinan Railway Trade. | Completed |
| Weihai Commercial Bank Co., Ltd ("Weihai Commercial Bank") | Yanzhou Coal | Shandong Hengfeng Power Fuel Co., Ltd. ("Hengfeng Company") and 7 other persons with joint and several liabilities | Litigation | In October 2015, citing the financial loan contract dispute, Weihai Commercial Bank filed a case in Jining Intermediate People's Court ("Jining Intermediate Court") against 8 defendants including Hengfeng and Yanzhou Coal, requiring Hengfeng Company to repay the loan principal of RMB99.119 million and corresponding interest. Because Hengfeng Company made a pledge to the plaintiff through its account receivables of RMB103.42 million by Yanzhou Coal (suspect of counterfeit), Weihai Commercial Bank required Yanzhou Coal bear the liability of repayment within the amount of the account receivables.<br><br>In October 2018, the Company received the first-instance judgement and lost the case. The Company lodged an appeal to Shandong Higher People's Court ("Shandong High Court").<br>In May 2019, it was the ruling of the second instance of the Shandong High Court that the case shall be reheard in Jining Intermediate Court for retrial.<br><br>In January 2020, Jining Intermediate Court rejudged and rejected the lawsuit of Weihai Commercial Bank at the first instance. Then, Weihai Commercial Bank appealed to Shandong High Court.<br><br>Currently, Shandong High Court has made no ruling yet. | RMB 99.1190 million | No | In the second instance | Since the case in the progress of the retrial of the second instance, it's unable for the Company to estimate the impact of the litigation on its current profit and future profit currently. | – |

| Plaintiff (applicant) | Respondent | Joint and several liable party | Type | Background | Amount involved | Estimated liabilities and amount | Progress | Judgment and impact | Judgment execution |
|---|---|---|---|---|---|---|---|---|---|
| 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. As Hengfeng Company had transferred its accounts receivable of RMB145 million by Yanzhou Coal (counterfeited) to Zhonghui Xintong, Zhonghui Xintong required the Company to bear the liability of repayment within the amount of the accounts receivable. The Company applied for judicial authentication of the seals and signatures of the relevant evidence by Beijing No.3 Intermediate Court. The judicial authentication verified the seals and signatures were all forged.<br><br>In November 2018, Beijing No.3 Intermediate Court hold a hearing on the case, Zhonghui Xintong withdrew the lawsuit at the court.<br><br>In February 2019, the Company received the judgment given by Beijing No.3 Intermediate Court, which ruling that Yanzhou Coal was exempted from the liability. | RMB 145 million | No | Settled | Zhonghui Xintong withdrew the lawsuit and the Company was exempted from the liability. The lawsuit will not make any impact on the current profit and future profit of the Company. | – |
| 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 7 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 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.<br><br>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. The Company lodged an appeal to Shandong High Court.<br><br>In December 2019, Shandong High Court ruled at the second instance that the case shall be reheard by Jining Intermediate Court. In May 2019, Jining Intermediate Court heard the case and no ruling is given yet. | 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 estimate the impact of the suit on its current profit and future profit. | – |

| Plaintiff (applicant) | Respondent | Joint and several liable party | Type | Background | Amount involved | Estimated liabilities and amount | Progress | Judgment and impact | Judgment execution |
|---|---|---|---|---|---|---|---|---|---|
| Yanzhou Coal | Jinan Railway Trade | No | Litigation | In April 2016, the Company, as the plaintiff, brought a civil litigation against Jinan Railway Trade at Jining Intermediate Court, suing Jinan Railway Trade to refund a goods loan of RMB80 million and related interests accrued to the Company.<br><br>In July 2017, Jining Intermediate Court ruled that Jinan Railway Trade repay the loan of RMB80 million and related interests accrued to the Company. Jinan Railway Trade lodged an appeal against the first judgment at Shandong High Court.<br><br>In February 2018, Shandong High Court ruled at the second instance of 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.<br><br>In December 2019, Shandong High Court ruled that the Company's appeal was rejected. | RMB 80 million | No | Settled | The case has been settled. The Company has made impairment provision for the full amount involved in the case in the previous period, and this lawsuit will not adversely affect the Company's profit after the period. | – |
| Yanzhou Coal | Rizhao Shanneng International Logistics Co., Ltd. ("Shanneng International") | No | Litigation | In November 2016, citing Shanneng International breaching the Coal Sales Contract, the Company appealed to Rizhao Intermediate Court, requesting Shanneng International repay RMB80 million to the Company as goods payment and corresponding interest.<br><br>In November 2018, the Company received the judgment of Rizhao Intermediate Court at the first trial that Yanzhou Coal won the suit. Shanneng International lodged an appeal at Shandong High Court.<br><br>In June 2019, Shandong High Court ruled at the second instance of the case to be reheard by Rizhao Intermediate Court.<br><br>Currently, Rizhao Intermediate Court has made no ruling yet. | RMB 80 million | No | In the retrial procedure at the first instance | The case is currently in the progress of retrial procedure at the first instance. The Company has made impairment provision for the full amount involved in the case in the previous period, and this lawsuit will not adversely affect the Company's profit after the period. | – |

| Plaintiff (applicant) | Respondent | Joint and several liable party | Type | Background | Amount involved | Estimated liabilities and amount | Progress | Judgment and impact | Judgment execution |
|---|---|---|---|---|---|---|---|---|---|
| Shandong Yanmei Rizhao Port Coal Storage and Blending Co., Ltd. ("Rizhao Coal Storage and Blending") | Wuxi City Shengluda Power Fuel Co., Ltd. ("Wuxi Shengluda") | Wuxi City Xinan Fuel Co., Ltd. and 5 natural persons with joint and several liabilities | Litigation | In November 2016, citing the coal mines sales contract dispute, Rizhao Coal Storage and Blending sued Rizhao Intermediate Court against Wuxi Shengluda to repay RMB27.8274 million of goods payment and corresponding interest.<br><br>In February 2019, Rizhao Intermediate Court ruled at the first instance that Rizhao Coal Storage and Blending won the suit.<br><br>In April 2019, Rizhao Coal Storage and Blending applied to Rizhao Intermediate Court for compulsory execution. | RMB 27.8274 million | No | Settled | The case has been settled. The Company has made impairment provision for the full amount involved in the case in the previous period, and this lawsuit will not adversely affect the Company's profit after the period. | In the execution procedure |
| Rizhao Coal Storage and Blending | Rizhao Tengtu Investment Company Limited ("Tengtu Company") | Shandong Yabin Energy Co., Ltd. and other 8 joint guarantors with joint and several liability | Litigation | In February 2017, citing the sales contract dispute, Rizhao Coal Storage and Blending, as the plaintiff, brought a civil litigation against Tengtu Company and other 8 joint guarantors including Shandong Yabin Energy Co., Ltd. at Rizhao Intermediate Court, requesting Tengtu Company to repay a goods payment of RMB37.4251 million and the related interests, and 9 joint guarantors to bear the joint and several liabilities.<br><br>In 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.<br><br>In May 2019, Shandong High Court made the judgement at the second instance that Rizhao Coal Storage and Blending won the case.<br><br>In July 2019, Rizhao Coal Storage and Blending applied to Rizhao Intermediate Court for compulsory execution. | RMB 37.4251 million | No | Settled | The case has been settled. The Company has made impairment provision for the full amount involved in the case in the previous period, and this lawsuit will not adversely affect the Company's profit after the period. | In the execution procedure |

| Plaintiff (applicant) | Respondent | Joint and several liable party | Type | Background | Amount involved | Estimated liabilities and amount | Progress | Judgment and impact | Judgment execution |
|---|---|---|---|---|---|---|---|---|---|
| China Construction Bank Jining Guhuailu Branch ("CCB Jining Guhuailu Branch") | Yanzhou Coal | Jining Liaoyuan Trade Co., Ltd. ("Jining Liaoyuan") and other 6 persons with joint and several liability | Litigation | In June 2017, citing the financial loan contract dispute, CCB Jining Guhuailu Branch, as the plaintiff, sued against 8 defendants including Jining Liaoyuan and Yanzhou Coal to Jining Intermediate Court, requiring Jining Liaoyuan to repay loan principal of RMB95.8596 million and corresponding interest. Since Jining Liaoyuan pledged accounts receivables of RMB90.52 million by Yanzhou Coal (suspect of counterfeit) to CCB Jining Guhuailu Branch, CCB Jining Guhuailu Branch requiring the Company to make repayment within scope of the accounts receivable.<br><br>In January 2018, Jining Intermediate Court heard the case. The Company applied for judicial authentication of the seals and signatures in relevant evidences at the court. The judicial authentication verified that the signatures are real and the seals are forged.<br><br>In November 2018, the Company lost the suit at the first trial and the Company lodged an appeal to Shandong High Court.<br><br>In August 2019, Shandong High Court ruled the case to be reheard by Jining Intermediate Court and no ruling has been given by Jining Intermediate Court yet. | RMB 90.52 million | No | Retrial of the first instance | As the case is in the retrial of the first instance, it's unable for the Company to accurately estimate the impact of the litigation on its current profit and future profit currently. | – |

| Plaintiff (applicant) | Respondent | Joint and several liable party | Type | Background | Amount involved | Estimated liabilities and amount | Progress | Judgment and impact | Judgment execution |
|---|---|---|---|---|---|---|---|---|---|
| Xiamen Xinda | Zhongyin Logistics | Yanzhou Coal | Litigation | Case 1:<br><br>In March 2017, citing the sales contract dispute, Xiamen Xinda appealed against Zhongyin Logistics and the Company to Xiamen Intermediate People's Court ("Xiamen Intermediate Court") in three cases, legally requiring Zhongyin Logistics to return goods principal of RMB164 million and corresponding interest and requiring the Company to bear joint liability.<br><br>In June 2017, the Company appealed to the Higher People's Court of Fujian Province ("Fujian High Court") on the jurisdictional objection. Fujian High Court ruled that two of the three cases tried by the Xiamen Intermediate Court were combined into one (RMB102.5 million) was tried by Fujian High Court, and the remaining one was merged with Case 2 by Xiamen Intermediate Court.<br><br>In July 2018, the case heard by Fujian High Court was heard in the first instance. The two parties jointly applied to the court for a delay in the trial. The court agreed to suspend the trial and the court time will be notified separately. In the case of Xiamen Intermediate Court, Xiamen Intermediate Court organized the parties to participate in the pre-trial cross-examination, after the cross-examination, Xiamen Intermediate Court suspended the case.<br><br>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 and the case was placed on file.<br><br>In October 2019, Xiamen Xinda filed an application for cancellation of the lawsuit with Xiamen High Court and obtained permission. | RMB 102.50 million | No | Withdrawal | The other party in this case has withdrawn. The lawsuit will not adversely affect the Company's post-period profit. | — |

| Plaintiff (applicant) | Respondent | Joint and several liable party | Type | Background | Amount involved | Estimated liabilities and amount | Progress | Judgment and impact | Judgment execution |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Case 2:<br><br>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, legally requiring Zhongyin Logistics to return goods principal of RMB31.7116 million and corresponding interest and requiring the Company to bear joint liability. The Company filed a jurisdictional objection to the court. The court ruled that the three cases in the case were merged with one case in Case 1, and the total amount involved in the case was RMB91.10 million, which was tried by Xiamen Intermediate Court.<br><br>In July 2018, Xiamen Intermediate Court heard the case, and no ruling has been given yet.<br><br>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 and the case was placed on file.<br><br>In September 2019, Xiamen Xinda filed an application for cancellation of the lawsuit with Xiamen Intermediate Court and obtained permission. | RMB 91.10 million | No | Withdrawal | The other party in this case has withdrawn. The lawsuit will not adversely affect the Company's post-period profit. | – |
| Xiamen Xinda | Zhongyin Logistics | Yanzhou Coal | Litigation | In March 2020, citing the sales contract dispute, Xiamen Xinda sued against Zhongyin Logistics and Yanzhou Coal to Xiamen Intermediate Court, requiring Zhongyin Logistics to return goods principals of RMB233 million and corresponding interest and requiring the Company to bear joint liability.<br><br>Currently, Xiamen Intermediate Court has not ruled yet. | RMB 232.6609 million | No | In the first instance | The case is currently undergoing the first instance proceedings, and it is not yet possible to judge the impact of this lawsuit on the Company's post-period profits. | – |

| Plaintiff (applicant) | Respondent | Joint and several liable party | Type | Background | Amount involved | Estimated liabilities and amount | Progress | Judgment and impact | Judgment execution |
|---|---|---|---|---|---|---|---|---|---|
| Luxing Property Co., LTD. ("Luxing Property") | Yanzhou Coal | Hengfeng Company and relate companies | Litigation | In July 2017, citing the equity transfer agreement dispute, Luxing Property appealed 7 cases against Hengfeng Company and related companies to Jining Intermediate Court (4 cases) and Jining Rencheng District People's Court ("Rencheng 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.<br><br>The Company applied to Jining Intermediate Court for judicial authentication of the seals of the relevant evidence. And the authentication verified that the seals are forged.<br><br>In November 2018, the Company received the first-instance judgment from Jining Intermediate Court in relation to the 4 cases, Yanzhou Coal won the suits.<br><br>In March 2019, the Company received the first-instance judgment from Rencheng District Court in relation to the 3 cases, Yanzhou Coal won the suits. | RMB 277.09 million | No | Settled | The case has been settled. This lawsuit will not adversely affect the Company's profit after the period. | — |

| Plaintiff (applicant) | Respondent | Joint and several liable party | Type | Background | Amount involved | Estimated liabilities and amount | Progress | Judgment and impact | Judgment execution |
|---|---|---|---|---|---|---|---|---|---|
| Qingdao Yanmei Dongqi Energy Co., Ltd. ("Yanmei Dongqi") | Shanghai Greenland Linggang Power Fuel Co., Ltd. ("Greenland Linggang") | Zhenjiang Tianyun Trade Co., Ltd ("Zhenjiang Tianyun") and Jiangsu Jicao Biological Science Co., Ltd ("Jiangsu Jicao") | Litigation | In August 2017, Yanmei Dongqi, a wholly-owned subsidiary of Rizhao Coal Storage and Blending (a controlled subsidiary of the Company), as the plaintiff, brought a civil litigation against Greenland Linggang, Zhenjiang Tianyun and Jiangsu Jicao to Shanghai Municipal No.1 Intermediate People's Court ("Shanghai Intermediate Court"), requiring Greenland Linggang to repay goods payment of RMB82.2062 million and related interest, and Zhejiang Tianyu and Jiangsu Jicao shall bear joint and several liabilities.<br><br>In June 2018, Shanghai Intermediate Court gave the first-instance judgement that Yanmei Dongqi won the case. In view that the judgement did not satisfy the purpose of the lawsuit, Yanmei Dongqi lodged an appeal to Shanghai High People's Court.<br><br>In December 2018, Shanghai High People's Court rejected Yanmei Dongqi's appeal at the second instance.<br><br>In April 2019, Yanmei Dongqi made an appeal to Supreme People's Court for retrial.<br><br>In August 2019, the Supreme People's Court ruled to reject the retrial appeal. | RMB 82.2062 million | No | Settled | The case has been settled. The Company has made impairment provision for the full amount involved in the case in the previous period, and this lawsuit will not adversely affect the Company's profit after the period. | – |
| Rizhao Coal Storage and Blending | Zoucheng City Pengxiang Industry and Trade Co., Ltd ("Zoucheng Pengxiang") | Zoucheng City Wangsheng Real Estate Development Co., Ltd | Litigation | In November 2018, alleging coal sales contract dispute, Rizhao Coal Storage and Blending sued against Zoucheng Pengxiang at Rizhao Intermediate Court, requiring Zoucheng Pengxiang refund RMB35.15 million of goods payment and related interests.<br><br>In May 2019, both parties signed Repayment Agreement and the case was settled through reconciliation. | RMB 35.15 million | No | Settled | The case has been settled. The Company has made impairment provision for the full amount involved in the case in the previous period, and this lawsuit will not adversely affect the Company's profit after the period. | – |
| 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 Changjinhao, alleging Changjinhao pay RMB56.3893 million of goods payment and related interests, while Wang Fuen, Ji Jianyong and Wu Zhaobin shall bear joint and several liabilities.<br><br>The case was heard in Jining Intermediate Court twice in May 2019 and June 2019 respectively.<br><br>In September 2019, Jining Intermediate Court ruled at the first instance that the Company won the lawsuit. As the ruling result of the first instance did not meet the Company's requirements, the Company appealed to the Shandong High Court.<br><br>No judgement has been given yet. | RMB 56.3893 million | No | In the second instance | The case is currently undergoing the second instance proceedings, and it is not yet possible to judge the impact of this lawsuit on the company's post-period profits. | – |

| Plaintiff (applicant) | Respondent | Joint and several liable party | Type | Background | Amount involved | Estimated liabilities and amount | Progress | Judgment and impact | Judgment execution |
|---|---|---|---|---|---|---|---|---|---|
| Shanghai Jiaorun International Trade Co., Ltd ("Shanghai Jiaorun") | Qingdao Zhongyan Trading Co., Ltd. ("Qingdao Zhongyan") | Zhongyuan Huijin Logistics (Tianjin) Co., Ltd ("Zhongyuan Huijin") | Litigation | In December 2018, alleging coal sales contract dispute, Shanghai Jiaorun brought a lawsuit to Qingdao Intermediate People's Court ("Qingdao Intermediate Court") against Qingdao Zhongyan, a wholly-owned subsidiary of the Company and Zhongyuan Huijin, who was requested to bear joint and several liabilities, requiring Qingdao Zhongyan and Zhongyuan Huijin refund RMB80 million of goods payment, contract breach fines and related loses accrued.<br><br>In November 2019, Qingdao Intermediate Court of the first instance rejected Shanghai Jiaorun's lawsuit against Qingdao Zhongyan, and Qingdao Zhongyan dismissed it. Shanghai Jiaorun appealed to Shandong High Court.<br><br>Currently, no judgement has been given by Shandong High Court. | RMB 80 million | No | In the second instance | The case has now entered the second instance proceedings, and it is not yet possible to judge the impact of this lawsuit on the Company's post-period profits. | – |
| Yanzhou Coal | Bill debtors including Baota Shenghua Trading Group Co., Ltd, Inner Mongolia Yanmeng Coal Transportation and Sales Co., Ltd. | Bill debtors including Baota Petrochemical Group Finance Co., Ltd ("Baota Finance Company"), Baota Petrochemical Group Co., Ltd. | Litigation | In January 2019, citing the bills dispute, the Company appealed in 89 cases against related bills debtors to Liangshan People's Court, requiring the Company exercise its rights of recourse to the bills. The Company holds 150 pieces of acceptance bills made by Baota Finance Company as the payer, with a total amount of RMB272.1 million. As Baota Finance Company cannot meet the due payment, the Company exercises the right of recourse to safeguard the legitimate rights and interests. Currently, the Company has recovered RMB3 million in two case, which was settled; the remaining 87 cases have been transferred to Yinchuan Intermediate Court and no judgement is given yet. | RMB 272.1 million | No | Related cases are being heard | As of the end of the reporting period, the Company has made impairment provision for the full amount involved in this case, and this lawsuit will not adversely affect the Company's profit after the period. | – |
| CRRC Shijiazhuang Vehicle Co., Ltd, Shijiazhuang Gongbei Heavy Machinery Co., Ltd. and other holders | Yanzhou Coal | Beijing Baota International Economic and Technical Cooperation Co., Ltd., Baota Finance Co., Ltd. and other debtors of commercial instrument | Litigation | From December 2018, citing the bill dispute, the holders of the acceptance bill of exchange of Baota Finance Company sued Yanzhou Coal in 30 cases respectively, demanding to exercise the right of recourse for bills, involving a total amount of RMB41.9 million. Up to present, the Company has lost five cases and paid RMB6.4 million. Other cases are still under trial and no judgement has yet been given. | RMB 41.9 million | No | Related cases are being heard | The Company has paid RMB6.4 million according to the court's judgment, and it is not yet possible to judge the impact of this lawsuit on the Company's after-term profit. | – |

| Plaintiff (applicant) | Respondent | Joint and several liable party | Type | Background | Amount involved | Estimated liabilities and amount | Progress | Judgment and impact | Judgment execution |
|---|---|---|---|---|---|---|---|---|---|
| Shandong Zikuang Coal Transport and Marketing Co., Ltd. ("Zikuang Transport and Marketing Company") | Yanzhou Coal | No | Litigation | In May 2019, citing the sales contract dispute, Zikuang Transport and Marketing Company sued against Yanzhou Coal to Jining Intermediate Court, requiring Yanzhou Coal to repay RMB25.478 million of coal prepayment, RMB7.042 million of interest loss, RMB0.936 million of the loss of anticipated benefits and RMB0.5 million of realization of expense of credit, adding up to RMB33.956 million.<br><br>In October 2019, Jining Intermediate Court ruled to reject the appeal of Zikuang Transport and Marketing Company, and Yanzhou Coal won the lawsuit. Zikuang Transport and Marketing appealed to Shandong High Court.<br><br>In March 2020, Shandong High Court ruled the Company won the lawsuit. | RMB 33.956 million | No | Settled | The case has been settled. This lawsuit will not adversely affect the Company's profit after the period. | – |
| Shanxi Jinhui | Tianhao Chemicals | No | Litigation | In May 2019, Shanxi Jinhui, as the plaintiff, citing the sales contract dispute, brought a lawsuit to Lvliang Intermediate Court against Tianhao Chemicals, requiring Tianhao Chemicals to pay RMB136.278 million as the compensation of breaching the contract, RMB6.5918 million for the gas and electricity fees, adding up to a total of RMB142.8698 million.<br><br>Tianhao Chemicals filed an objection to jurisdiction with Shanxi Higher People's Court ("Shanxi High Court"). Shanxi High Court ruled that the case was transferred to the court's jurisdiction.<br><br>In December 2019, Shanxi High Court ruled to reject Shanxi Jinhui's appeal. | RMB 142.8698 million | No | Settled | The case has been settled. This lawsuit will not adversely affect the Company's profit after the period. | – |

### (III) Other Explanation

Not applicable.

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

Not applicable.

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

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

Not applicable.

During the reporting period, the Company, its controlling shareholder and actual controller do not have any dishonest behaviors, such as failure to perform the effective judgement of the court and the large amount of debt due but unliquidated.

## 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 and the 2019 first class meeting of holders of H Shares on 12 February 2019, the Company implemented the 2018 A Share Option Scheme (the "Share Option 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 grantees under the 2018 A Share Option Scheme and granted 46.32 million share options to 499 eligible 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 dated 12 February 2019 in relation to resolutions passed at the 2019 first extraordinary general meeting, the 2019 first class meeting of holders of A Shares, the 2019 first class meeting of holders of H Shares and the twenty-third meeting of the seventh session of the Board, and in relation to the adjustment and granting of the Share Options Scheme: the announcement in relation to the completion of the granting registration of the Share Option 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 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 interest 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 participants of the Share Option Scheme (the "Participants")

   The Participants include the 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 the Company (i.e. 4,912,016 million shares). The Board then adjusted the number to 46.32 million, representing approximately 0.94% of the total share capital of the Company as at the date of this report.

4. The maximum amount of share options for each Participant under the Share Option Scheme

   There is no Participant to whom the aggregate number of A Shares to be issued upon exercise of the share options may exceed 1% of the Company's total share capital as at the date of consideration and approval of the Share Option Scheme at the extraordinary general mecting, and shall not exceed 1% of the Company's total number of issued A Shares 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 granting the share options 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 granting the share options 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 the 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) trading days after the announcement disclosed in pursuant to relevant laws.

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

The "significant events", "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 granting the share options | 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 granting the share options | 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 granting the share options | 34% |

The Participants must exercise their share options during the validity period of the share options. If preconditions for exercising are not fulfilled, the share options for the corresponding period shall not be exercised. If the preconditions for exercising are all fulfilled, 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 of capital reserves, bonus issue, share subdivision, right issue or dividend distribution of the Company.

8. The basis of determination of exercise price of 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 A Shares quoted on the trading day immediately preceding the date of announcement of the Share Option Scheme, being RMB8.92 per A Share;

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

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

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

9. The validity period of the Share Option Scheme

The Share Option Scheme comes into effect since approval by the 2019 first extraordingary general meeting, the 2019 first class meeting of holders of A shares and the 2019 first class meeting of holders of H shares on 12 February 2019. The validity period of the share options granted under the Share Option Scheme shall not exceed 60 months commencing from the date of granting the share options.

10. Exercise of share options during the reporting period

All of the share options granted under the Share Option Scheme were in the vesting period and have not entered the exercise period. None of the Participants has exercised the share options yet.

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

In order to attract and retain the talents, 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 ended 31 December 2018 dated 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.

### (II) Share Option Incentives not Disclosed in Extraordinary Announcements or with Subsequent Progress

**Share Option Incentive Schemes**

Not applicable.

**Other Explanation**

Not applicable.

**Employee Shareholding Scheme**

Not applicable.

**Other Incentive Schemes**

Not applicable.

## XIV. MAJOR CONNECTED/RELATED TRANSACTIONS

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

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

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

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

| Summary of Matters | Query Index |
|---|---|
| Continuing connected/related transactions of financial services<br><br>As reviewed and approved at the 2019 second extraordinary general meeting dated 1 November 2019, Yankuang Finance Company and Yankuang Group renewed the Financial Service Agreement originally signed by Yankuang Finance Company and Yankuang Group in 2017 and expired on 31 December 2019, which set out that Yankuang Finance Company shall provide deposit services, comprehensive credit facility services and other miscellaneous financial services to Yankuang Group from 2020 to 2022, and the annual transaction caps (if applicable). | For details, please refer to the resolution announcement of the twenty-seventh meeting of the seventh session of the Board and the relevant continuing connected/related transaction announcements dated 30 August 2019, and the announcement in relation to the resolutions passed at the 2019 second extraordinary general meeting dated 1 November 2019, which were posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company's website and/or China Securities Journal and Shanghai Securities News and Securities Times in the PRC. |
| Continuing connected/related transactions of financing lease<br><br>The Company held the thirtieth meeting of the seventh session of the Board on 30 December 2019 to consider and approve that Zhongyin Financial Leasing and Yankuang Group enter into the Finance Lease Agreement and the relevant annual cap thereunder for the year 2020. | For details, please refer to the resolution announcement of the thirtieth meeting of the seventh session of the Board and the relevant continuing connected/related transactions announcement dated 30 December 2019 which were posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company's website and/or China Securities Journal and Shanghai Securities News and Securities Times in the PRC. |
| Continuing connected/related transactions of house lease<br><br>As considered and approved at the thirty-first meeting of the seventh session of the Board dated 7 February 2020, Shanghai Dongjiang Real Estate Development Co., Ltd, a wholly-owned subsidiary of the Company, entered into the Lease Agreement in relation to Shanghai Dongjiang Pearl Square with Shanghai Yankuang Xinda Hotel Co., Ltd., a subsidiary of Yankuang Group. | For details, please refer to the resolution announcement of the thirty-first meeting of the seventh session of the Board and the relevant continuing connected/related transactions announcement dated 7 February 2020, which were posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company's website and/or China Securities Journal and Shanghai Securities News and Securities Times in the PRC. |

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

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

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

As approved at the 2018 first extraordinary general meeting of the Company held on 26 January 2018, five continuing connected/related transaction agreements were entered into by the Company with Yankuang Group, namely, the "Provision of Material Supply Agreement", "Mutual Provision of Labor and Services Agreement", "Provision of Insurance Fund Administrative Services Agreement", "Provision of Products, Materials and Equipment Leasing Agreement" and "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 RMB3.829 billion in 2019. The goods and services provided by the Controlling Shareholder to the Group amounted to RMB3.861 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 2019:

| | 2019 | | 2018 | | |
|---|---|---|---|---|---|
| | 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 | **3,828,693** | **1.91** | 3,556,594 | 2.18 | 7.65 |
| Sales of goods and provision of services by the Controlling Shareholder to the Group | **3,861,130** | **1.92** | 2,710,218 | 1.66 | 42.47 |

The table below shows the effect on the Group's profits from sales of coal by the Group to the Controlling Shareholder in 2019:

| | Sales income (RMB'000) | Sales cost (RMB'000) | Gross profit (RMB'000) |
|---|---|---|---|
| Coal sold to the Controlling Shareholder | 2,860,293 | 1,745,352 | 1,114,941 |

Pursuant to the Provision of Insurance Fund Administrative Services Agreement, the Controlling Shareholder shall provide free management and transferring services for the Group's basic pension insurance fund, basic medical insurance fund, supplementary medical insurance fund, unemployment insurance fund, maternity insurance fund and industrial injury fund (the "Insurance Fund"). The actual amount of the Insurance Fund paid by the Group for the year 2019 was RMB962 million.

② Continuing connected/related transaction of financial services

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

As at 31 December 2019, the balance of principal and interest of deposit of Yankuang Group in Yankuang Finance Company was RMB10.13 billion, the comprehensive credit balance was RMB6.894 billion, and the financial service fee occurred in 2019 was RMB852 thousand.

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

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

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

As at the end of reporting period, the Group paid RMB5,790 thousand of entrusted management fee to Yankuang Group for 2019.

④ Continuing connected/related transaction of entrusted management of the subordinates of Yankuang Group

As considered and approved at the twentieth meeting of the seventh session of the Board held on 5 December 2018, the Company entered into the Entrusted Management Agreement with Yankuang Group, which defines the annual caps for a period from 2019 to 2020. The price was mainly determined based on the actual cost plus reasonable profit.

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

As at the end of reporting period, Yankuang Group has not paid the entrusted management fee to the Group yet.

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

| No. | Type of connected/related transaction | | Agreement | Annual Transaction Cap for the Year 2019 (RMB'000) | Annual Transaction Amount for the Year 2019 (RMB'000) |
|---|---|---|---|---|---|
| 1 | Material and facilities provided by Yankuang Group | | Provision of Materials Supply Agreement | 300,000 | 275,204 |
| 2 | Labor and services provided by Yankuang Group | | Mutual Provision of Labor and Services Agreement | 2,830,700 | 2,056,956 |
| | Labor and services provided to Yankuang Group | | | 179,100 | 96,759 |
| 3 | Insurance fund management and payment services provided by Yankuang Group (free of charge) for the Group's staff | | Provision of Insurance Fund Administrative Services Agreement | 1,517,340 | 961,616 |
| 4 | Sale of products, material and equipment lease provided to Yankuang Group | | Provision of Products, Material and Equipment Leasing Agreement | 4,495,800 | 2,116,603 |
| 5 | Procurement of bulk commodities from Yankuang Group | | Bulk Commodities Sales and Purchase Agreement | 4,700,000 | 561,565 |
| | Sale of bulk commodities to Yankuang Group | | | 3,841,000 | 1,615,332 |
| 6 | Financial services to Yankuang Group | Deposit | Financial Services Agreement | 10,700,000 | 10,129,683 |
| | | Comprehensive Credit | | 8,000,000 | 6,894,000 |
| | | Financial service fee | | 4,000 | 852 |
| 7 | Commissioned management service of chemical projects by Yankuang Group | | Chemical Projects Entrusted Management Agreement | 5,500 | 2,713 |
| | Marketing and sales agent service by Yankuang Group | | | 19,500 | 3,077 |
| 8 | Provision of entrusted management services to the controlling shareholder | | Entrusted Management Special Agreement | 7,300 | Note |

Note: As at the date of disclosure of this report, YanKuang Group paid entrusted management fee of RMB7.30 million for the year 2019 at full to Yanzhou Coal in accordance with the Entrusted Management Special Agreement.

(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, the Bulk Commodities Mutual Supply Agreement between the Company and Century Ruifeng (a substantial shareholder of the Company's subsidiary and a connected person of the Company), together with the annual caps for such transactions for a period from 2018 to 2020 were approved. The transaction price is determined on basis of 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 2019 annual cap for sales of commodities by the Group to Century Ruifeng was RMB2.195 billion and that by Century Ruifeng to the Group was RMB1.1 billion.

The Group didn't sell any commodities to Century Ruifeng in 2019. The aggregate amount of commodity sold by Century Ruifeng to the Group was RMB21,200 in 2019.

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

① Continuing connected/related transaction of coal sales

At the fifteenth meeting of the seventh session of the Board of the Company held on 29 June 2018, Glencore Coal Sales Framework Agreement (the "Agreement") between Yancoal Australia and Glencore (a substantial shareholder of the Company's certain subsidiary 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 transaction price determined on basis of the market price, together with adjustment according to related industry benchmarks and indexes. The payment time for transaction shall be determined by both parties in accordance with international practices and applicable laws and regulations in this agreement and be specified in details in the specific coal sales agreement.

The 2019 annual cap for coal sales of the Group to Glencore and its subsidiaries was USD350 million. In 2019, the Group has sold coal amounting approximately USD68 million to Glencore and its subsidiaries.

② Continuing connected/related transaction of coal purchase

At the 2018 second extraordinary general meeting of the Company held on 24 August 2018, the 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 was stipulated in HVO Sales Contract that HVO Coal Sales Pty Ltd, a subsidiary of Yancoal Australia, shall pay the corresponding transaction amount to Yancoal Australia and Glencore respectively according to the total amount and corresponding product quota collected in each sales agreement with the client and HVO Coal Sales Pty Ltd shall pay the transaction amount to Yancoal Australia and Glencore no later than 3 business days after receiving payment from clients.

The 2019 annual transaction amount for coal purchase (on equity basis) of the Group from Glencore under HVO Sales Contract was USD750 million. In 2019, the connected transaction amount between the Group and Glencore was approximately USD621 million.

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

The 2019 annual cap for coal purchase of the Group from Glencore and its subsidiaries under the Glencore Coal Purchase Agreement was USD350 million. In 2019, the connected transaction amount between the Group and Glencore was approximately USD72 million.

③ Continuing connected/related transaction of coal sales service

At the 2018 second extraordinary general meeting of the Company held on 24 August 2018, the 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.(the "HV Operations"), a controlled subsidiary of Yancoal Australia, shall pay the follows to Glencore: (i) all costs, charges and expenses incurred in providing services to HVO Joint Venture or HVO Coal Sales Pty Ltd; (ii) 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 and HV Operations shall finish the payment within 5 business days after receiving such invoice.

The 2019 maximum annual transaction amount for service purchase of the Group from Glencore was USD18 million. In 2019, this connected/related transaction involved approximately USD11.27 million.

④ Continuing connected/related transactions in relation to diesel fuel supply

At the twenty-eighth meeting of the seventh session of the Board held on 25 October 2019, the Diesel Fuel Supply Agreement between HV Operations and Glencore Australia Oil Pty Ltd (the "GAO"), a subsidiary of Glencore plc, as well as the annual caps for such transaction for the years from 2019 to 2021 were approved. The Diesel Fuel Supply Agreement stipulates that: (i) HV Operations shall generate a purchase order before the delivery month; (ii)GAO shall deliver the amount of fuel before the date specified in the purchase order, and HV Operations shall pay after the fuel is delivered; and (iii) the payment is calculated based on the amount delivered and the price determined after the bidding process.

The 2019 annual cap for diesel fuel purchase of HV Operations from GAO was AUD30 million. In 2019, the connected transaction amount was approximately AUD22 million.

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

At the 2018 second extraordinary general meeting of the Company held on 24 August 2018, it was reviewed and approved that: ① 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. ② Syntech – Sojitz Coal Sales Agreement between Syntech Holding Pty Ltd ("Syntech"), a wholly-owned subsidiary of the Company, and Sojitz, together with the annual caps for such transaction for the years of 2019 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 2019, the Group has sold coal to Sojitz and its subsidiaries amounting approximately USD126 million.

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

The above non-exempt continuing connected/related transactions and relevant internal control procedures 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 main materials 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 2019 and confirm that: ① all such connected transactions have been: (i) entered into by the Group in its ordinary and usual course of business; (ii) conducted either on normal commercial terms, or where there are not sufficient comparable transactions to determine whether they are on normal commercial terms, on terms no less favorable to the Group than terms available to or from independent third parties; and (iii) entered into in accordance with the relevant governing agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole; ② the amount of the related transactions stated under the section headed "Connected/Related Transactions Performance in relation to Daily Operation" above did not exceed the annual transaction caps approved by independent Shareholders and the Board.

(6) **Opinion of the Auditors**

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

### 3. *Undisclosed events in extraordinary announcements*

Not applicable.

## (II) Connected/Related Transactions in relation to Assets or Equity Acquisition and Sale Matters disclosed in extraordinary announcements and with no subsequent progress or change

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

| Summary of Matters | Query Index |
|---|---|
| Connected/related transaction of disposal of 100% equity interests of non-coal trading companies<br><br>As considered and reviewed at the thirty-second meeting of the seventh session of the Board dated 27 March 2020, an equity purchase agreement was entered into between Yancoal International and Yankuang Aluminum (Hong Kong) Company ("Aluminum Hong Kong Company"), a wholly-owned subsidiary of Yankuang Group. Yancoal International sold the 100% equity interests of Yancoal International Trade Co., Ltd and Yancoal International (Singapore) Co., Ltd fully held by Yancoal International at a transaction price of RMB150.6712 million. | For details, please refer to the announcement in relation to resolutions passed at the thirty-second meeting of the seventh session of the Board and the announcement in relation to the connected/related share transaction dated 27 March 2020, 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*

(1) Connected/Related Transaction in Relation to Acquiring 100% Equity Interests of Shanghai Dongjiang Real Estate Development Co., Ltd.

As considered and reviewed at the twenty-fourth meeting of the seventh session of the Board dated 29 March 2019, a share transfer agreement was entered into between Zhongyin Financial Leasing and Shanghai Zhouhai Real Estate Development Co., Ltd. ("Zhouhai Company"), a wholly-owned subsidiary of Yankuang Group. Shanghai Dongjiang Real Estate Development Co., Ltd., a wholly-owned subsidiary of Zhouhai Company, was agreed to be transferred to Zhongyin Financial Leasing for its 100% shares at a transaction price of RMB185.3709 million.

As of the date of this report, Zhongyin Financial Leasing and Zhouhai Company have completed the equity interest transfer and registration changing procedures in relation to Shanghai Dongjiang Real Estate Development Co., Ltd.

For details, please refer to the announcement in relation to resolutions passed at the twenty-fourth meeting of the seventh session of the Board and the announcement in relation to the connected/related transaction on acquisition of shares of Shanghai Dongjiang Real Estate Development Co., Ltd. dated 29 March 2019, 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) Connected/Related Transaction in Relation to Acquiring 100% Equity Interests of Qingdao Dongfang Shenglong Industrial Co., Ltd.

As considered and reviewed at the twenty-ninth meeting of the seventh session of the Board dated 4 December 2019, a share transfer agreement was entered into between Qingdao Duanxin Assets Management Co., Ltd., a wholly-owned subsidiary of the Company, and Yankuang Group. 100% equity interests of Qingdao Dongfang Shenglong Industrial Co., Ltd., a wholly-owned subsidiary of Yankuang Group, was agreed to be transferred to Qingdao Duanxin Assets Management Co., Ltd. at a transaction price of RMB53.3977 million.

As of the date of this report, Qingdao Duanxin Assets Management Co., Ltd. and Yankuang Group have completed the equity interest transfer and registration changing procedures in relation to Qingdao Dongfang Shenglong Industrial Co., Ltd.

For details, please refer to the announcement in relation to resolutions passed at the twenty-ninth meeting of the seventh session of the Board and the announcement in relation to the connected/related transaction on acquisition of shares of Qingdao Dongfang Shenglong Industrial Co., Ltd. dated 4 December 2019, 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.

(3) Connected/Related Transaction in Relation to Acquiring 10% Equity Interests of Moolarben Coal Joint Venture

As considered and reviewed at the thirty-second meeting of the seventh session of the Board dated 27 March 2020, the Joint Venture Interest Sale Deed was entered into between Yancoal Australia and its wholly-owned subsidiary, Yancoal Moolarben Pty Ltd ("Yancoal Moolarben") with Sojitz Moolarben Resources Pty Ltd ("Sojitz"), a wholly-owned subsidiary of Sojitz Corporation. Yancoal Moolarben purchased 10% equity interests of Moolarben Coal Joint Venture held by Sojitz at a consideration of AUD300 million.

As of the date of this report, Yancoal Moolarben and Sojitz have completed the 10% equity interest transfer in relation to Moolarben Coal Joint Venture.

For details, please refer to the announcements dated 27 March 2020 in relation to resolutions passed at the thirty-second meeting of the seventh session of the Board and the connected/related transaction in relation to acquisition of equity interests, and the updating announcement dated 31 March 2020 in relation to acquisition of equity interest, 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.

### 3. *Matters not disclosed in extraordinary announcement*

Not applicable.

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

Not applicable.

## (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*

(1) Connected/Related Transaction in Relation to Capital Increase in Yankuang Finance Company

As discussed and approved at the twenty-seventh meeting of the seventh session of the Board held on 30 August 2019, the capital increase agreement was entered into by the Company, Yankuang Group and Yankuang Finance Company, pursuant to which the Company and Yankuang Group increased the capital contribution of RMB1.5 billion to Yankuang Finance Company according to their respective shareholding interest, of which, the Company contributing RMB1.425 billion and Yankuang Group contributing RMB75 million (the "capital increase").

As of the date of this report, fund payment and registration changing procedures in relation to the capital increase have been completed.

For details, please refer to the announcements dated 30 August 2019 in relation to resolutions passed at the twenty-seventh meeting of the seventh session of the Board and the inside information announcement and connected/related transaction announcement in relation to the increase of registered capital of Yankuang Finance Company 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) Connected/Related Transaction in Relation to Capital Increase in Shanghai Zhongqi Futures Company Limited ("Shanghai Zhongqi")

As reviewed and approved at the twenty-ninth meeting of the seventh session of the Board held on 4 December 2019, Yankuang Group and Shanghai Zhongqi entered into the capital increase agreement with the Company, pursuant to which the Company and Yankuang Group increased their capital contribution to Shanghai Zhongqi according to their respective shareholding ratio (the "capital increase").

The capital increase was priced at the latest audited net assets per share of Shanghai Zhongqi, being RMB1.62 per share. The Company and Yankuang Group paid a transaction consideration of RMB324 million (of which RMB200 million was used as the registered capital increase of Shanghai Zhongqi) and RMB648 million (of which RMB400 million was used as the registered capital increase of Shanghai Zhongqi) respectively.

As of the date of this report, fund payment and registration changing procedures in relation to the capital increase have been completed.

For details, please refer to the announcements dated 4 December 2019 in relation to resolutions passed at the twenty-ninth meeting of the seventh session of the Board and the connected/related transaction announcement in relation to the increase of registered capital of Shanghai Zhongqi, 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.

*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

| | | Fund provided to connected parties | | | Fund provided to the Company | | |
|---|---|---|---|---|---|---|---|
| Connected parties | Relationship | Balance at the beginning | Amount occurred | Closing balance | Balance at the beginning | Amount occurred | Closing balance |
| Yankuang Group | Controlling Shareholder | 72.23 | 111.32 | 78.12 | 123.26 | 94.17 | 116.49 |
| Century Ruifeng | Other related party | 0 | 0 | 0 | 0.14 | 6.80 | 0.83 |
| Glencore and its subsidiaries | Other related party | 0 | 4.77 | 0 | 0 | 50.04 | 0 |
| Sojitz and its subsidiaries | Other related party | 0.39 | 8.83 | 0 | 0 | 0 | 0 |
| Total | | 72.62 | 124.92 | 78.12 | 123.40 | 151.37 | 117.32 |

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

### (V) Others

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

Other than the material connected/related transactions disclosed in this section, the Group was not a party to any material 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: RMB100 million

| | |
|---|---|
| External guarantee of the Company (excluding guarantees to the subsidiaries) | |
| 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 | 100.88 |
| Total balance of guarantee to subsidiaries by the end of the reporting period (B) | 312.98 |
| **Total guarantees (including guarantees to subsidiaries)** | |
| Total amount of guarantees (A+B) | 312.98 |
| Percentage of total amount of guarantee in the net assets of the Company (%) | 49.45 |
| 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) | 62.05 |
| Total amount of guarantee exceeding 50% of net assets (E) | 0 |
| Total amount of the above 3 categories guarantees (C+D+E) | 62.05 |
| 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 Felix. As at 31 December 2019, the balance of the above bank loan was USD1.394 billion. The Company provided the guarantees of USD920 million and RMB3.31 billion to Yancoal Australia.

   As approved at the 2012 second extraordinary general meeting, the Company provided guarantees to Yancoal International Resources, for issuing USD1.0 billion corporate bonds in the overseas market. As at 31 December 2019, the balance of the above guarantee was USD104 million.

   As approved at the 2016 annual general meeting, the Company provided guarantees to Yancoal International Resources, for issuing USD500 million corporate bonds. As at 31 December 2019, the balance of the above guarantee was USD500 million.

   As considered and approved at the 2016 annual general meeting, the Company provided guarantee in the amount of RMB600 million to its holding subsidiary, Qingdao Vast Lucky. As at 31 December 2019, the balance of the above guarantee was RMB600 million.

   As approved at the 2016 annual general meeting, the Company provided guarantee of RMB1.67 billion to Zhongyin Financial Leasing. As at 31 December 2019, the balance of the above guarantee was RMB1.67 billion.

   As reviewed and approved at the 2017 annual general meeting, the Company provided guarantees to Yancoal International Resources, for issuing USD335 million corporate bonds. As at 31 December 2019, the balance of the above guarantee was USD335 million.

   As of 31 December 2019, Yancoal Australia and its subsidiaries produced performance deposits and performance guarantees in a total of AUD921 million due to operational necessity.

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

As reviewed and approved at the 2017 annual general meeting of the Company, the Company has provided guarantees to Yancoal International (Singapore) Pte. Ltd., a wholly-owned subsidiary of the Company, Qingdao Vast Lucky, Zhongyin Financial Leasing, Qingdao Zhongyan Trade Co., Ltd. ("Qingdao Zhongyan"), a wholly-owned subsidiary of the Company, Duanxin Supply Chain Management (Shenzhen) Co., Ltd. ("Duanxin Supply Chain"), a wholly-owned subsidiary of the Company, and Duanxin Commercial Factoring (Shenzhen) Co., Ltd., a wholly-owned subsidiary of the Company, of USD30 million, RMB600 million, RMB1.438 billion, RMB1 billion, RMB30 million and RMB50 million respectively during the reporting period.

As reviewed and approved at the 2018 annual general meeting of the Company, the Company has provided guarantees to Yancoal International Trading Co., Ltd, Qingdao Vast Lucky, Qingdao Zhongyan and Shandong Zhongyin International Trade Co., Ltd. of USD50 million, RMB2.07 billion, RMB1.905 billion and RMB600 million during the reporting period.

As approved at the 2018 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 AUD376 million due to operational necessity.

Note: The table above was prepared in accordance with the CASs and calculated at USD/RMB exchange rate of 6.9762 and AUD/RMB exchange rate of 4.8843.

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 information**

Not applicable.

**(2) Specific entrusted wealth management**

Not applicable.

**Other information**

Not applicable.

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

Not applicable.

### *2. Entrusted Loan*

**(1) General information on entrusted loan**

Not applicable.

**Other information**

Not applicable.

**(2) Specific entrusted loan**

Not applicable.

**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) Termination of Non-public Issuance of A Shares

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

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

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

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

For details, please refer to the announcements dated 31 March 2017, 28 April 2017, 29 June 2017, 25 August 2017 and 15 December 2017 in relation to the non-public issuance of A Shares, respectively, the announcement in relation to "Notice of Acceptance of the Application for Administration Permission" issued by the CSRC dated 27 December 2017, the announcement in relation to "Receipt of CSRC Notice of the First Feedback on the Review of Administrative Item" dated 9 February 2018 and relevant announcements dated 24 April 2018, 29 June 2018, 24 August 2018, 16 August 2019 and 18 September 2019, which were posted on the websites of the Shanghai Stock Exchange, the HKEX, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times in the PRC.

## (II) 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 Xibu New Times Energy Investment Co., Ltd. ("Xibu Company") would enter into the capital increase agreement of Haosheng Coal Mining Company Limited, pursuant to which Xibu Company would increase the capital of Haosheng Company by RMB2,742,460,000 (including RMB676.90 million in cash and coal resources of 400 million tons in Shilawusu minefield at a consideration of RMB2.06556 billion). After the capital increase, Xibu Company held 23.61% equity interests in Haosheng Company (the "capital increase").

After the capital increase, the equity interests of the Company in Haosheng Company decreased from 77.74% to 59.38%, which was deemed as disposal of 18.36% equity interests of Haosheng Company and acquisition of 400 million tons of coal resources in Shilawusu minefield under Hong Kong Listing Rules.

As at the end of this reporting period, the relevant equity transfer and registration changing procedures have been completed.

For details, please refer to the announcement in relation to the resolutions passed at the eighteenth meeting of the seventh session of the Board dated 7 September 2018 and the announcement in relation to capital increase of a controlled subsidiary/deemed disposal of 18.36% equity interests of Haosheng Company and acquisition of 400 million tons of coal resources in Shilawusu minefield dated 4 November 2019, which were posted on the websites of the Shanghai Stock Exchange, the HKEX, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times in the PRC.

## (III) Sale of shares the Company held in Dongguan Haichang Industry Co., Ltd. ("Haichang Company")

As considered and approved at the general manager work meeting of the Company held on 7 January 2019 and in accordance with relevant provisions specified in the Capital Increase Agreement, Supplementary Agreement and Shares Repurchase Agreement between the Company and Dongguan Guantai Industry Co., Ltd. ("Guantai Industry"), the Company sold 20.89% of equity interests in Haichang Company held by the Company at a consideration of RMB784 million to Guantai Industry. As at the disclosure date of this report, the Company has received payment of RMB734 million. The Company will start the registration changing procedures upon receipt of the remaining transaction payment.

### (IV) Election of Director of the Company

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

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

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

### (V) Sale of 4.5% Shares the Company held in Zoucheng Zhongyin Fudeng Rural Bank

As reviewed and approved at the general manager work meeting held on 15 April 2019, the Company adopted a public listing method to sell 4.5% of the equity interests the Company held in Zoucheng Zhongyin Fudeng Rural Bank. As at the disclosure date of this report, the sale procedure is suspended as the shares have not been delisted yet.

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

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

As at the end of this report, the procedures for equity transfer and registration changing have been completed.

### (VII) Adjustments in the Company's Department and Organization

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

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

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

## (VIII) Establishment of Blue Gold Shipping Industry Investment Fund ("Blue Gold Fund")

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

## (IX) Increase of Registered Capital in Ordos Neng Hua and Ordos Yingpanhao Company Limited ("Yingpanhao Company")

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

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

## (X) Change of Representative of Securities Affairs of the Company

Upon the consideration and approval by the Board at the twenty-seventh meeting of the seventh session of the Board held on 30 August 2019, the Company appointed Ms. Shang Xiaoyu as the representative of securities affairs of the Company.

For details, please refer to the announcements dated on 30 August 2019 in relation to the resolutions passed at the twenty-seventh meeting of the seventh session of the Board and the change of representative of securities affairs of the Company, which were posted on the websites of the Shanghai Stock Exchange, the HKEX, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times in the PRC.

## (XI) Establishment of Yankuang Intelligent Ecological Investment and Development Co., Ltd. ("Yankuang Ecological Investment Company")

As considered and approved at the general manager work meeting held on 9 September 2019, the Company established Yankuang Ecological Investment Company.

As a wholly-owned subsidiary with registered capital of RMB80 million, Yankuang Ecological Investment Company is mainly engaged in ecological restoration, investment and management of industrial projects, landscape engineering design and construction, etc.

## (XII) Establishment of Yankuang Dongping Land Port Co., Ltd. ("Dongping Land Port Company") by Joint Venture

As considered and approved at the general manager work meeting held on 9 October 2019, the Company, Yancoal International, Hong Kong Taizhong Energy Co., Ltd. ("Hong Kong Taizhong"), Ruixing Group Co., Ltd. ("Ruixing Group"), Tai'an Dongyuan Assets Operations Co., Ltd. ("Dongyuan Assets") and Tai'an Dongyuejincai Investment Co., Ltd. ("Dongyuejincai") jointly established Dongping Land Port Company.

The registered capital of Dongping Land Port Company is RMB600 million, of which, the Company and Yancoal International contributing RMB60 million and RMB366 million, respectively, and holding 10% and 61%, respectively (totally holding 71% by the Company and Yancoal International); Hong Kong Taizhong, Ruixing Group, Dongyuan Assets and Dongyuejincai investing RMB60 million, RMB54 million, RMB30 million and RMB30 million, respectively, and holding 10%, 9%, 5% and 5%, respectively. Dongping Land Port Company is mainly engaged in port infrastructure construction, operation and management, road freight transportation, railway transportation, cargo unloading and loading services, etc.

## (XIII) Sale of 50% shares of Shengdi Fenlei Coal Preparation Engineering Technology (Tianjin) Co., Ltd. ("Shengdi Fenlei")

As considered and approved at the general manager work meeting of the Company held on 25 November 2019, the Company proposed to sell its 50% equity interests in Shengdi Fenlei through public listing. Currently, this case is going through the transfer procedures.

## (XIV) Appointment of Deputy General Manager of the Company

As considered and approved at the thirtieth meeting of the seventh session of the Board held on 30 December 2019, Mr. Li Wei was appointed as a deputy general manager of the Company whose terms of service would be consistent with other senior management appointed by the seventh session of the Board.

For details, please refer to the announcements passed at the thirtieth meeting of the seventh session of the Board dated 30 December 2019, 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 in the PRC.

## (XV) Cancellation of Xinyinlian Co., Ltd.

As reviewed and approved at the general manager work meeting of the Company held on 19 January 2020, Xinyinlian Co., Ltd, a controlled-subsidiary of the Company, proposed to perform the liquidation procedure in accordance with local laws and Articles of Association in Singapore. Currently, this case is going through the state-owned assets supervision procedures.

## (XVI) Changes of the Board of Directors and the Supervisory Committee

As considered at the thirty-second meeting of the seventh session of the Board held on 27 March 2020, Mr. Li Xiyong, Mr. Li Wei, Mr. Wu Xiangqian, Mr. Li Jian, Mr. Zhao Qingchun and Mr. He Jing were nominated as candidates of non-independent Directors of the eighth session of the Board; Mr. Tian Hui, Mr. Cai Chang, Mr. Poon Chiu Kwok and Mr. Zhu Limin were nominated as candidates of independent Directors of the eighth session of the Board.

As considered at the eighteenth meeting of the seventh session of the Board held on 27 March 2020, Mr. Gu Shisheng, Mr. Zhou Hong, Mr. Li Shipeng and Mr. Qin Yanbo were nominated as candidates of non-employee representative supervisors of the eighth session of the board of Supervisors.

The aforesaid changes of the Board of Directors and the board of Supervisors still need to be submitted to the 2019 annual general meeting of the Company for consideration and approval.

For details, please refer to the announcements dated 27 March 2020 in relation to the resolutions passed at the thirty-second meeting of the seventh session of the Board, the resolutions passed at the eighteenth session of the board of Supervisors, and the proposed change of Directors and Supervisors, which were posted on the websites of Shanghai Stock Exchange, the HKEX, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times in the PRC.

## (XVII) Appointment of Chief Investment Officer of the Company

As considered and approved at the thirty-second meeting of the seventh session of the Board held on 27 March 2020, Mr. Zhang Lei was appointed as the chief investment officer of the Company, whose term is the same as that of other senior managements appointed by the seventh session of the Board.

For details, please refer to the announcement dated 27 March 2020 in relation to the resolutions passed at the thirty-second meeting of the seventh session of the Board, which was posted on the websites of Shanghai Stock Exchange, the HKEX, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times in the PRC.

### (XVIII) Appointment of General Manager of the Company

As considered and approved at the thirty-third meeting of the seventh session of the Board held on 22 April 2020, Mr. Liu Jian was appointed as the general manager of the Company, whose term is the same as that of other senior managements appointed by the seventh session of the Board. On the same day, Mr. Wu Xiangqian ceased to be the general manager of the Company.

For details, please refer to the announcements dated 22 April 2020 in relation to the resolutions passed at the thirty-third meeting of the seventh session of the Board and the change of the general manager, which was posted on the websites of Shanghai Stock Exchange, the HKEX, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times in the PRC.

### (IXX) Appointment of Deputy General Manager and Chief Engineer of the Company

As considered and approved at the thirty-third meeting of the seventh session of the Board held on 22 April 2020, Mr. Xiao Yaomeng, Mr. Zhang Chuanchang and Mr. Wang Peng were appointed as deputy general managers of the Company and Mr. Wang Chunyao was appointed as the chief engineer of the Company. The terms of the above personnel are the same as the terms of other senior managements appointed by the seventh session of the Board And on the same day, Mr. Zhao Honggang ceased to be the vice general manager of the Company, and Mr. Wang Fuqi ceased to be the deputy chief engineer of the Company.

For details, please refer to the announcement in relation to the resolutions passed at the thirty-third meeting of the seventh session of the Board dated 22 April 2020, which was posted on the websites of Shanghai Stock Exchange, the HKEX, the Company's website and/or China Securities Journal, Shanghai Securities News and Securities Times in the PRC.

## XVII. IMPLEMENTATION OF SOCIAL RESPONSIBILITIES IN AN ACTIVE MANNER

### *(I) Performance of Poverty Alleviation by the Company*

1. Targeted poverty alleviation program

   In accordance with the national targeted poverty alleviation plan and the actual conditions, the Company actively fulfilled its social responsibility. Through the formulation of various forms of poverty alleviation plans, such as goods and materials poverty alleviation, political poverty alleviation, industrial poverty alleviation, cultural poverty alleviation and education poverty alleviation, the Company has deepened the cooperation between local government and enterprises, pushed local development and propelled alleviate poverty.

2. Summary of annual targeted poverty alleviation

In 2019, the Group actively carried out various targeted poverty alleviations, in the realization of steady development, the Group has actively performed responsibility for targeted poverty alleviation, and formed pairs with 22 poverty-stricken villages including 17 ones in Shandong Province and 5 ones outside, investing assistance fund totaling over RMB26 million. The Group has implemented "five-in-one" poverty alleviation scheme in terms of political, goods and materials, industrial, culture and education, deepened the cooperation between locals and enterprises, driven local development and helped to overcome poverty. **In terms of political poverty alleviation,** 3 persons were sent to serve as the chief secretaries of three villages of Huangdian town, Dingtao district, Heze city, to carry out the fourth round of assistance package work, implemented a series of projects such as "leading geese", "nine-palace grids" and "double training" for party construction in the village, and guided the establishment of 26 units for party construction activities. **In terms of goods and materials poverty alleviation,** the Group assisted villages in hardening concrete roads, digging wells and constructing bridges, constructing sewers, installing road lamps and invested RMB6.25 million in helping villagers to handle river in Zagreb Isaac town, Ordos City. As a result, the infrastructure, water conservatory facilities and life conditions of the targeted villages have been significantly improved. The Company provided 138,000 tons of coal to Ejin Horo Banner of Ordos City and Yuncheng County of Heze City to ensure local residents keep warm in winter. Furthermore, the Company vigorously responded to the call of local governments, launched various kinds of public donations and social reliefs with total donation of RMB6.94 million, setting up a good brand image for the Company. **In terms of industrial poverty alleviation,** the Company actively trained leaders in property elimination to support villages in Shandong province, set up three village-level cooperatives including tomato, grape and flat peach, and implemented online sales for these fruits. Three poverty alleviation workshops including knitting projects, garment processing and cement prefabricated parts have been set up, and the largest rose flower production distribution center in north of the Yangtze river has been set up, helping local villages out of poverty. Ordos Neng Hua supported the Linguo economic project and food deep processing project of Ejin Horo Banner, and invested RMB1.95 million in poverty alleviation. **In terms of cultural poverty alleviation, t**he Company actively sought funds for provincial level sports facilities, awards and subsidies for cultural institutes, and built 4 cultural and sports squares. We organized 45 rounds of traditional operas performance and movies to the countryside, held regular cultural shows, and continued to deliver cultural feasts to villagers. I**n terms of educational poverty alleviation,** Ordos Neng Hua has actively participated in the local government's "100 enterprises assisting 100 villages" campaign, donating RMB1 million and RMB3.75 million to Uxin banner senior high school and Eijin Horo banner for education, respectively, so as to improve the conditions of the enterprise's resident school. At the same time, the Company insisted on carrying out targeted assistance and heart-warmth campaign among our employees, carrying out serious illness relief, family members without regular income relief and "golden autumn aid" activities in an extensive manner, assisting 307 employees with relief subsidy of RMB2.53 million. We visited 4,115 families with various kinds of workers in difficulties, paid consolation funds of RMB4.29 million, helped 241 eligible workers with difficulties implementing relevant policies for the benefit of the people, and assisted 200 children of workers for education.

3. Achievement on targeted poverty alleviation

Unit: RMB10 thousand

| Indicators | Amount of Investment and Implementation |
|---|---|
| I. Overview | |
| Of which: 1.Poverty alleviation fund | 2,601 |
| II. Investment by items | |
| 1. Poverty alleviation by industry | |
| Of which: 1.1 Number of poverty alleviation projects | 4 |
| 1.2 Amount of investment in poverty alleviation projects | 480 |
| 2. Poverty alleviation by education | |
| Of which: 2.1 Amount of investment in improving educational resources of the poverty-stricken areas | 1,000 |
| 3. Social poverty alleviation | |
| Of which: 3.1 Investment in specific place poverty alleviation | 195 |
| 3.2 Poverty alleviation charitable foundation | 320 |
| 4. Other projects | |
| Of which: 4.1 Number of poverty alleviation projects | 5 |
| 4.2 Amount of investment in poverty alleviation projects | 606 |
| 4.3 Explanations on other projects | Supply coal in poverty-stricken areas, help families of workers and staff in need, assist survivors without support, launch golden autumn assistance in education and console elderly Party members in need. |

4. Subsequent targeted poverty alleviation plan

In 2020, the Company will continue taking targeted poverty alleviation as the way to fulfill social responsibility, enhance core competitiveness and build a good corporate image, continue to carry out deployment requirements on poverty alleviation by national and local governments, vigorously perform all kinds of responsibilities, build platform, invigorate living carrier, promote cooperation and seek win-win situation, to ensure that higher standards, stricter requirement and concrete measures are adopted to maintain targeted poverty alleviation and achieve concrete results.

## (II) Performance of Social Responsibilities Works

The Group always takes the fulfillment of social responsibility as a crucial part of core competitiveness and persistently enhancing influence and contribution in sustainable development of economy, society and environment. During the reporting period, there is no major environmental or social security problem. For details in relation to safety, environment protection and other social responsibilities, please refer to the “2019 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 2019, 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 $SO_2$, COD, ammonia nitrogen, nitrogen oxide ($NO_X$), 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, $SO_2$, $NO_X$, 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, $SO_2$, $NO_X$, 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 been granted the pollutant discharging certificates, discharged pollutants accordingly and within the total permitted discharging volume, which met the relevant environmental protection requirements. Information of the subsidiaries in the list of key pollutant discharging entities released by the environmental protection authorities are as follows:

| No. | Key pollutant discharging entities | Types of pollutant | Main pollutants | Discharging method | Discharging standard | Annual pollutant discharging permission volume | Actual discharging volume in 2019 |
|---|---|---|---|---|---|---|---|
| 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 (DB37/3416.1-2008) | 24.1 tons of COD, 0.7 tons of ammonia nitrogen | 8.9 tons of COD and 0.1 tons of ammonia nitrogen |
| 2 | 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 (DB37/3416.1-2008) | 103.81 tons of COD, 5.4 tons of ammonia nitrogen | 40.8 tons of COD and 1.0 tons of ammonia nitrogen |
| 3 | Yangcun 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 (DB37/3416.1-2008) | 33.2 tons of COD and 1.7 tons of ammonia nitrogen | 15.3 tons of COD and 0.8 tons of ammonia nitrogen |
| 4 | Heze Neng Hua Zhaolou 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 (DB37/3416.1-2008) | 95.4 tons of COD and 5.9 tons of ammonia nitrogen | 15.9 tons of COD and 0.4 tons of ammonia nitrogen |

| No. | Key pollutant discharging entities | Types of pollutant | Main pollutants | Discharging method | Discharging standard | Annual pollutant discharging permission volume | Actual discharging volume in 2019 |
|---|---|---|---|---|---|---|---|
| 5 | 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 tons of COD, 5.5 tons of ammonia nitrogen | 1.3 tons of COD and 0.1 tons of ammonia nitrogen |
| 6 | 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 | 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) | 9.8 tons of COD, 0.4 tons of ammonia Nitrogen | 2.7 tons of COD and 0.1 tons of ammonia nitrogen |
| 7 | 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), Pollutant Discharging Standard for Urban Sewage Water Treatment Plant (GB18918-2002) | 32.4 tons of COD | 14.7 tons of COD |

| No. | Key pollutant discharging entities | Types of pollutant | Main pollutants | Discharging method | Discharging standard | Annual pollutant discharging permission volume | Actual discharging volume in 2019 |
|---|---|---|---|---|---|---|---|
| 8 | 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), Pollutant Discharging Standard for Urban Sewage Water Treatment Plant (GB18918-2002) | 40.5 tons of COD | 21.8 tons of COD |
| 9 | 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), Pollutant Discharging Standard for Urban Sewage Water Treatment Plant (GB18918-2002) | 12.5 tons of COD | 4.1 tons of COD |
| 10 | Power Generation 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 tons, $SO_2$ 880.8 tons, $NO_x$ 2,145 tons | 31.2 tons of PM, 120 tons of $SO_2$, 1,012 tons of $NO_x$ |
| 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) | $SO_2$ 46.8 tons, $NO_x$ 46.8 tons, COD 25 tons | 1.2 tons of $SO_2$, 2 tons of $NO_x$ and 5.1 tons of COD |

| No. | Key pollutant discharging entities | Types of pollutant | Main pollutants | Discharging method | Discharging standard | Annual pollutant discharging permission volume | Actual discharging volume in 2019 |
|---|---|---|---|---|---|---|---|
| 12 | Methanol Plant of Yulin Neng Hua (National key pollutant discharging entity) | boiler smoke and gas, industrial waste water, household wastewater | PM, SO2, $NO_x$, 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) | PM 143 tons, $SO_2$ 946.6 tons, $NO_x$ 473.3 tons, COD 129.2 tons, ammonia nitrogen 31.1 tons | 58.9 tons of PM, 295.7 tons of $SO_2$, 233.7 tons of $NO_x$, 31.9 tons of COD, and 2.1 tons of ammonia nitrogen |
| 13 | Rongxin Chemicals of Ordos Neng Hua (National key pollutant discharging entity) | boiler smoke and gas, industrial waste water, household wastewater | PM, $SO_2$, $NO_x$, 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) | PM 325.1 tons, $SO_2$ 1,003.8 tons, $NO_x$ 950 tons, COD 80 tons, ammonia nitrogen 14.4 tons | 19.5 tons of PM, 126.7 tons of $SO_2$, 203.7 tons of $NO_x$ and 5.9 tons of COD, and zero ton of ammonia nitrogen |
| 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) | SO2 94.1 tons, $NO_x$ 81.2 tons | 7.1 tons of $SO_2$ and 48.2 tons of $NO_x$ |

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

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

| No. | Key pollutant discharging entities | Construction and operation of pollution control facilities |
|---|---|---|
| 1 | Nantun Coal Mine | Nantun Coal Mine has established a mine water treatment station and a household wastewater treatment station as required, which are all in normal operation. Sealed coal sheds and sealed material sheds are set up. |
| 2 | 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. Sealed coal sheds and sealed material sheds are set up. |
| 3 | Jining No. 2 Coal Mine | Jining No. 2 Coal Mine has established a mine water treatment station and a household wastewater treatment station as required, which are all in normal operation. Sealed coal sheds and sealed material sheds are set up. |
| 4 | 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. Sealed coal sheds and sealed material sheds are set up. |
| 5 | Zhaolou Coal Mine, Heze Neng Hua | Zhaolou Coal Mine, Heze Neng Hua has established a mine water treatment station and a household wastewater treatment station as required, which are all in normal operation. Sealed coal sheds and sealed material sheds are set up. |
| 6 | 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. Silos and sealed material sheds are set up. |

| No. | Key pollutant discharging entities | Construction and operation of pollution control facilities |
|---|---|---|
| 7 | 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. Silos and sealed material sheds are set up. |
| 8 | Jining No.3 Coal Mine | Jining No.3 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. Silos and sealed material sheds are set up. |
| 9 | Yanzhou Coal Mining Engineering Company Limited | Yanzhou Coal Mining Engineering Company Limited has established a household wastewater treatment station, which is 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 tons in total, which have completed ultra-low emission retrofit and are in normal operation. |
| 11 | Tianchi Coal Mine, Shanxi Neng Hua | Tianchi Coal Mine has established a mine water treatment station and a household wastewater treatment station as required, which are all in normal operation. Moreover, the boiler house of the coal mine has 1 boiler of 15 steam tons and 2 boilers of 6 steam tons, which are equipped with de-dusting, and desulfurization facilities and are in normal operation. The natural gas replacement project has been finished. |
| 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, which have completed ultra-low emission retrofit and are in normal operation. |
| 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 tons circulating fluidized bed boilers, which are all equipped with de-dusting, desulfurization and de-nitration facilities, which have completed ultra-low emission retrofit and are in normal operation. |

| No. | Key pollutant discharging entities | Construction and operation of pollution control facilities |
|---|---|---|
| 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 tons boilers and one 6 steam tons), 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 project construction. The pollution control and ecological preservation projects and the main construction project are designed, constructed and put into use in the meantime according to requirements for environmental impact assessment and reply. After the trial run is completed, the environmental protection for acceptance will be applied as required. Once obtaining the approval of acceptance, the Group can put into operation and use.

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

Each production unit of the Group 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**

The coal mine enterprises affiliated to the Group are all equipped with online sewage monitoring systems and PM10 coal field online monitoring facilities. The boilers of power plants are all equipped with online exhaust gas monitoring facilities. The chemical enterprises are all equipped with online industrial waste water and boiler exhaust monitoring facilities. All these online monitoring facilities are connected to the monitoring platform of the government to realize real-time supervision. All production 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, SO2 and NOX quarterly.

③ The Group has entrusted a 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. The Group actively carries 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 PRC, Water Pollution Prevention and Control Law of the PRC, Prevention and Control of Atmospheric Pollution Law of the PRC and Solid Waste Pollution Prevention and Control Law of the PRC. 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 understands the importance of complying with the requirements of laws, regulations and rules, and has established a relatively mature system to ensure contined compliance with applicable laws, regulations and rules. During the reporting period, to the best of the Company's knowledge, all major matters of the Company have complied with applicable laws, regulations and rules including but not limited to, the Law on Production safety of the PRC and the Law on the Prevention and Control of Occupational Diseases of the PRC and other laws and regulations that have significant meanings or impacts to the Company's main business. As a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company also complied with the listing rules of the listing places and applicable laws, regulations and rules during the reporting period.

## XIX. CONVERTIBLE CORPORATE 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*

During the reporting period, no changes occurred to the total number of ordinary shares and capital structure of the Company.

#### *2. Explanation on changes in ordinary shares*

Not applicable.

#### *3. The impact of changes in ordinary shares on financial indicators such as earnings per share, net asset per share 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 publication 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 was more than 25% of the Company's total issued shares, which is in compliance with the requirement of the Hong Kong Listing Rules.

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

Not applicable.

## II. SECURITIES ISSUANCE AND LISTING

### (I) Securities Issuance during the Reporting Period

Not applicable.

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

Not applicable.

### (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 Shareholders

| | |
|---|---|
| Total number of Shareholders as at 31 December 2019 | 75,723 |
| Total number of ordinary Shareholders at the end of last month prior to the disclosure date of this annual report | 81,299 |
| 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 2019

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 2019 | Percentage (%) | Number of shares held with trading moratorium | Status | Number of shares | Class of shareholders |
| Yankuang Group Company Limited | 0 | 2,267,169,423 | 46.16 | 0 | No | 0 | State-owned legal person |
| Hong Kong Securities Clearing Company (Nominees) Limited | -478,096 | 1,948,130,403 | 39.66 | 0 | N/A | 0 | Overseas legal person |
| Hong Kong Securities Clearing Company Limited | 24,140,879 | 27,796,876 | 0.57 | 0 | No | 0 | Overseas legal person |
| Abu Dhabi Investment Authority (ADIA) | 4,259,877 | 23,070,443 | 0.47 | 0 | No | 0 | Others |
| New China Life Insurance Co., Ltd.-Dividend-Individual Annuity Insurance-018L-FH002HU | 20,712,597 | 21,957,897 | 0.45 | 0 | No | 0 | Others |
| Central Huijin Assets Management Co., Ltd. | 0 | 19,355,100 | 0.39 | 0 | No | 0 | State-owned legal person |
| New China Life Insurance Co., Ltd.-Dividend-Group Annuity Insurance-018L-FH001HU | 3,033,229 | 15,294,707 | 0.31 | 0 | No | 0 | Others |
| National Social Security Fund 412 Combination | 8,220,293 | 12,062,107 | 0.25 | 0 | No | 0 | Others |
| National Social Security Fund 403 Combination | -1,000,000 | 9,884,351 | 0.20 | 0 | No | 0 | Others |
| Bank of China co., LTD.-The Belt and Road Exchange-End Index Securities Investment Fund | 9,665,551 | 9,665,551 | 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 | 1,948,130,403 | H shares | 1,948,130,403 |
| Hong Kong Securities Clearing Company Limited | 27,796,876 | A shares | 27,796,876 |
| Abu Dhabi Investment Authority (ADIA) | 23,070,443 | A shares | 23,070,443 |
| New China Life Insurance Co., Ltd.-Dividend-Individual Annuity Insurance-018L-FH002HU | 21,957,897 | A shares | 21,957,897 |
| Central Huijin Assets Management Co., Ltd. | 19,355,100 | A shares | 19,355,100 |
| New China Life Insurance Co., Ltd.-Dividend-Group Annuity Insurance-018L-FH001HU | 15,294,707 | A shares | 15,294,707 |
| National Social Security Fund 412 Combination | 12,062,107 | A shares | 12,062,107 |
| National Social Security Fund 403 Combination | 9,884,351 | A shares | 9,884,351 |
| Bank of China Co., LTD.-The Belt and Road Exchange-End Index Securities Investment Fund | 9,665,551 | A shares | 9,665,551 |
| Connected relationship or concerted-party relationship among the above shareholders | Yankuang Group (Hong Kong) Co., Ltd. ("Yankuang Hong Kong"), a wholly-owned subsidiary of Yankuang Group incorporated in Hong Kong held 375,000,000 H shares through HKSCC (Nominees) Limited. New China Life Insurance Co., Ltd.-Dividend-Individual Annuity Insurance-018L-FH002HU and New China Life Insurance Co., Ltd.-Dividend-Group Annuity Insurance-018L-FH001HU are both managed by New China Life Insurance Co., Ltd. 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. | | |

Notes:

1. The above *Total Number of the Shareholders, Top ten Shareholders holding trading shares not subject to trading moratorium (or unrestricted shareholders) as at 31 December 2019 and Top ten shareholders holding tradable shares not subject to trading moratorium* are prepared according to the Company's shareholder register provided by China Securities Registration and Clearing Co., LTD. Shanghai Branch and Hong Kong Central Securities Registration Co., LTD.

2. As the clearing company of the Company's H shares, Hong Kong Securities Clearing Company (Nominees) Limited holds the Company's shares as an agent. Hong Kong Securities Clearing Company Limited is the nominal holder of the Company's Shanghai-Stock Connect Shares.

3. As of December 31, 2019, Yankuang Group held 2,267,169,423 of the Company's A shares, including 1,875,662,151 A shares held through its own account, and 391,507,272 A shares held through its guarantees and trust account jointly opened with CITIC Securities Co., LTD., to guarantee the exchangeable corporate bonds issued by Yankuang Group. Yankuang Group held 374,989,000 H shares through Yankuang Hong Kong. Yankuang Group directly and indirectly held 53.79% of the Company's shares.

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 2019, other than the Directors, Supervisors or chief executives of the Company, there were no other persons who were substantial shareholders of the Company or had interests or short positions in the shares or underlying shares of the Company, which should (i) be disclosed pursuant to Sections 2 and 3 under Part XV of the Securities and Futures Ordinance ("SFO"); (ii)be recorded in the register to be kept pursuant to Section 336 of the SFO; or (iii) notify the Company and the 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 | 391,507,272 | Short position | – | 7.97% |
| Yankuang Group (Note 1) | H Shares | Interest of controlled corporations | 374,989,000 | Long position | 19.21% | 7.63% |
| 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 | 98,173,526 | Long position | 5.03% | 2.00% |
| | | | 1,814,000 | Short position | 0.09% | 0.04% |

Notes:

1. Those H Shares are held by Yankuang Hong Kong in the capacity of beneficial owner.

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

3. The information disclosed is based on the information provided by the website of the Hong Kong Stock Exchange (www. hkex. com. hk) and the China Securities Depository and Clearing Corporation Limited Shanghai Branch.

## IV. CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER

### (I) Controlling Shareholder

#### *1. Legal person*

| | |
|---|---|
| **Name** | **Yankuang Group** |
| Person in charge or legal representative | Li Xiyong |
| Date of establishment | 12 March 1996 |
| Main business | Mining (Coal and nonferrous metals) production, processes, trades, adequate and systematic services, high-end chemicals, modern logistics, engineering and technology 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 | As at 31 December 2019, Yankuang Group held 2,267,000,000 A Shares; Yankuang Hong Kong held 375,000,000 H Shares; Yankuang Group and Yankuang Hong Kong jointly held 2,642,000,000 Shares, representing 53.79% of the total share capital of the Company. |

As at 31 December 2019, the shares of other domestic and overseas listed companies held by Yankuang Group were as follows:

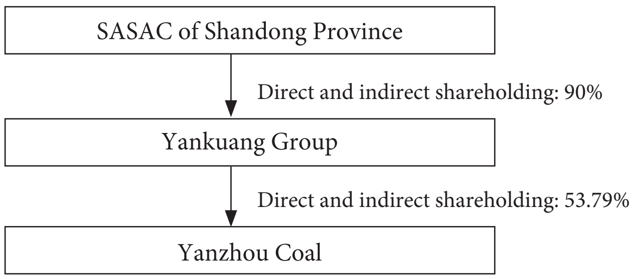
| No. | Name of the Listed Company | Stock Exchange | Stock Code | Number of Shares Held (shares) | Percentage of Shares Held (%) |
|---|---|---|---|---|---|
| 1 | Guizhou Panjiang Refined Coal Co., Ltd. | Shanghai Stock Exchange | 600395 | 191,970,000 | 11.60 |
| 2 | Rizhao Port Co., Ltd. | Shanghai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

### (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. Actual controller controlling the Company through trust or other asset management

   Not applicable.

### (III) Other Explanations on the Controlling Shareholder and the Actual Controller

Not applicable.

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

As at 31 December 2019, the HKSCC (Nominees) Limited held 1,948,130,403 H Shares on behalf of its several clients, representing 39.66% 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.

# 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 | 56 | 9 Sep 2013 | 29 June 2020 | 10,000 | 10,000 | 0 | - | 0 | Yes |
| Li Wei | Director, Vice Chairman of the Board | Male | 53 | 3 June 2016 | 29 June 2020 | 10,000 | 10,000 | 0 | - | 0 | Yes |
| Wu Xiangqian | Director | Male | 54 | 14 May 2014 | 29 June 2020 | 10,000 | 10,000 | 0 | - | 105.78 | No |
| | General Manager | | | 6 Jan 2016 | 22 April 2020 | | | | | | |
| Liu Jian | Director | Male | 51 | 24 May 2019 | 29 June 2020 | 0 | 0 | 0 | - | 82.04 | No |
| | Vice General Manager | | | 30 December 2016 | 22 April 2020 | | | | | | |
| Guo Dechun | Director | Male | 58 | 3 June 2016 | 29 June 2020 | 0 | 0 | 0 | - | 101.44 | No |
| Zhao Qingchun | Director | Male | 52 | 3 June 2016 | 29 June 2020 | 0 | 0 | 0 | - | 85.03 | No |
| | Chief Financial Officer | | | 6 Jan 2016 | 29 June 2020 | | | | | | |
| Guo Jun | Employee Director | Male | 57 | 3 June 2016 | 29 June 2020 | 10,000 | 10,000 | 0 | - | 72.76 | No |
| Kong Xiangguo | Independent Director | Male | 64 | 10 Mar 2017 | 29 June 2020 | 0 | 0 | 0 | - | 15.00 | No |
| Cai Chang | Independent Director | Male | 48 | 27 November 2017 | 29 June 2020 | 0 | 0 | 0 | - | 15.00 | No |
| Poon Chiu Kwok | Independent Director | Male | 57 | 29 June 2017 | 29 June 2020 | 0 | 0 | 0 | - | 15.00 | No |
| Qi Anbang | Independent Director | Male | 68 | 3 June 2016 | 29 June 2020 | 0 | 0 | 0 | - | 15.00 | No |
| Gu Shisheng | Supervisor | Male | 56 | 14 May 2014 | 29 June 2020 | 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 | 49 | 29 June 2017 | 29 June 2020 | 0 | 0 | 0 | - | 0 | Yes |
| Meng Qingjian | Supervisor | Male | 58 | 3 June 2016 | 29 June 2020 | 0 | 0 | 0 | - | 0 | Yes |
| Zhang Ning | Supervisor | Male | 51 | 29 June 2017 | 29 June 2020 | 0 | 0 | 0 | - | 0 | Yes |
| Jiang Qingquan | Employee Supervisor | Male | 56 | 3 June 2016 | 29 June 2020 | 10,000 | 10,000 | 0 | - | 76.68 | No |
| Zheng Kai | Employee Supervisor | Male | 50 | 25 December 2018 | 29 June 2020 | 0 | 0 | 0 | - | 47.69 | No |
| Wang Fuqi | Chief Engineer | Male | 55 | 6 March 2014 | 22 April 2020 | 10,000 | 10,000 | 0 | - | 83.22 | 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 | 54 | 23 December 2014 | 22 April 2020 | 10,000 | 10,000 | 0 | - | 78.78 | No |
| He Jing | Vice General Manager | Male | 49 | 29 June 2017 | 29 June 2020 | 0 | 0 | 0 | - | 101.98 | No |
| Gong Zhijie | Vice General Manager | Male | 54 | 27 December 2018 | 29 June 2020 | 0 | 0 | 0 | - | 71.37 | No |
| Jin Qingbin | Secretary to the Board | Male | 42 | 29 March 2016 | 29 June 2020 | 0 | 0 | 0 | - | 72.89 | No |
| Li Wei | Vice General Manager | Male | 48 | 30 December 2019 | 29 June 2020 | 0 | 0 | 0 | - | 79.25 | No |
| Wu Yuxiang | Director (resigned) | Male | 58 | 22 April 2002 | 24 May 2019 | 30,000 | 30,000 | 0 | - | 0 | Yes |
| Total | / | / | / | / | / | 110,000 | 110,000 | 0 | / | 1,118.91 | / |

Notes:

1. Mr. Li Wei, vice chairman of the Company, and Mr. Li Wei, vice general manager of the Company, have the same name but not the same person.

2. The Directors' term of the seventh session of the Board and Supervisors' term of the seventh session of the board of Supervisors of the Company shall be ended on the date of the Shareholders' meeting for election of Directors of the eighth session of the Board and Supervisors of the eighth session of the board of Supervisors. The terms of senior managers appointed by the seventh session of the Board shall be ended on the date of the Board for appointments of new session of the senior managers.

3. As at 31 December 2019, Directors, Supervisors and senior management together held 110,000 A Shares, representing 0.0022% of the Company's total issued share. All of the disclosed interests above 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, Mr. Li Xiyong is a research fellow in applied engineering technology with an EMBA degree, and currently serves as 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. |
| Li Wei (Vice Chairman) | Born in September 1966, Mr. Li Wei is a research fellow in applied engineering technology with a doctoral degree of engineering, and currently serves as the vice chairman of the Company and the vice secretary of the Party Committee 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 April 2010. In May 2015, he was appointed as the director, the general manager and the vice secretary of the Party Committee of Yankuang Group, the general manager of Yankuang Group in December 2015, the vice secretary of the Party Committee of Yankuang Group in October 2019, and the vice chairman of the Company in June 2016. Mr. Li graduated from the University of Science and Technology Beijing. |

| Name | Major Work Experience |
|---|---|
| Wu Xiangqian | Born in February 1966, Mr. Wu Xiangqian is a research fellow in applied engineering technology with a doctoral degree of engineering, and currently serves as a Director and the general manager of the Company. Mr. Wu joined the Company's predecessor in 1988. In 2003, he was appointed as the deputy head of Jining No.3 Coal Mine of the Company. In 2004, Mr. Wu was appointed as the deputy head and the chief engineer of Jining No.3 Coal Mine. In 2006, he was appointed as the 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. 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. |
| Liu Jian | Born in February 1969, Mr. Lin Jian is a research fellow in applied engineering technology with a master's degree of engineering, and currently serves as a Director and 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. In May 2019, he was appointed as a Director. Mr. Liu graduated from Shandong University of Science and Technology. |
| Guo Dechun | Born in February 1962, Mr. Guo Dechun is a senior engineer with a master's degree of engineering, and currently serves as a Director. 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. In July 2018, he was appointed as the Secretary of party committee of Ordos Neng Hua Co., Ltd. and was appointed as a director in June 2016. Mr. Guo graduated from China University of Mining and Technology. |

| Name | Major Work Experience |
|---|---|
| Zhao Qingchun | Born in March 1968, Mr. Zhao Qingchun is a senior accountant with an EMBA degree, and currently serves as 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 was appointed as a Director in June 2016. Mr. Zhao graduated from Nankai University. |
| Guo Jun | Born in January 1963, Mr. Guo Jun is a professor-level senior administrative officer, a senior economist, with a doctoral degree of business administration, and currently serves as 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 an employee Supervisor of the Company in April 2014, and was appointed as the vice secretary of Party Committee and the chairman of the Labor Union of the Company in April 2016 and an employee Director in June 2016. Mr. Guo graduated from China University of Mining Technology (Beijing). |
| Kong Xiangguo | Born in June 1955, Mr. Kong Xiangguo is a professor-level senior engineer, a national registered consulting engineer, a national registered mining engineer, enjoys allowance of the state council, and currently serves as an independent Director. Mr. Kong currently serves as the director of Transportation Technology Department of Survey and Engineering Commission of China Coal Construction Association, the consultant committee member of Technology Committee of China Coal Technology Engineering Group ("CCTEG"), a member of the twelfth and thirteenth session of Nanjing CPPCC, an eternal director of CCTEG Xi'an Research Institute. Mr. Kong served as the chairman and the vice secretary of Party Committee of CCTEG Nanjing Engineering Co., Ltd., and 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 an independent Director in March 2017. Mr. Kong graduated from Shandong University of Science and Technology. |

| Name | Major Work Experience |
|---|---|
| Cai Chang | Born in December 1971, Mr. Cai Chang is a professor, doctoral tutor, with a doctoral degree of accountancy, and a postdoctoral degree of economics, an International Certified Senior Public Accountant (ICSPA), and currently serves as an independent Director. 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 of School of Public Finance and Tax, and the director of Editorial Board of the Chinese Tax and Legal Think Tank. Mr. Cai is also a member of council 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 Minjiang Scholarship. 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, Mr. Poon Chiu Kwok holds the degrees of a bachelor of laws and a bachelor of business and a master of international accounting, is an FCPA Australia, a senior member of Hong Kong Institute of Chartered Secretaries and a member of its consulting group, the audit committee, the China Concern Group, a senior member of the Chartered Corporate Governance Institute (formerly Institute of Chartered Secretaries and Administrators), a senior member and invited tutor of the Hong Kong Securities and Investment Association, and currently serves as an independent Director Company. Mr. Poon currently serves as an executive director, vice president and the company secretary of Huabao International Holdings Limited. Mr. Poon has worked for investment banks for many years and is experienced in listed company governance, financing and 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 in June 2017. He graduated from University of London UK. |

| Name | Major Work Experience |
|---|---|
| Qi Anbang | Born in February 1952, Mr. Qi Anbang is a professor, doctoral tutor, with a doctoral degree of management, and currently serves as an independent Director. Mr. Qi is the director of the master center of project management of Nankai University, the director of modern project management research center. 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 an independent Director in June 2016. He graduated from Nankai University. |
| Gu Shisheng | Born in January 1964, Mr. Gu Shisheng is a professor level senior administrative officer with a master's degree, and currently serves as the vice chairman of the supervisory committee of the Company and an employee director, a member of the Party's Standing Committee and the chairman of the Labor Union of Yankuang Group. Mr. Gu joined the Company's predecessor in 1979. He served as the deputy Party Committee secretary of Xinglongzhuang Coal Mine of Yankuang Group in 1996 and the Party Committee secretary of Xinglongzhuang Coal Mine of the Company in 2002. He served as the deputy secretary of the Discipline Inspection Commission and the director of Supervision Department of Yankuang Group in 2003. He was appointed as the chairman of the 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 since 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, Mr. Zhou Hong is a senior accountant, a professor level senior administrative officer, senior economist, an A level Human Resource Professional, with a bachelor's degree in economics and currently serves as 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, the general manager assistant of Yankuang Group in June 2016, and a member of the Party's Standing Committee of Yankuang Group in October 2019, and 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, Mr. Meng Qingjian is a senior accountant with a bachelor's, and currently serves as a Supervisor 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 a Supervisor in June 2016. Mr. Meng graduated from the Party School of the Central Committee of CPC. |
| Zhang Ning | Born in October 1968, Mr. Zhang Ning is a senior accountant, an international financial manager with an EMBA degree, and currently serves as a Supervisor. 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, the director of the Audit and Risk Department of Yankuang Group in 24 February 2016 and the director of the Audit Center of Yankuang Group in May 2018. He was appointed as a Supervisor in June 2017. Mr. Zhang graduated from Tianjin University of Finance and Economics. |
| Jiang Qingquan | Born in December 1963, Mr. Jiang Qingquan is a professor level senior administrative officer and an engineer with a master's degree, and currently serves as an employee Supervisor. 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 in April 2014 and the secretary of the Discipline Inspection Committee in April 2016. He was appointed as a Supervisor 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, Mr. Zheng Kai is a professor level senior administrative officer with a master's degree, and currently serves as an employee Supervisor. 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 Labor Union 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 and the director of the Department of Party and Mass Work (the Labor Union) of the Company in October 2019. He was appointed as an employee Supervisor in December 2018. Mr. Zheng graduated from the Party School of Shandong Provincial Communist Committee. |
| Wang Fuqi | Born in May 1964, Mr. Wang Fuqi is a research fellow in applied engineering technology with an EMBA degree and a master's degree of engineering, and currently 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, Mr. Zhao Honggang is a research fellow in applied engineering technology and with a master's degree of engineering, and currently serves as a 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. |
| He Jing | Born in June 1970, Mr. He Jing is a senior economist, and currently serves as a vice general manager of the Company. Mr. He joined 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 a vice general manager of the Company in June 2017. He graduated from China Coal Economics Institute. |

| Name | Major Work Experience |
|---|---|
| Gong Zhijie | Born in December 1965, Mr. Gong Zhijie is a research fellow in applied engineering technology with a master's degree of engineering, and currently serves as a vice general manager of the Company. Mr. Gong joined the Company's predecessor 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 a 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, Mr. Jin Qingbin a senior accountant, a senior economist with an MBA degree, and currently serves as serves as the Secretary to the Board. Mr. Jin joined the Company in 1998 and was appointed as the vice director and the director of the Secretary Office of the Board 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. Mr. Jin graduated from Missouri State University. |
| Li Wei (Deputy General Manager) | Born in July 1971, Mr. Li Wei is a research fellow in applied engineering technology with a master's degree of engineering, and currently serves as serves as a vice general manager of the Company. Mr. Li joined the Company's predecessor in 1990 and served as the deputy director of the preparatory office of Yankuang Jining No.3 power plant in May 2004, the vice general manager and general manager of Shandong Yankuang Jining No.3 Power Generation Co., Ltd in November 2004 and January 2014 respectively. In January 2017, he was appointed as the chairman and general manager of Shandong Huaju Energy Co., Ltd. He was appointed as a vice general manager of the Company in December 2019. Mr. Li graduated from Shandong University of Science and Technology. |

Other explanations.

Not applicable.

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

Unit: 10 thousand Shares

| Name | Title | Number of A Share options held at the beginning of 2019 | Number of new A Share options granted during the reporting period | Exercisable A Share options during the reporting period | A Share options exercised during the reporting period | Exercise price of A Share options (RMB) | Number of A Share options held at the end of the reporting period | Market price of A Shares at the end of reporting period (RMB) |
|---|---|---|---|---|---|---|---|---|
| Wu Xiangqian | Director, General Manager | 0 | 32 | 0 | 0 | 9.64 | 32 | 10.56 |
| Liu Jian | Director, Vice General Manager | 0 | 26 | 0 | 0 | 9.64 | 26 | 10.56 |
| Zhao Honggang | Vice General Manager | 0 | 26 | 0 | 0 | 9.64 | 26 | 10.56 |
| Zhao Qingchun | Director, CFO | 0 | 26 | 0 | 0 | 9.64 | 26 | 10.56 |
| He Jing | Vice General Manager | 0 | 26 | 0 | 0 | 9.64 | 26 | 10.56 |
| Gong Zhijie | Vice General Manager | 0 | 26 | 0 | 0 | 9.64 | 26 | 10.56 |
| Jin Qingbin | Secretary to the Board | 0 | 26 | 0 | 0 | 9.64 | 26 | 10.56 |
| Li Wei | Vice General Manager | 0 | 15 | 0 | 0 | 9.64 | 15 | 10.56 |
| Total | / | 0 | 203 | 0 | 0 | / | 203 | / |

Note: In 2019, the Company implemented the Share Option Scheme. For details, please refer to "Circumstance and Impact of the Share Incentive Scheme and Employee Stock Ownership Plan or Other Incentive Scheme to Employees" in "Chapter 6 Significant Events" of this annual report.

## II. POSITIONS OF CURRENT AND RESIGNED 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 (Vice Chairman) | Yankuang Group | General manager | 18 May 2015 | |
| | | Vice secretary of the Party Committee | 16 October 2019 | |
| 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 | 11 December 2015 | 28 December 2019 |
| | | Director of the organization department of the Party Committee (human resource department) | 11 December 2015 | |
| | | Employee supervisor | 11 December 2015 | |
| | | Member of Party's standing committee | 16 October 2019 | |
| Meng Qingjian | Yankuang Group | Deputy chief accountant | 28 December 2017 | 28 December 2019 |
| | | Director of the finance management department | 28 January 2014 | 28 December 2019 |
| 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 (Vice Chairman) | 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 |
| Liu Jian | Shaanxi Future Energy Chemical Co. Ltd. | Director | 9 January 2017 |
| | 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 |
| Guo Dechun | Yanzhou Coal Ordos Neng Hua Company Limited | Secretary of the Party's Committee | 11 July 2018 |
| 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 |
| | Shaanxi Future Energy Chemical Co., Ltd | Chairman of the supervisory committee | 19 May 2014 |
| | Duanxin Investment Holding (Beijing) Co., Ltd | Chairman | 4 September 2019 |
| | 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 Jujiang 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 |

| Name | Name of other entities | Title | Beginning date of office term |
|---|---|---|---|
| Poon Chiu Kwok | Huabao International Holdings Limited | Executive director, vice president, company secretary | 1 May 2006 |
| | Sunac China Holdings Limited | Independent director | 8 June 2011 |
| | Sany Heavy Equipment International Holdings Limited | Independent director | 18 December 2015 |
| | AUX International Holdings Limited | Independent director | 15 May 2015 |
| | Chongqing Changan Minsheng APLL Logistics Co., Ltd. | Independent director | 30 September 2011 |
| | Green Town Service Group Co., Ltd. | Independent director | 13 June 2016 |
| | Tonly Electronics Holdings Limited | Independent director | 12 July 2013 |
| | TUS International Limited | Independent director | 1 September 2015 |
| | Yuanda China Holdings Limited | Independent director | 12 April 2011 |
| | Jinchuan Group International Resource Co. Ltd | Independent director | 21 March 2017 |
| | Honghua Group Co., Ltd | Independent director | 15 June 2017 |
| 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 | 1 August 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 |
| | Yanzhou Coal Co., Ltd. International Trade Branch | General manager | 25 November 2019 |
| Jin Qingbin | Duanxin Investment Holding (Shenzhen) Co., Ltd | Director | 1 August 2017 |
| | Yancoal International (Holding) Co., Ltd | Director | 4 January 2018 |
| Li Wei (Deputy General Manager) | Shandong Huaju Energy Co., Ltd. | Chairman, general manager | 18 January 2017 |
| 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 Procedures for Directors, Supervisors and Senior Management | The remuneration for the Directors, Supervisors and senior management is proposed to the Board by the remuneration committee under the Board. Upon review and approval by the Board, any remuneration proposal for the Directors and Supervisors will be proposed to the Shareholders' general meeting for approval. The remuneration for senior management is reviewed and approved by the Board. |
| Remuneration Calculating Basis for Directors, Supervisors and Senior Management | The Company adopts a 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 DURING THE REPORTING PERIOD

### (I) Changes of Members of Directors and Senior Management

| Name | Title | Changes | Causes for Change |
|---|---|---|---|
| Wu Yuxiang | Director | Resigned | Other work commitment |
| Liu Jian | Director | Elected | Other work commitment |
| Li Wei | 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 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 |
|---|---|---|---|---|
| Director, General Manager | Wu Xiangqian | Chairman of Duanxin Investment Holding (Shenzhen) Co., Ltd | – | 23 January 2019 |
| Director, Chief Financial Officer | Zhao Qingchun | Chairman of Qingdao Vast Lucky International Trade Co., Ltd. | – | 23 January 2019 |
| | | Director of Duanxin Investment Holding (Beijing) Co., Ltd | Chairman of Duanxin Investment Holding (Beijing) Co., Ltd | 4 September 2019 |
| Deputy General Manager | He Jing | – | Chairman of Duanxin Investment Holding (Shenzhen) Co., Ltd | 23 January 2019 |
| | | – | Chairman of Qingdao Vast Lucky International Trade Co., Ltd. | 23 January 2019 |
| | | – | General Manager of Yanzhou Coal Co., Ltd. International Trade Branch | 25 November 2019 |

## 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 | 38,044 |
| On-the-job Employees of its main subsidiaries | 23,199 |
| Total on-the-job Employees | 61,243 |
| Total resigned and retired staff whose welfare fees shall be paid by the Group and its main subsidiaries | 32,935 |

**Composition by Specialty**

| Specialty | Number |
|---|---|
| Production personnel | 29,407 |
| Sales personnel | 446 |
| Technical personnel | 5,308 |
| Financial personnel | 693 |
| Administrative staff | 3,154 |
| Other support staff | 22,235 |
| Total | 61,243 |

**Education Level**

| Education Level | Number (Persons) |
|---|---|
| College and above | 24,692 |
| Secondary education | 25,473 |
| Junior high school and below | 11,078 |
| Total | 61,243 |

### (II) Remuneration Policy

The total wages and allowances of the staff of the Group for the year 2019 amounted to RMB5.203 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 training of political ideology, management, ongoing education, skills, safety, transfer-employment talent, pre-employment and others. In 2019, it was planned that 56,244 person-times would participate off-job training and 66,490 person times actually participated, representing a completion rate of 118%.

### (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 2019.

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

As at 31 December 2019, 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.

## I. INFORMATION ON CORPORATE GOVERNANCE

The Company has closely monitored the securities market standards and rule of law, and actively improved its corporate governance structure. During the reporting period, the Company further improved its corporate governance structure. The Company, in accordance with the latest regulatory rules and requirements applicable at its listed jurisdictions, made amendments to terms in relation to the repurchase of the Company's shares in the Articles of the Company, and accordingly amended its Rules of Procedures for Shareholders' General Meeting, Rules of Procedures for the Board of Directors, Rules of Procedure for Supervisory Committee based on the amendments to the Articles of the Company.

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

Since the beginning of its listing, the Company, in accordance with the Company Law, Securities Law and relevant regulatory requirements at its listed places in China and aboard, following the principles of transparency, accountability and protection of the rights and interests of all Shareholders, has established a relatively regulated and robust corporate governance structure, which does not have significant difference with the requirements in relevant documents specified by the CSRC.

## II. SHAREHOLDERS' GENERAL MEETING DURING THE REPORTING PERIOD

| Session and Number of Meeting | Date of Meeting | Designated Website on which Resolutions Posted | Date of Resolution Disclosed |
|---|---|---|---|
| The 2019 First Extraordinary General Meeting | 12 February 2019 | Website of the Shanghai Stock Exchange: (http://www.sse.com.cn) | 12 February 2019 |
| The First Class Meeting of the Holders of A shares for the year 2019 | 12 February 2019 | Website of the HKEX: (http://www.hkexnews.hk) | 12 February 2019 |
| The First Class Meeting of the Holders of H shares for the year 2019 | 12 February 2019 | Website of the Company: (http://www.yanzhoucoal.com.cn) | 12 February 2019 |
| The 2018 Annual General Meeting | 24 May 2019 | | 24 May 2019 |
| The Second Class Meeting of the Holders of A shares for the year 2019 | 24 May 2019 | | 24 May 2019 |
| The Second Class Meeting of the Holders of H shares for the year 2019 | 24 May 2019 | | 24 May 2019 |
| The 2019 Second Extraordinary General Meeting | 1 November 2019 | | 1 November 2019 |

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 Telecomm-unication | Times of Presence by Proxy | Times of Absence | Whether Absent from Two Consecutive Meetings | Times of Presence |
| Li Xiyong | No | 9 | 9 | 9 | 0 | 0 | No | 3 |
| Li Wei | No | 9 | 9 | 9 | 0 | 0 | No | 4 |
| Wu Xiangqian | No | 9 | 9 | 9 | 0 | 0 | No | 7 |
| Liu Jian | No | 5 | 5 | 5 | 0 | 0 | No | 0 |
| Guo Dechun | No | 9 | 9 | 9 | 0 | 0 | No | 0 |
| Zhao Qingchun | No | 9 | 9 | 9 | 0 | 0 | No | 1 |
| Guo Jun | No | 9 | 9 | 9 | 0 | 0 | No | 6 |
| Kong Xiangguo | Yes | 9 | 9 | 9 | 0 | 0 | No | 7 |
| Cai Chang | Yes | 9 | 9 | 9 | 0 | 0 | No | 3 |
| Poon Chiu Kwok | Yes | 9 | 9 | 9 | 0 | 0 | No | 7 |
| Qi Anbang | Yes | 9 | 9 | 9 | 0 | 0 | No | 4 |
| Wu Yuxiang (Resigned) | No | 4 | 4 | 4 | 0 | 0 | No | 0 |

Mr. Qi Anbang, an independent Director, was unable to attend the 2019 first extraordinary general meeting of the Company, the first class meeting of the holders of A Shares for the year 2019, the first class meeting of the holders of H Shares for the year 2019 held on 12 February 2019, due to work reasons; Mr. Cai Chang, an independent Directors, was unable to attend the 2018 annual general meeting of the Company, the second class meeting of the holders of A Shares for the year 2019, the second class meeting of the holders of H Shares for the year 2019 held on 24 May 2019 and the 2019 second extraordinary general meeting of the Company held on 1 November 2019 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 | 9 |
| of which: On-Site meetings | 0 |
| Meetings via telecommunication | 9 |
| On-Site meetings combined with telecommunication | 0 |

### (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

Not Applicable.

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 2019.

In 2019, the Company implemented A share incentive scheme, for details, please refer to relevant content in "Circumstance and Impact of the share incentive scheme, employee stock ownership plan or other incentive scheme to employees" in "Chapter 6 Significant Events".

## 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 thirty-third meeting of the seventh session of the Board held on 22 April 2020, the Board made an assessment on the effectiveness of the internal control systems of the Company for the year 2019. 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 risk IT management and control platform and a sound risk control mechanism. The Company, through the risk IT management and control platform, conducted overall risk management work including risk identification, assessment, response and the monitoring of key risk points within the scope of the Company and its subsidiaries each year, and issued the "Annual Risk Assessment Report" and "Annual Risk Control Report"; developed practical risk control strategies and solutions for the identified major risks, regularly summarized the risk control and prepared a major risk control report. With the help of IT measures, through the accurate identification, assessment and quantitative analysis, scientific response and regular tracking 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 terms of processing and disclosing inside information, the Company has formulated its internal systems, such as the Management System of Securities Held and Transacted by Directors, Supervisors, Senior Management and Insiders, the Rules for Disclosure of Information, the Rules for Insiders Registration and Management, and the Rules for Material Information Internal Report, which define inside information and the scope, reporting process, registration and recording, prohibited behaviors for inside man, that strictly control the size of inside man and prevent the leakage of inside information.

### 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 ShineWing Certified Public Accountants (Special General Partnership) to make a review and assessment of the efficiency of internal control of the 2019 financial statements. Shine Wing Certified Public Accountants believed that, 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 the audit report of the internal control of the 2019 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 and Model Code

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

# Chapter 09 Corporate Governance

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 Association, 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 Detailed Work Policy of the General Manager, 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 Rules for Monitoring and Assessment of the Implementation of the Resolutions of the Board, the Rules for Report by Directors and Supervisors Dispatched by the Company, the Rules for Management of Employees Stationed at Subsidiaries, 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 2019 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 2019.

## (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 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, and the Code for Securities Transactions of the Management was abolished at the tenth meeting of the seventh session of the Board. On 5 December 2018, the Management System of Securities Held and Transacted by Directors, Supervisors, Senior Management and Insiders was amended at the twentieth 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 comprised 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 detail 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 management organization structure; to draft the Company’s basic management rules; to protocol a package of staff’s salaries, benefits, awards and penalties, and to decide the appointment and dismissal of the staff of the Company, etc.

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

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

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

## (IV) Board Meetings and Director's Training

According to the Articles and the Rules of Procedures for the Board of Directors of the Company, 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 2019, nine 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 Xiyong | attended the training for Supervision of Securities and Futures in Shandong held in Jinan, Shandong on 15 April 2019. |
| Zhao Qingchun | attended the training for 2019 annual report disclosure and audit in Shandong held in Jinan, Shandong on 10 December 2019. |
| Kong Xiangguo | attended the training for compliance performance of independent directors of listed companies held in Yantai, Shandong on 1 August 2019. |
| Poon Chiu Kwok | during January 2019 to December 2019, 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, besides inviting domestic and overseas legal consultants and annual audit accountants of the Company to conduct review and study on domestic and overseas regulatory rules and accounting standards, all Directors have been circulated with materials in relation to laws and regulations amendments, updates on regulatory requirements, training materials and typical case studies in a timely manner, through which, they 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 serves as 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.

In 2019, 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 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, mainly 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 and practice, financial situation 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 2019 and the final results of the Company for the year 2019, and also examined the effectiveness of the risk management and the internal control system of the Group for the year 2019. The examination covered financial control, operational control, compliance control and all other material aspects under control. The Audit Committee considered that the risk management and the internal control system of the Group is effective and adequate.

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

| Date | Main Topic | Member | Present |
|---|---|---|---|
| 22 March 2019 | ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited reported to the Audit Committee of the Board on the audit matters of the 2018 annual report. | Cai Chang | √ |
| | | Kong Xiangguo | √ |
| | | Poon Chiu Kwok | √ |
| | | Qi Anbang | √ |
| | | Guo Jun | √ |
| 22 March 2019 | The audit committee evaluated the work of the annual audit accountants in 2018 and puts forward opinions on the employment and remuneration arrangement in 2019, approved the internal control self-evaluation report and the audit committee's performance report in 2018. | Cai Chang | √ |
| | | Kong Xiangguo | √ |
| | | Poon Chiu Kwok | √ |
| | | Qi Anbang | √ |
| | | Guo Jun | √ |
| 23 August 2019 | ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited reported to the Audit Committee of the Board on the interim audit in 2019. | Cai Chang | √ |
| | | Kong Xiangguo | √ |
| | | Poon Chiu Kwok | √ |
| | | Qi Anbang | √ |
| | | Guo Jun | √ |
| 23 August 2019 | The Audit Committee debriefed a special report by the management of the Company on updates on accounting policy, risk management and control, anti-fraud works. ShineWing Certified Public Accountants provided special training on the impact on annual report of implementation of the new accounting standard and updates on listing rules. | Cai Chang | √ |
| | | Kong Xiangguo | √ |
| | | Poon Chiu Kwok | √ |
| | | Qi Anbang | √ |
| | | Guo Jun | √ |

On 15 April 2020, the Audit Committee convened a special meeting to hear major issues and suggestions for improvement in the 2019 Annual Report audit conducted by ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited. The report was voted and the resolution was submitted to the board of directors for review.

**Remuneration Committee to the Board**

The Company established the Remuneration Committee to the Board. The seventh session of Remuneration Committee comprises 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's responsibilities mainly including: (1) to formulate remuneration policies for the Directors, Supervisors and senior management; (2) to assess and cash the annual remuneration for the Directors, Supervisors and senior management; (3) to review the annual performance of the Directors, Supervisors and senior management; (4) to review the disclosure on remuneration of the Company.

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

| Date | Main Topic | Member | Present |
|---|---|---|---|
| 6 March 2019 | 1. discussed and reviewed the Proposal on Remuneration for Directors, Supervisors and Senior Management for the Year 2019; | Poon Chiu Kwok | √ |
| | | Qi Anbang | √ |
| | | Cai Chang | √ |
| | 2. discussed and reviewed the Remuneration Standards and Operation Assessment Target for the Directors, Supervisors and Senior Management. | | |

**Nomination Committee to the Board**

The Nomination Committee comprises 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 considers 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 considering the above factors, the Nominating Committee makes a final recommendation to the Board on the merits of the candidates and their potential 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 reporting period, the Nomination Committee held two meetings. The details are as follows:

| Date | Main Topic | Member | Present |
|---|---|---|---|
| 27 March 2019 | The fourth meeting of the seventh session of the Nomination Committee to the Board reviewed and passed the nomination of Mr. Liu Jian as the candidate for director of the board of the Company. | Poon Chiu Kwok<br>Li Xiyong<br>Kong Xiangguo | √<br>√<br>√ |
| 25 December 2019 | The fifth meeting of the seventh session of the Nomination Committee to the Board reviewed and passed the nomination of Mr. Li Wei as the candidate for deputy general manager of the Company. | Poon Chiu Kwok<br>Li Xiyong<br>Kong Xiangguo | √<br>√<br>√ |

During the reporting period, pursuant to the relevant requirements of the Articles, the Nomination Committee reviewed the structure, the number of Directors and the composition of the Board (including professional skills, knowledge and experience) according to the operation, asset scale and share structure of the Company, and considered that the structure, composition and Directors numbers of the 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 Strategy and Development Committee comprises Mr. Li Xiyong, Director, Mr. Li Wei, Director, Mr. Wu Xiangqian, Director and Mr. Qi Anbang, independent Director. 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; (5) other duties and responsibilities delegated by the Board.

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

| Date | Main Topic | Member | Present |
|---|---|---|---|
| 29 November 2019 | Discussed and reviewed the plan of production and operation and the plan of capital investment of the Company for the year 2020 | 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 at 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 degree of economics and master degree of business administration. He is competent to the company secretary in the aspects of academics, professional qualification and work experience. Meanwhile, Mr. Jin is a member of the senior management who can well know daily operation so as to ensure the effective communication between the Directors and other senior management and help the Board strengthen corporate governance mechanism construction.

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

The duties 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 inquiries 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 inquire 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 nearly 600 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, fairness, accuracy and completeness of information disclosure and has ensured the disclosed information simple, clear, easy to understand, and complies with the Hong Kong Listing Rules. The Company has set up standardized and effective information collection, compilation, examination, disclosure and feedback control procedures to ensure that the 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 chief financial officer of the Company shall ensure the financial report and related information disclosed are a true, accurate, fair and complete reflection of the Company's business operations and financial status, applying the applicable accounting standards and relevant rules and regulations. The Company, through its website, realizing simultaneous disclosure of the Company's extraordinary announcements, periodic reports on the websites of the stock exchanges and the statutory media, provides investors with up-to-date information of the Company, the improved status of the corporate governance system and the industrial information.

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

## (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 responsibilities for preparing the accounts for the year ended 31 December 2019 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 | Interest rate | Way to repay capital and interest | Trade place |
|---|---|---|---|---|---|---|---|---|
| 2012 Corporate Bond of Yanzhou Coal (first tranche) | 12YanzhouCoal02 | 122168 | 2012/7/23 | 2022/7/23 | 40 | 4.95% | Interest paid once a year, the entire principal repaid at one time at maturity, the final interest paid together with the principal. | Shanghai Stock Exchange |
| 2012 Corporate Bond of Yanzhou Coal (second tranche) | 12YanzhouCoal04 | 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) | 17YanzhouCoalY1 | 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 YanzhouCoalY1 | 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 |
| 2020 Corporate Bond of Yanzhou Coal (first tranche) | 20YanzhouCoal01 | 163234 | 2020/3/12 | 2023/3/12 | 3 | 2.99% | 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 |
| 2020 Corporate Bond of Yanzhou Coal (first tranche) | 20YanzhouCoal02 | 163235 | 2020/3/12 | 2025/3/12 | 27 | 3.43% | 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 |
| 2020 Corporate Bond of Yanzhou Coal (first tranche) | 20YanzhouCoal03 | 163236 | 2020/3/12 | 2030/3/12 | 20 | 4.29% | 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 |

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

### Principal and interest payment of corporate bonds

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

### Other explanation of corporate bond issues

Not applicable.

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

| | | |
|---|---|---|
| Bond trustee | Name | BOC International China Limited ("BOC International") |
| | Office address | 7/F, No.110 Xidan North Avenue, Xicheng District, Beijing, PRC |
| | Contact person | He Yinhui |
| | Contact number | 021-20328000 |
| Bond trustee | Name | Ping An Securities Co., Ltd. ("Ping An Securities") |
| | Office address | Floor16-20, Rongchao Building No.4036 Jintian Road, Futian District, Shenzhen, PRC |
| | Contact person | Zhou Ziyuan |
| | Contact number | 010-66299579 |
| Bond trustee | Name | Haitong Securities Co., Ltd. ("Haitong Securities") |
| | Office address | No.689 Guangdong Road, Shanghai, PRC |
| | Contact person | Du Xiaohui, Geng Yun |
| | Contact number | 010-88027267 |
| Credit rating agency | Name | Dagong Global Credit Rating Co., Ltd. ("Dagong Global") |
| | Office address | 29/F, A Tower, Eagle Run Plaza, No.26 Xiaoyun Road, Chaoyang District, Bejing |
| Credit rating agency | Name | China Chengxin Securities Rating Co., Ltd. ("China Chengxin") |
| | Office address | 21/F, An Ji Plaza, No.760 Xizang South Road, Shanghai, China |
| Credit rating agency | Name | Golden Credit Rating International Co., Ltd. ("Golden Credit Rating") |
| | Office address | 11-12/F, South Tower, Building 1, No.3 Chaowai West Street, Chaoyang District, Bejing |

Other explanation

The bond trustee for the 2012 corporate bond of Yanzhou Coal (first tranche) and the 2012 corporate bond of Yanzhou Coal (second tranche) is BOC International, and the credit rating agency is Dagong Global.

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.

The bond trustee for the 2020 Corporate Bond of Yanzhou Coal (first tranche) is Haitong Securities, and the credit rating agency is Golden Credit Rating.

## III. USE OF PROCEEDS BY CORPORATE BONDS

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

The bond balance of 12 Yanzhou Coal 02 was RMB4 billion. The bond balance at the end of the year of 12 Yanzhou Coal 02 was RMB3.05 billion.

The proceeds raised by the issuance of bonds of 17 Yanzhou Coal Y1 and 18 Yanzhou Coal Y1 are RMB5 billion, respectively, with RMB10 billion (before deducting issuing expenses) funds raised in total. The whole proceeds were used to replenish working capital including technical improvement for old mines, construction on new mines, coal mining, procurement and repair for preparation equipment, and the continuous input to ensure the safety production of coal mines. The utilization and use plan keep consistent with the prospectus.

The bond balance of 17 Yanzhou Coal Y1 was RMB5 billion. The bond balance at the end of the year of 18 Yanzhou Coal Y1 was RMB5 billion.

The proceeds raised by the issuance of bonds of 20 Yanzhou Coal 01, 20 Yanzhou Coal 02 and 20 Yanzhou Coal 03 are RMB0.3 billion, RMB2.7 billion and RMB2.0 billion, respectively, with RMB5.0 billion (before deducting issuing expenses) funds raised in total. The whole proceeds were used to repay interest-bearing debt and replenish working capital. The utilization and use plan keep consistent with the commitment in the prospectus.

The bond balance of 20 Yanzhou Coal 01, 20 Yanzhou Coal 02 and 20 Yanzhou Coal 03 are RMB0.3 billion, RMB2.7 billion and RMB2.0 billion, respectively.

## IV. INFORMATION OF CREDIT RATING OF CORPORATE BOND

1. On 24 April 2019, the track ratings made by Dagong Global based on the conditions of the Company were as follows: the long-term credit rating to the Company remains AAA and the rating is expected to remain stable; the credit ratings to 12 Yanzhou Coal 02 and 12 Yanzhou Coal 04 remain AAA. The relevant information was published on the website of the Shanghai Stock Exchange and the website of the Company on 26 April 2019 respectively. The credit ratings remain unchanged, which indicates that the risk of bonds unable to repay at maturity is very small.

2. On 28 May 2019, China Chengxin issued the following track ratings for 2017 Renewable Corporate Bond of Yanzhou Coal (first tranche) and 2018 Renewable Corporate Bond of Yanzhou Coal (first tranche) according to the Company's situation: the main credit rating to the Company remains AAA and the rating is expected to remain stable; the credit ratings to 17 Yanzhou Coal Y1 and 18 Yanzhou Coal Y1 remain AAA. The relevant information was published on the website of the Shanghai Stock Exchange and the website of the Company on 30 May 2019 respectively. The credit ratings remain unchanged, which indicates that the risk of bonds unable to repay at maturity is very small.

3. On 25 October 2019, Golden Credit Rating issued the following track ratings for 2020 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 20 Yanzhou Coal 01, 20 Yanzhou Coal 02 and 20 Yanzhou Coal 03 remain AAA. The relevant information was published on the website of the Shanghai Stock Exchange and the website of the Company on 6 March 2020 respectively. The credit ratings indicate 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) are as follows:

Unit: RMB10 thousand

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| Net assets | **9,871,179** | 9,059,838 |
| Liability to asset ratio | **68.49%** | 70.53% |
| Return rate on net assets | **9.06%** | 6.25% |
| Current ratio | **1.04** | 1.05 |
| Liquidity ratio | **0.74** | 0.80 |
| Credit status of guarantor | **AAA** | AAA |
| Accumulative balance of external guarantee | **28,900** | 112,150 |
| Accumulative balance of external guarantee to net assets ratio | **0.29%** | 1.24% |

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 reporting period, 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) 100% equity of Yankuang Xinjiang Neng Hua Co., Ltd.; (5) 100% equity of Zhongyin Real 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 (in case of statutory holidays or rest days, it is postponed to the first trading day). The maturity date of 12 Yanzhou Coal 02 is on 23 July 2022. The principal and the interest for the final tranche should be paid on the maturity date.

The value date of 12 Yanzhou Coal 04 is on 3 March 2014. Bond interest will be paid once a year within the duration from the value date. The payment date of 12 Yanzhou Coal 04 for the previous interest year from 2015 to 2024 is on 3 March (in case of statutory holidays or rest days, it is postponed to the first trading day). The maturity date of 12 Yanzhou Coal 04 is on 3 March 2024. The principal and the interest for the final tranche should be paid on the maturity date.

The value date of 17 Yanzhou Coal Y1 is on 17 August 2017. If the Company does not exercise the right of deferred payment of interest, the bond interest will be paid 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 17 Yanzhou Coal Y1 will be extended for one cycle from the interest payment date of the year, if the Company chooses to pay the bond in full during the renewal option exercise year, the interest payment date of the interest-bearing year will be the date on which 17 Yanzhou Coal Y1 is redeemed.

The value date of 18 Yanzhou Coal Y1 is on 26 March 2018. If the Company does not exercise the right of deferred payment of interest, the bond interest will be paid 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 18 Yanzhou Coal Y1 will be extended for one cycle from the interest payment date of the year, if the Company chooses to pay the bond in full during the renewal option exercise year, the interest payment date of the interest-bearing year will be the date on which 18 Yanzhou Coal Y1 is redeemed.

The value date of 20 Yanzhou Coal 01 is on 12 March 2020. Bond interest will be paid once a year within the duration from the value date. The payment date of 20 Yanzhou Coal 01 for the previous interest year from 2020 to 2023 is on 12 March (in case of statutory holidays or rest days, it is postponed to the first trading day). The maturity date of 20 Yanzhou Coal 01 is on 12 March 2023. The principal and the interest for the final tranche should be paid on the maturity date.

The value date of 20 Yanzhou Coal 02 is on 12 March 2020. Bond interest will be paid once a year within the duration from the value date. The payment date of 20 Yanzhou Coal 02 for the previous interest year from 2020 to 2025 is on 12 March (in case of statutory holidays or rest days, it is postponed to the first trading day). The maturity date of 20 Yanzhou Coal 02 is on 12 March 2025. The principal and the interest for the final tranche should be paid on the maturity date.

The value date of 20 Yanzhou Coal 03 is on 12 March 2020. Bond interest will be paid once a year within the duration from the value date. The payment date of 20 Yanzhou Coal 03 for the previous interest year from 2020 to 2030 is on 12 March (in case of statutory holidays or rest days, it is postponed to the first trading day). The maturity date of 20 Yanzhou Coal 03 is on 12 March 2030. The principal and the interest for the final tranche should be paid on the maturity date.

The payment of principal and interest for 12 Yanzhou Coal 02, 12 Yanzhou Coal 04, 20 Yanzhou Coal 01, 20 Yanzhou Coal 02 and 20 Yanzhou Coal 03 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.

### 3. Debt repayment supporting plan

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

(1) to establish specialized team for debt payment;

(2) to ensure that the fixed fund is used for its specified purpose only;

(3) to give full play to the role of bond trustee;

(4) to formulate the rules for bond holders meeting;

(5) to 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 do not distribute profits to shareholders; ② postpone the implementation of significant external investment, merger and acquisition and other capital expenditure projects; ③ reduce or suspend the salaries and bonuses for Directors and senior management; ④ main responsibility person cannot be changed.

### 4. Special account for debt payment

The Company did not 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 for the year 2018 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 for the year 2018 and temporary entrusted management businesses for the year 2019 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). Reports on entrusted management businesses for the year 2018 and temporary entrusted management businesses for the year 2019 have been disclosed by Ping An Securities and posted on the website of the Shanghai Stock Exchange.

4. The Company and Haitong Securities entered into the Agreement on Bond Entrusted Management in June 2019, according to which, Haitong Securities was appointed as the trustee of the 2020 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 10 thousand

| Main Indicators | 2019 | 2018 | Increase/Decrease for the period compared with that of the same period of previous year (%) |
|---|---|---|---|
| EBITDA | **2,503,432** | 2,658,709 | -5.84 |
| Current ratio | **0.87** | 1.12 | -22.32 |
| Liquidity ratio | **0.72** | 0.97 | -25.77 |
| Liability to asset ratio (%) | **59.81** | 58.29 | increased by 1.52 percentage points |
| Total debt to EBITDA ratio | **2.61** | 2.57 | 1.56 |
| Interest cover ratio | **5.37** | 5.16 | 4.07 |
| Cash interest cover ratio | **8.24** | 7.43 | 10.90 |
| EBITDA interest cover ratio | **8.00** | 7.36 | 8.70 |
| Loan repayment rate (%) | **100** | 100 | 0 |
| Interest coverage (%) | **100** | 100 | 0 |

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

The Company, as arranged, have repaid the principals and interests for the 10-year-term USD bonds issued in 2012, USD perpetual bonds issued in 2017, 3-year-term USD bonds issued in 2018, medium term notes issued in 2018 and 3 tranches of super-short-term bonds issued during the reporting period, and no default occurred.

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

As at 31 December 2019, the total bank credit facility of the Group was RMB118.968 billion, of which, RMB56.677 billion has been used and RMB62.291 billion remained unused. In 2019, the Group repaid the principal and interest of bank loan amounting to RMB19.696 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 "Chapter 6 Significant Events" in this annual report.

The abovementioned significant events had no great effects on the Company's operation and did not influence the Company's debt payment ability to investors as the Company operates stably and has smooth 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 309, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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.

## IMPAIRMENT OF INTANGIBLE ASSETS

Refer to note 23 to the consolidated financial statements.

**The key audit matter**

We have identified the impairment of intangible assets as a key audit matter because of its significance to the consolidated financial statements and because the Group's assessment of impairment of intangible assets is a 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.

**How the matter was addressed in our audit**

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

We have also considered the overall reasonableness of these forecasts.

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

## IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Refer to note 24 to the consolidated financial statements.

**The key audit matter**

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

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

**How the matter was addressed in our audit**

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

We have also considered the overall reasonableness of these forecasts.

## IMPAIRMENT ASSESSMENT ON GOODWILL

Refer to note 26 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 an appropriate discount rate in order to derive the value in use.<br><br>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.<br><br>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
22 April 2020

Chapter 12

# Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2019*

| | NOTES | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| Gross sales of coal | 7 | **63,777,065** | 62,428,313 |
| Railway transportation service income | | **382,545** | 420,303 |
| Gross sales of electricity power | | **583,458** | 592,077 |
| Gross sales of methanol | | **2,863,438** | 3,494,892 |
| Gross sales of heat supply | | **32,859** | 34,324 |
| Gross sales of equipment manufacturing | | **165,279** | 477,195 |
| Total revenue | | **67,804,644** | 67,447,104 |
| Transportation costs of coal | 7 | **(3,763,957)** | (3,751,061) |
| Cost of sales and services provided | 8 | **(40,176,591)** | (36,177,841) |
| Cost of electricity of power | | **(498,064)** | (545,608) |
| Cost of methanol | | **(2,150,962)** | (2,298,851) |
| Cost of heat supply | | **(20,452)** | (18,699) |
| Cost of equipment manufacturing | | **(165,132)** | (348,506) |
| Total cost of sales | | **(46,775,158)** | (43,140,566) |
| Gross profit | | **21,029,486** | 24,306,538 |
| Selling, general and administrative expenses | 9 | **(8,777,402)** | (10,659,581) |
| Share of results of associates | | **1,710,082** | 1,296,207 |
| Share of results of joint ventures | | **(135,352)** | 238,101 |
| Other income and gains | 10 | **3,911,262** | 4,362,227 |
| Finance costs | 11 | **(2,751,234)** | (3,612,394) |
| Profit before tax | 13 | **14,986,842** | 15,931,098 |
| Income tax expenses | 12 | **(3,160,063)** | (4,608,406) |
| Profit for the year | | **11,826,779** | 11,322,692 |
| Attributable to: | | | |
| Equity holders of the Company | | **9,388,645** | 8,582,556 |
| Owners of perpetual capital securities | 44 | **580,181** | 607,095 |
| Non-controlling interests | | | |
| – Perpetual capital securities | 44 | **200,566** | 202,733 |
| – Other | | **1,657,387** | 1,930,308 |
| | | **11,826,779** | 11,322,692 |
| Earnings per share, basic and diluted | 16 | **RMB1.91** | RMB1.75 |

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2019*

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Profit for the year | **11,826,779** | 11,322,692 |
| **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") | **(623)** | (148) |
| Income tax relating to item that will not be reclassified subsequently | **156** | 37 |
| | **(467)** | (111) |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Cash flow hedges: | | |
| Cash flow hedge amounts recognised in other comprehensive income | **111,593** | (1,078,397) |
| Reclassification adjustments for amounts transferred to income statement (included in revenue) | **586,111** | 661,151 |
| Deferred taxes | **(209,311)** | 125,174 |
| | **488,393** | (292,072) |
| Share of other comprehensive income of associates | **184,490** | 158,010 |
| Exchange difference arising on translation of foreign operations | **439,816** | (1,988,952) |
| Other comprehensive income (expense) for the year | **1,112,232** | (2,123,125) |
| Total comprehensive income for the year | **12,939,011** | 9,199,567 |
| Attributable to: | | |
| Equity holders of the Company | **10,180,924** | 7,148,709 |
| Owners of perpetual capital securities | **580,181** | 607,095 |
| Non-controlling interests | | |
| – Perpetual capital securities | **200,566** | 202,733 |
| – Other | **1,977,340** | 1,241,030 |
| | **12,939,011** | 9,199,567 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2019*

| | NOTES | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **Current assets** | | | |
| Bank balances and cash | 17 | **22,789,951** | 27,372,942 |
| Pledged term deposits | 17 | **210,000** | 1,913,231 |
| Restricted cash | 17 | **4,273,655** | 3,436,572 |
| Bills and accounts receivables | 18 | **7,598,163** | 9,157,262 |
| Long-term receivables – due within one year | 29 | **1,355,851** | 1,571,284 |
| Royalty receivable | 19 | **120,538** | 134,544 |
| Inventories | 20 | **6,007,309** | 4,068,995 |
| Prepayments and other receivables | 21 | **20,339,819** | 16,873,188 |
| Prepaid lease payments | 22 | **–** | 29,718 |
| Derivative financial instruments | 40 | **36,114** | – |
| | | **62,731,400** | 64,557,736 |
| Assets classified as held for sale | 34 | **217,644** | 272,902 |
| | | **62,949,044** | 64,830,638 |
| **Non-current assets** | | | |
| Intangible assets | 23 | **51,958,569** | 47,868,989 |
| Prepaid lease payments | 22 | **–** | 1,275,029 |
| Property, plant and equipment | 24 | **44,995,450** | 45,296,120 |
| Right-of-use assets | 25 | **1,739,438** | – |
| Construction in progress | 27 | **16,288,401** | 10,896,287 |
| Prepayments for property, plant and equipment and intangible assets | | **1,860,196** | 1,224,943 |
| Goodwill | 26 | **1,655,090** | 1,651,211 |
| Investments in securities | 33 | **156,720** | 162,086 |
| Interests in associates | 28 | **17,115,439** | 16,023,709 |
| Interests in joint ventures | 31 | **518,956** | 660,221 |
| Long-term receivables – due after one year | 29 | **8,762,200** | 8,654,642 |
| Royalty receivable | 19 | **1,022,552** | 796,712 |
| Deposits made on investments | 30 | **117,926** | 117,926 |
| Deferred tax assets | 42 | **1,620,590** | 6,545,102 |
| | | **147,811,527** | 141,172,977 |
| **Total assets** | | **210,760,571** | 206,003,615 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

*As at 31 December 2019*

| | NOTES | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Bills and accounts payables | 35 | **19,116,658** | 12,514,298 |
| Other payables and accrued expenses | 36 | **26,798,374** | 20,679,288 |
| Contract liabilities | 36 | **2,717,475** | 2,207,641 |
| Provision for land subsidence, restoration, rehabilitation and environmental costs | 37 | **50,940** | 2,327,177 |
| Amounts due to Parent Company and its subsidiaries | 50 | **1,093,707** | 929,654 |
| Borrowings – due within one year | 39 | **16,207,455** | 20,069,685 |
| Long term payables – due within one year | 41 | **4,070** | 122,388 |
| Provision | 38 | **54,368** | 135,876 |
| Derivative financial instruments | 40 | **148,554** | 1,254 |
| Lease liabilities | 25 | **156,852** | – |
| Tax payable | | **653,437** | 613,153 |
| | | **67,001,890** | 59,600,414 |
| **Non-current liabilities** | | | |
| Borrowings – due after one year | 39 | **49,168,036** | 48,608,238 |
| Deferred tax liabilities | 42 | **3,414,196** | 8,008,106 |
| Provision for land subsidence, restoration, rehabilitation and environmental costs | 37 | **1,991,782** | 1,425,053 |
| Provision | 38 | **1,091,640** | 1,187,229 |
| Lease liabilities | 25 | **328,072** | – |
| Long term payables – due after one year | 41 | **2,416,350** | 129,586 |
| | | **58,410,076** | 59,358,212 |
| **Total liabilities** | | **125,411,966** | 118,958,626 |
| **Capital reserves** | | | |
| Share capital | 43 | **4,912,016** | 4,912,016 |
| Reserves | 43 | **49,207,784** | 47,165,344 |
| Equity attributable to equity holders of the Company | | **54,119,800** | 52,077,360 |
| Owners of perpetual capital securities | 44 | **10,311,611** | 10,316,444 |
| Non-controlling interests | | | |
| – Perpetual capital securities | 44 | **3,417,351** | 3,417,351 |
| – Others | | **17,499,843** | 21,233,834 |
| | | **85,348,605** | 87,044,989 |
| **Total liabilities and equity** | | **210,760,571** | 206,003,615 |

The consolidated financial statements on pages 167 to 309 were approved and authorised for issue by the Board of Directors on 22 April 2020 and are signed on its behalf by:

**Li Xiyong**
*Director*

**Zhao Qingchun**
*Director*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2019*

| | Attributable to equity holders of the Company | | | | | | | | | | | Non-controlling interests | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (note 43) | Share premium RMB'000 | Capital reserve RMB'000 (note 43) | 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 | 4,912,016 | 2,967,947 | 514,658 | 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 income (expense) 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 income (expense) 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 i) | - | - | 27,495 | - | - | - | - | - | - | 27,495 | - | - | - | 1,355,689 | 1,383,184 |
| - Acquisition of additional interests in subsidiaries | - | - | (148,880) | - | - | - | - | - | - | (148,880) | - | - | - | 38,127 | (110,753) |
| - 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) | - | - | - | - | - | - |
| - Transactions with non-controlling interest (note iii) | - | - | - | - | - | - | - | - | - | - | - | - | - | 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) |
| - Recongnition of share based payment expense (note 47) | - | - | - | - | - | - | - | - | - | - | - | - | - | 33,097 | 33,097 |
| - Redemption of perpetual capital securities | - | - | - | - | - | - | - | - | - | - | (3,964,000) | - | - | - | (3,964,000) |
| - Redemption of Subordinated Capital Notes | - | - | - | - | - | - | - | - | - | - | - | - | (3,102) | - | (3,102) |
| - Others | - | - | - | - | - | - | - | - | (40,322) | (40,322) | - | - | - | - | (40,322) |
| 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 | 2,967,947 | 393,273 | 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 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

*For the year ended 31 December 2019*

| | Attributable to equity holders of the Company | | | | | | | | | | | | Non-controlling interests | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (note 43) | Share premium RMB'000 | Capital reserve RMB'000 (note 43) | Share option reserve 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) | Others RMB'000 | Total RMB'000 |
| At 1 January 2019 | 4,912,016 | 2,967,947 | 393,273 | - | 969,450 | 6,276,768 | (6,983,697) | 208,225 | (1,301,987) | 44,635,365 | 52,077,360 | 10,316,444 | 3,417,351 | 21,233,834 | 87,044,989 |
| Profit for the year | - | - | - | - | - | - | - | - | - | 9,388,645 | 9,388,645 | 580,181 | 200,566 | 1,657,387 | 11,826,779 |
| Other comprehensive income for the year: | | | | | | | | | | | | | | | |
| - Fair value change of equity instruments at FVTOCI | - | - | - | - | - | - | - | (467) | - | - | (467) | - | - | - | (467) |
| - Cash flow hedge reserve recognised | - | - | - | - | - | - | - | - | 276,986 | - | 276,986 | - | - | 211,407 | 488,393 |
| - Share of other comprehensive income from associates | - | - | - | - | - | - | - | 184,490 | - | - | 184,490 | - | - | - | 184,490 |
| - Exchange differences arising on translation of foreign operations | - | - | - | - | - | - | 331,270 | - | - | - | 331,270 | - | - | 108,546 | 439,816 |
| Total comprehensive income for the year | - | - | - | - | - | - | 331,270 | 184,023 | 276,986 | 9,388,645 | 10,180,924 | 580,181 | 200,566 | 1,977,340 | 12,939,011 |
| Transactions with owners | | | | | | | | | | | | | | | |
| - Issue of shares under global offering by a subsidiary (note i) | - | - | (49) | - | - | - | - | - | - | - | (49) | - | - | 2,565 | 2,516 |
| - Acquisition of additional interests in subsidiaries (note ii) | - | - | - | - | - | - | - | - | - | - | - | - | - | (8,000,000) | (8,000,000) |
| - Distribution paid to holders of perpetual capital securities | - | - | - | - | - | - | - | - | - | - | - | (585,014) | (200,566) | - | (785,580) |
| - Appropriations to reserves | - | - | - | - | - | 580,399 | - | - | - | (580,399) | - | - | - | - | - |
| - Dividends to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,223,842) | (1,223,842) |
| - Dividends | - | - | - | - | - | - | - | - | - | (7,564,505) | (7,564,505) | - | - | - | (7,564,505) |
| - Recognition of share based payment expenses (note 47) | - | - | - | 32,553 | - | - | - | - | - | - | 32,553 | - | - | (24,350) | 8,203 |
| - Transactions with non-controlling (note iii) | - | - | (606,483) | - | - | - | - | - | - | - | (606,483) | - | - | 3,534,296 | 2,927,813 |
| Total transactions with owners | - | - | (606,532) | 32,553 | - | 580,399 | - | - | - | (8,144,904) | (8,138,484) | (585,014) | (200,566) | (5,711,331) | (14,635,395) |
| At 31 December 2019 | 4,912,016 | 2,967,947 | (213,259) | 32,553 | 969,450 | 6,857,167 | (6,652,427) | 392,248 | (1,025,001) | 45,879,106 | 54,119,800 | 10,311,611 | 3,417,351 | 17,499,843 | 85,348,605 |

Note (i): For the year ended 31 December 2019 and 2018, the amount recorded in to capital reserve represented gain or loss on the dilution of the equity interests in Yancoal Australia Limited ("Yancoal Australia") as further set out in note 59(a).

(ii) During the year ended 31 December 2019, the Group acquired additional interests in certain non-wholly owned subsidiaries for an aggregate cash consideration of approximately RMB8 billion (2018: RMB110.8 million).

(iii) During the year ended 31 December 2019, the non-controlling shareholders of certain non-wholly owned subsidiaries made capital injection in aggregate of approximately RMB2,928 million (2018: RMB49 million) and resulted in approximately RMB600 million debited to capital reserves.

## CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 December 2019*

| | NOTES | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit before tax | | **14,986,842** | 15,931,098 |
| Adjustments for: | | | |
| Interest expenses | 11 | **2,751,234** | 3,612,394 |
| Interest income | 10 | **(847,057)** | (1,003,958) |
| Dividend income | 10 | **–** | (152,732) |
| Net unrealised foreign exchange loss | | **32,716** | 499,687 |
| 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 | **4,032,906** | 4,929,225 |
| Depreciation of right-of-use assets | 13 | **212,027** | – |
| Amortisation of intangible assets | 13 | **1,584,967** | 1,393,682 |
| Release of prepaid lease payments | 13 | **–** | 29,718 |
| Gain on disposal of an associate | 10 | **(101,950)** | – |
| Loss on disposal of property, plant and equipment, net | 9 | **50,237** | 9,046 |
| Impairment loss on bills and accounts receivables, net | 9 | **118,890** | 164,405 |
| Impairment loss on other receivables, net | 9 | **346,645** | 127,748 |
| Impairment loss on long-term receivables, net | 9 | **37,424** | 173,133 |
| Impairment loss on intangible assets | 9 | **147,464** | 289,787 |
| Impairment loss on inventories | 9 | **25,843** | 7,227 |
| Share of results of joint ventures | | **135,352** | (238,101) |
| Share of results of associates | | **(1,710,082)** | (1,296,207) |
| Share-based payment expenses | 13 | **8,203** | 33,097 |
| Loss (gain) on change in fair value of financial assets at FVTPL | 9,10 | **4,743** | (37,623) |
| Loss on change in fair value of derivative financial instruments | 9 | **111,112** | 28,466 |
| Gain on change in fair value of royalty receivable | 10 | **(157,112)** | (18,573) |
| Operating cash flows before movements in working capital | | **21,770,404** | 24,092,965 |
| (Increase) decrease in bills and accounts receivables | | **(1,507,306)** | 4,072,302 |
| Increase in inventories | | **(1,948,493)** | (925,670) |
| Movement in provision for land subsidence, restoration, rehabilitation and environmental cost | | **(1,783,636)** | (168,919) |
| Decrease in provisions | | **(255,557)** | (513,547) |
| Increase in prepayments and other receivables | | **(1,713,568)** | (6,474,318) |
| (Increase) decrease in royalty receivable | | **93,689** | 155,700 |
| Increase in bills and accounts payables | | **6,560,842** | 3,404,394 |
| (Decrease) increase in other payables and accrued expenses | | **173,247** | 833,998 |
| Increase (decrease) in contract liabilities | | **509,834** | (361,743) |
| Increase in amount due to Parent Company and its subsidiaries | | **164,053** | 236,640 |
| Decrease in long-term payables | | **(181,789)** | – |
| Cash generated from operations | | **21,881,720** | 24,351,802 |
| Income taxes paid | | **(2,789,177)** | (3,373,071) |
| Interest paid | | **(3,354,897)** | (3,693,012) |
| Interest received | | **673,556** | 957,592 |
| **NET CASH FROM OPERATING ACTIVITIES** | | **16,411,202** | 18,243,311 |

## CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

*For the year ended 31 December 2019*

| | NOTES | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|---|
| **INVESTING ACTIVITIES** | | | |
| Withdrawal of term deposits | | **1,703,231** | 1,710,404 |
| (Placement) withdrawal of restricted cash | | **(837,083)** | 434,789 |
| Purchase of property, plant and equipment | | **(1,788,436)** | (4,565,675) |
| Payments for construction in progress | | **(4,199,736)** | (5,192,365) |
| Purchase of intangible assets | | **(2,789,889)** | (16,639) |
| Payments for prepaid land lease payments | | **–** | (80,690) |
| Payments for right-of-use assets | | **(38,100)** | – |
| Increase in deposit paid for property, plant and equipment | | **(1,860,196)** | (319,295) |
| Proceeds from disposal of financial assets at amortised cost | | **–** | 69,427 |
| Proceeds for disposal of property, plant and equipment | | **831,878** | 3,478,879 |
| Proceeds from disposal of prepaid lease payments | | **–** | 20,006 |
| Investments in securities | | **–** | (1,731,520) |
| Proceed from disposal of investments in securities | | **–** | 203,146 |
| Investments in associates | | **(352,755)** | (2,357,211) |
| Payments for acquisition of interests in subsidiaries | | **–** | (77,656) |
| Settlement of payables for acquisition of subsidiaries | | **(1,694,438)** | (862,062) |
| Settlement of non-contingent royalty payable | | **–** | (564,540) |
| Proceed from disposal of assets classified as held for sale | | **58,257** | – |
| Proceed from disposal of a joint venture | | **4,900** | – |
| Proceed from disposal of an associate | | **784,560** | 4,944 |
| Investment in a joint venture | | **–** | (40,000) |
| Loan receivables advanced | | **(2,888,751)** | (1,963,809) |
| Repayment of loan receivables | | **1,058,383** | 550,050 |
| 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 | | **16,116** | 187,932 |
| Dividend received from a joint venture | | **–** | 1,712 |
| Dividend received from associates | | **624,123** | 218,101 |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **(11,367,936)** | (10,171,955) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | | **17,466,315** | 21,736,560 |
| Repayment of borrowings | | **(17,054,738)** | (22,674,613) |
| Proceeds from issuance of guaranteed notes | | **8,000,000** | 14,271,160 |
| Proceeds from issuance of perpetual capital securities | | **–** | 4,962,500 |
| Customers' deposits for financing business received | | **6,562,462** | 1,826,603 |
| Redemption of perpetual capital securities | | **–** | (3,964,000) |
| Repayment of guaranteed notes | | **(11,949,984)** | (15,261,013) |
| Dividends paid | | **(5,688,465)** | (2,355,848) |
| Repayment of lease liabilities | | **(185,592)** | – |
| Distribution paid to holders of perpetual capital securities and subordinated capital notes | | **(785,580)** | (741,533) |
| Redemption of subordinated capital notes | | **–** | (3,102) |
| Dividend paid to non-controlling shareholders | | **(1,223,842)** | (1,120,123) |
| Payments for acquisition of additional interests in non-controlling subsidiaries | | **(8,000,000)** | – |
| Proceeds from issue of shares under global offering by a subsidiary | | **2,516** | 1,383,184 |
| Proceeds from issue of shares by a subsidiary | | **–** | – |
| Contribution from non-controlling interests | | **2,927,813** | 49,000 |
| **NET CASH USED IN FINANCING ACTIVITIES** | | **(9,929,095)** | (1,891,225) |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | | **(4,885,829)** | 6,180,131 |
| **CASH AND CASH EQUIVALENTS AT 1 JANUARY** | | **27,372,942** | 21,073,256 |
| Effect of foreign exchange rate | | **302,838** | 119,555 |
| **CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTED BY BANK BALANCES AND CASH** | | **22,789,951** | 27,372,942 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2019*

## 1. GENERAL

Yanzhou Coal Mining Company Limited (the "Company") is established as a joint stock company with limited liability in the People's Republic of China (the "PRC"). In April 2001, the status of the Company was changed to that of a Sino-foreign joint stock limited company. The Company's A shares are listed on the Shanghai Stock Exchange ("SSE") while its H shares are listed on The Stock Exchange of Hong Kong Limited (the "SEHK"). 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.

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 59, 28, 31 and 32 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 SEHK (the "Listing Rules").

The consolidated financial statements have been prepared on a going concern basis notwithstanding the Group had net current liabilities of approximately RMB4,052,846,000 as at 31 December 2019.

In the opinion of the directors of the Company, the Group should be able to maintain itself as a going concern in the next twelve months from 31 December 2019 by taking into consideration the followings:

– The directors of the Company anticipate that the Group will generate positive cash flows from its operations; and

– The undrawn borrowings facilities available for immediate use.

## 2. BASIS OF PREPARATION AND PRESENTATION (Continued)

Based on the above, the directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations when they fall due for the next twelve months from 31 December 2019. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

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

The adoption of IFRS 16 resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarises 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.

### 3.1 Impacts on adoption of IFRS 16 Leases

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 4. Comparative information has not been restated and continues to be reported under IAS 17 Leases.

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

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

### 3.1 Impacts on adoption of IFRS 16 Leases (Continued)

*The Group as lessee*

*Operating lease*

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

As at 1 January 2019, the Group recognises right-of-use assets and measures them at an amount equal to the related lease liability, adjusted by the amount of any prepaid or accrued lease payments.

*Finance lease*

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

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

| | *Notes* | Carrying amount previously reported at 31 December 2018 RMB'000 | Impact on adoption of IFRS 16 RMB'000 | Carrying amount as restated at 1 January 2019 RMB'000 |
|---|---|---|---|---|
| Property, plant and equipment | (c) | 45,296,120 | (345,172) | 44,950,948 |
| Right-of-use assets | (a),(b)&(c) | – | 2,002,460 | 2,002,460 |
| Lease liabilities | (a)&(c) | – | (557,854) | (557,854) |
| Prepaid lease payments | (b) | 1,304,747 | (1,304,747) | – |
| Borrowings | (c) | (68,677,923) | 205,313 | (68,472,610) |

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

### 3.1 Impacts on adoption of IFRS 16 Leases (Continued)

*The Group as lessee (Continued)*

Notes:

(a) As at 1 January 2019, right-of-use assets in relation to leased properties previously under operating leases were measured at an amount equal to the lease liability of approximately RMB352,541,000.

(b) Prepaid lease payments of approximately RMB1,304,747,000 which represent the upfront payments for leasehold lands in the PRC as at 31 December 2018 was reclassified to right-of-use assets.

(c) The obligations under finance leases of approximately RMB205,313,000 previously included in borrowings as at 31 December 2018 are now included within lease liabilities under IFRS 16. The carrying amount of the related assets under finance leases amounting to approximately RMB345,172,000 is reclassified to right-of-use assets.

*Practical expedients applied*

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

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

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

### 3.1 Impacts on adoption of IFRS 16 Leases (Continued)

*Practical expedients applied (Continued)*

Differences between operating lease commitments as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

| | RMB'000 |
|---|---|
| Operating lease commitment disclosed as at 31 December 2018 | 457,620 |
| Less: Short-term leases and other leases with remaining lease term ended on or before 31 December 2019 | (78,638) |
| | 378,982 |
| Lease liabilities discounted using the incremental borrowing rates at 1 January 2019 | 352,541 |
| Add: Finance lease liabilities recognised under IAS 17 as at 31 December 2018 | 205,313 |
| Lease liabilities recognised as at 1 January 2019 | 557,854 |
| Analysed as | |
| Current portion | 139,632 |
| Non-current portion | 418,222 |
| | 557,854 |

*New and amendments to IFRSs issued but not yet effective*

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

| | |
|---|---|
| IFRS 17 | Insurance Contracts[2] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to IFRS 3 | Definition of a Business[5] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-Current[3] |
| Amendments to IAS 1 and IAS 8 | Definition of Material[1] |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | Interest Rate Benchmark Reform[1] |
| Conceptual Framework for Financial Reporting 2018 | Revised Conceptual Framework for Financial Reporting[1] |

[1] Effective for annual periods beginning on or after 1 January 2020

[2] Effective for annual periods beginning on or after 1 January 2021

[3] Effective for annual periods beginning on or after 1 January 2022

[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 the application of the new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

## 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.

The Group reassesses 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 ceases 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

#### *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 2019) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

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

### Business combination

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combination (Continued)

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

– deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 *Income Taxes*;

– assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 *Employee Benefits*;

– liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

– 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; and

– lease liabilities are measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combination (Continued)

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.

### 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments in associates and joint ventures (Continued)

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 there is an objective evidence that the net investment in the associate or joint venture is impaired. 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 is not allocated to any asset, including goodwill, that forms part of the carrying amount of the net 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. 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.

## 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 these 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 Group's activity is attributed.

### Revenue recognition

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 recognises 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)

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 or enhances an asset that the customer controls as the asset is created or 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)

*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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Intangible assets

*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. Mining reserves are amortised over the life of the mine on a unit of production basis of the estimated total proven and probable reserves. 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.

### Property, plant and equipment

Property, plant and equipment (including right-of-use assets), other than construction in progress and freehold land, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Freehold lands are not depreciated and measured at cost less subsequent accumulated impairment loss.

***Ownership interests in leasehold land and buildings***

For payments of ownership interest of properties which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

To the extend the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application IFRS 16) in the consolidated statement of financial position.

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment (Continued)

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.

### Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

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 on a pro-rata on the basis of based on 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Overburden in advance (Continued)

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.

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

Deferred tax is recognised on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, interest in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they 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.

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leasing

***(Accounting Policy applicable on or after 1 January 2019)***

*Definition of a lease*

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

*The Group as lessee*

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

Lease liabilities

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

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leasing (Continued)

***(Accounting Policy applicable on or after 1 January 2019) (Continued)***

*The Group as lessee (Continued)*

Lease liabilities (Continued)

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

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under IAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leasing (Continued)

***(Accounting Policy applicable on or after 1 January 2019) (Continued)***

*The Group as lessee (Continued)*

Right-of-use assets (Continued)

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Allocation of consideration to components of a contract

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

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

Lease modification

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

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

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Accounting Policy applicable prior to 1 January 2019

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.

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Borrowing costs (Continued)

All other borrowings costs are recognised as expenses in the period in which they are incurred.

### Foreign currencies

In the individual financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e., the currency of the primary environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

In the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi) at the rate of exchange prevailing at the reporting date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

### 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Government grants (Continued)

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.

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, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. 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.

*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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

*Financial assets (Continued)*

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.

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

***Financial assets (Continued)***

*Financial assets at amortised cost (debt instruments) (Continued)*

(i) Amortised cost and effective interest method (Continued)

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).

*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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

***Financial assets (Continued)***

*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 46c.

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

*Financial assets (Continued)*

*Impairment of financial assets (Continued)*

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.

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

***Financial assets (Continued)***

*Impairment of financial assets (Continued)*

Significant increase in credit risks (Continued)

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.

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)

*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)

***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)

***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 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.

*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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

***Financial liabilities and equity instruments (Continued)***

*Financial liabilities (Continued)*

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.

***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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

*Hedge accounting (Continued)*

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.

*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.

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.

*Offsetting financial instruments*

Financial assets and liabilities of the Group are offset and the net amount presented in the consolidated statement of financial position when, and only when, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Share-based payment transactions

*Share options granted to employees*

***Equity-settled share-based payment transactions***

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options 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 share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to other reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

*Cash-settled share-based payment transactions*

For cash-settled share-based payments, a liability is recognised for goods or services acquired, measured initially at the fair value of the liability. At the end of the reporting period, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognised in profit or loss for the year.

In case of share options granted by a subsidiary, the share options reserve of the subsidiary is classified as and grouped under non-controlling interests by the Group on consolidation. At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium of that subsidiary. The Group will account for the dilution as an equity transaction if the exercise of share options does not constitute a loss of the Group's control over that subsidiary.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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:

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)

### Critical judgement in applying accounting policies (Continued)

*Going concern consideration*

The assessment of the going concern assumptions involves making judgements by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions are set out in note 2 to the consolidation financial statements.

*Significant influence over associates*

As per note 28, 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 4.39%, 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 though it owns less than 20% of the ownership interest and voting control taking 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 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 followings 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 mining structures*

The cost of mining structures (note 24) is depreciated using the unit of production method based on the estimated total production volume for which the structure was designed. The management exercises their judgement in estimating the useful lives of the mining structures and the estimated total 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.

## 5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty (Continued)

*Amortisation of assets*

Mining reserve (note 23) is amortised based on unit of production basis. The expensing of overburden removal costs is based on saleable coal production over estimated economically recoverable reserves. The useful lives are estimated on the basis of the total proven and probable reserves of the mine. Proven and probable mining reserve estimates are updated at regular intervals and have taken into account recent production and technical information about each mine.

*Provision for land subsidence, restoration, rehabilitation and environmental costs*

The provision (note 37) is reviewed regularly to verify that it properly reflects the remaining obligation arising from the current and past mining activities. Provision for land subsidence, restoration, rehabilitation and environmental costs are determined by the management based on their best estimates of the current and future costs, latest government policies and past experience.

### 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 2019, the carrying amount of goodwill is RMB1,655,090,000 (2018: RMB1,651,211,000). During the year ended 31 December 2019, no impairment loss on goodwill (2018: nil) was recognised by the Group. Details of the Group's impairment assessment on goodwill are set out in note 26.

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.

## 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 2019, the carrying amount of property, plant and equipment is approximately RMB44,995,450,000 (2018: RMB45,296,120,000). During the year ended 31 December 2019, no impairment loss on property, plant and equipment (2018: nil) was recognised by the Group.

As at 31 December 2019, the carrying amount of intangible assets is approximately RMB51,958,569,000 (2018: RMB47,868,989,000). During the year ended 31 December 2019, an impairment loss on intangible assets of approximately RMB147,464,000 (2018: RMB289,787,000) 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.

## 5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Impairment of bills and accounts receivables, other receivables and long-term receivables

The impairment provisions for bills and accounts receivables, other receivables and long-term receivables are based on assumptions about expected credit loss. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the 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. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

At 31 December 2019, the carrying amount of bills and accounts receivables is approximately RMB7,598,163,000 (2018: RMB9,157,262,000), net of accumulated impairment losses of approximately RMB482,331,000 (2018: RMB401,648,000).

At 31 December 2019, the carrying amount of other receivables is approximately RMB13,581,816,000 (2018: RMB9,158,687,000), net of accumulated impairment losses of approximately RMB769,779,000 (2018: RMB423,134,000).

At 31 December 2019, the carrying amount of long-term receivables is approximately RMB10,118,051,000 (2018: RMB10,225,926,000), net of accumulated impairment losses of approximately RMB234,354,000 (2018: RMB196,930,000).

## 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, Minmetals Trading or Shanxi Coal Corporation. The exploitation right of the Group's foreign subsidiaries is not restricted. 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.

## 6. SEGMENT INFORMATION (Continued)

Principal activities are as follows:

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

The accounting policies of the reportable segments are same as the Group's accounting policies described in note 4. Segment results represents the results of each segment without allocation of corporate expenses and directors' emoluments, share of results of associates and joint ventures, interest income, interest expenses and income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Unallocated corporate income for the years ended 31 December 2019 and 2018 mainly included gain on sales of materials and sundry items.

Unallocated corporate expenses for the years ended 31 December 2019 and 2018 mainly included bank charges, salaries and other employee benefits, miscellaneous taxes and sundry items.

Unallocated corporate assets at 31 December 2019 and 2018 mainly included certain bank balances and cash, investments in securities, deferred tax assets and sundry items.

Unallocated corporate liabilities at 31 December 2019 and 2018 mainly included borrowings, dividend payables, 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 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 |
| SEGMENT REVENUE | | | | | | | |
| External | 63,777,065 | 382,545 | 3,479,755 | 165,279 | – | – | 67,804,644 |
| Inter-segment | 5,507,545 | 77,103 | 429,647 | 815,176 | – | (6,829,471) | – |
| Total | 69,284,610 | 459,648 | 3,909,402 | 980,455 | – | (6,829,471) | 67,804,644 |

## 6. SEGMENT INFORMATION (Continued)

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

| | For the year ended 31 December 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | 14,951,626 | 143,446 | 568,844 | 147 | – | – | 15,664,063 |
| Unallocated corporate expenses | – | – | – | – | – | – | (3,324,714) |
| Unallocated corporate income | – | – | – | – | – | – | 3,024,360 |
| Interest income | – | – | – | – | – | – | 799,637 |
| Share of results of associates | 605,155 | 146,845 | 16,423 | – | 941,659 | – | 1,710,082 |
| Share of results of joint ventures | (135,352) | – | – | – | – | – | (135,352) |
| Finance costs | – | – | – | – | – | – | (2,751,234) |
| Profit before tax | | | | | | | 14,986,842 |
| Income tax expenses | | | | | | | (3,160,063) |
| Profit for the year | | | | | | | 11,826,779 |

| | 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 |
| 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 |

## 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 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 |

The revenue for the years ended 31 December 2019 and 2018 represented revenue from contracts with customers within the scope of IFRS 15.

Disaggregation of revenue from contracts with customers by timing of recognition

| | **Year ended 31/12/2019 RMB'000** | Year ended 31/12/2018 RMB'000 |
|---|---|---|
| **Timing of revenue recognition** | | |
| At a point in time | **67,804,644** | 67,447,104 |

## 6. SEGMENT INFORMATION (Continued)

### (b) Segment assets and liabilities

| | As at 31 December 2019 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | 140,299,628 | 522,924 | 18,190,949 | 5,025,645 | – | 164,039,146 |
| Interests in associates | 3,963,236 | 2,177,992 | 1,029,771 | – | 9,944,440 | 17,115,439 |
| Interests in joint ventures | 518,956 | – | – | – | – | 518,956 |
| Unallocated corporate assets | | | | | | 29,087,030 |
| | | | | | | 210,760,571 |
| **LIABILITIES** | | | | | | |
| Segment liabilities | 38,006,558 | 240,723 | 11,825,195 | 3,671,294 | – | 53,743,770 |
| Unallocated corporate liabilities | | | | | | 71,668,196 |
| | | | | | | 125,411,966 |

| | 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 | 129,125,496 | 500,299 | 14,843,736 | 5,420,221 | – | 149,889,752 |
| 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 | | | | | | 39,429,933 |
| | | | | | | 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 |

## 6. SEGMENT INFORMATION (Continued)

### (c) Other segment information

| | For the year ended 31 December 2019 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | **15,158,689** | **21,918** | **752,412** | **39,171** | **94,255** | **16,066,445** |
| Additions of investments in associates | **–** | **–** | **–** | **–** | **352,755** | **352,755** |
| Amortisation of intangible assets | **1,557,702** | **–** | **23,498** | **3,614** | **153** | **1,584,967** |
| Depreciation of property, plant and equipment | **2,749,733** | **4,642** | **843,976** | **433,508** | **1,047** | **4,032,906** |
| Depreciation of right-of-use assets | **209,810** | **–** | **2,217** | **–** | **–** | **212,027** |
| Impairment loss on: | | | | | | |
| – inventories | **25,843** | **–** | **–** | **–** | **–** | **25,843** |
| – bills and accounts receivables, net | **118,890** | **–** | **–** | **–** | **–** | **118,890** |
| – other receivables, net | **346,645** | **–** | **–** | **–** | **–** | **346,645** |
| – long-term receivables | **37,424** | **–** | **–** | **–** | **–** | **37,424** |
| – intangible assets | **147,464** | **–** | **–** | **–** | **–** | **147,464** |

| | 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, net | 164,405 | – | – | – | – | 164,405 |
| – other receivables, net | 127,748 | – | – | – | – | 127,748 |
| – long-term receivables, net | 173,133 | – | – | – | – | 173,133 |
| – intangible assets | 289,787 | – | – | – | – | 289,787 |
| Gain on partial disposal of a joint operation | (388,607) | – | – | – | – | (388,607) |

## 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 from contracts with customers are as follows:

| | Revenue from external customers For the year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| The PRC (place of domicile) | **49,923,850** | 45,085,252 |
| Australia | **2,482,552** | 2,935,668 |
| Others | **15,398,242** | 19,426,184 |
| Total | **67,804,644** | 67,447,104 |

The geographical information of non-current assets (note) are as follows:

| | Non-current assets At 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| The PRC (place of domicile) | **93,952,113** | 82,385,729 |
| Australia | **40,257,731** | 40,706,882 |
| Canada | **1,921,695** | 1,803,898 |
| Total non-current assets | **136,131,539** | 124,896,509 |

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 | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Coal sold in the PRC, gross | **45,658,024** | 41,796,456 |
| Less: Transportation costs | **(1,056,479)** | (1,092,894) |
| Coal sold in the PRC, net | **44,601,545** | 40,703,562 |
| Coal sold outside the PRC, gross | **18,119,041** | 20,631,857 |
| Less: Transportation costs | **(2,707,478)** | (2,658,167) |
| Coal sold outside the PRC, net | **15,411,563** | 17,973,690 |
| Net sales of coal | **60,013,108** | 58,677,252 |

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 | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Wages and employee benefits | **6,216,147** | 5,834,929 |
| Depreciation of property, plant and equipment | **2,307,479** | 2,873,140 |
| Depreciation of right-of-use assets | **167,828** | – |
| Amortisation of mining rights | **1,543,039** | 1,368,374 |

## 9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses included:

| | Year ended 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Wages and employee benefits | **2,974,468** | 3,931,798 |
| Release of prepaid lease payment | **–** | 29,718 |
| Amortisation of intangible assets | **41,928** | 25,308 |
| Depreciation of property, plant and equipment | **645,464** | 701,670 |
| Depreciation of right-of-use assets | **44,199** | – |
| Impairment loss on bills and accounts receivables, net | **118,890** | 164,405 |
| Impairment loss on other receivables, net | **346,645** | 127,748 |
| Impairment loss on inventories | **25,843** | 7,227 |
| Impairment loss on intangible assets | **147,464** | 289,787 |
| Impairment loss on long-term receivables, net | **37,424** | 173,133 |
| Loss on disposals of property, plant and equipment | **50,237** | 9,046 |
| Loss on change in fair value of financial assets at FVTPL | **4,743** | 182,493 |
| Exchange loss, net | **134,212** | 260,390 |
| Deemed loss on disposal of an associate | **–** | 53 |
| Loss on change in fair value of derivative financial instruments | **111,112** | 28,466 |

## 10. OTHER INCOME AND GAINS

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Dividend income | **–** | 152,732 |
| Gain on sales of auxiliary materials | **1,903,663** | 2,180,849 |
| Interest income | **847,057** | 1,003,958 |
| Gain on change in fair value of royalty receivable | **157,112** | 18,573 |
| Gain on change in fair value of financial assets at FVTPL | **–** | 220,116 |
| Gain on disposal of an associate | **101,950** | – |
| Government grants | **245,394** | 219,865 |
| Gain on partial disposal of a joint operation | **–** | 388,607 |
| Others | **656,086** | 177,527 |
| | **3,911,262** | 4,362,227 |

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 | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Interest expenses on: | | |
| – Bank and other borrowings | **3,086,837** | 3,702,480 |
| – Bills receivable discounted without recourse | **8,512** | 6,831 |
| – Lease liabilities | **33,894** | – |
| | **3,129,243** | 3,709,311 |
| Less: interest expenses capitalised into construction in progress | **(378,009)** | (96,917) |
| | **2,751,234** | 3,612,394 |

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.35% to 5.9% (2018: 4.35% to 5.9%) per annum to expenditure on qualifying assets.

## 12. INCOME TAX EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Income taxes: | | |
| Current taxes | **2,829,461** | 3,210,681 |
| Deferred taxes (note 42) | **330,602** | 1,397,725 |
| | **3,160,063** | 4,608,406 |

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 (2018: 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 | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Profit before tax | **14,986,842** | 15,931,098 |
| Standard income tax rate in the PRC | **25%** | 25% |
| Standard income tax rate applied to profit before tax | **3,746,711** | 3,982,775 |
| Reconciling items: | | |
| Tax effect of expenses not deductible for tax purpose | **624,753** | 620,767 |
| Utilisation of unrecognised tax losses in prior years | **(9,514)** | (22,089) |
| Effect of tax rate differences in other taxation jurisdictions | **56,468** | 30,902 |
| Tax effect of share of results of associates and joint ventures | **(393,683)** | (383,577) |
| Changes in tax base of assets (note) | **(996,040)** | – |
| Tax effect of tax losses not recognised | **139,927** | 554,516 |
| Others | **(8,559)** | (174,888) |
| Income taxes | **3,160,063** | 4,608,406 |
| Effective income tax rate | **21.09%** | 28.93% |

Note: The amount represented the one-off tax benefits relating to the finalisation of tax bases arising from the acquisition of Coal and Allied Industries Limited in prior years.

## 13. PROFIT BEFORE TAX

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Profit before tax has been arrived at after charging: | | |
| Amortisation of intangible assets | **1,584,967** | 1,393,682 |
| Depreciation of property, plant and equipment | **4,032,906** | 4,929,225 |
| Depreciation of right-of-use assets | **212,027** | – |
| Release of prepaid lease payments | **–** | 29,718 |
| Auditors' remuneration | **15,295** | 16,766 |
| Staff costs, including directors', chief executive director's, supervisors' and management team's emoluments | **9,791,567** | 10,325,821 |
| Retirement benefit scheme contributions (included in staff costs above) | **2,312,015** | 2,586,451 |
| Share-based payments expenses (include in staff costs above) | **8,203** | 33,097 |
| Assets transfer expenses (note) | **–** | 538,931 |
| Cost of inventories recognised as expenses | **19,112,498** | 17,094,576 |
| Research and development costs | **265,014** | 157,560 |
| Operating lease charges in respect of leased premises | **N/A** | 123,688 |

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). The Group has completed the Transfer during the year ended 31 December 2018 and recognised an one-off expense of approximately RMB538,931,000 thereon.

## 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 2019 | | | |
|---|---|---|---|---|
| | 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 | 142 | – | – | 142 |
| Kong Xiangguo | 142 | – | – | 142 |
| Cai Chang | 142 | – | – | 142 |
| Poon Chiu Kwok | 142 | – | – | 142 |
| | 568 | – | – | 568 |
| **Executive directors** | | | | |
| Wu Yuxiang[1] | – | – | – | – |
| Wu Xiangqian | – | 1,058 | 187 | 1,245 |
| Guo Jun | – | 728 | 128 | 856 |
| Li Wei* | – | – | – | – |
| Zhao Qingchun | – | 850 | 150 | 1,000 |
| Guo Dechun | – | 1,014 | 179 | 1,193 |
| Liu Jian[2] | – | 820 | 144 | 964 |
| | – | 4,470 | 788 | 5,258 |
| **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 2019 | | | |
|---|---|---|---|---|
| | 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* | – | – | – | – |
| Jiang Qingquan | – | 767 | 135 | 902 |
| Meng Qinjian* | – | – | – | – |
| Zheng Kai | – | 477 | 82 | 559 |
| | – | 1,244 | 217 | 1,461 |
| **Other management team** | | | | |
| Wang Fuqi | – | 832 | 146 | 978 |
| Zhao Honggang | – | 788 | 138 | 926 |
| Jin Qingbin | – | 729 | 128 | 857 |
| He Jing | – | 1,020 | 180 | 1,200 |
| Gong Zhijie | – | 714 | 125 | 839 |
| | – | 4,083 | 717 | 4,800 |
| Total | 568 | 9,797 | 1,722 | 12,087 |

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 of these directors and supervisors were borne by the Parent Company and there is no reasonable basis of allocating their emoluments to the Group.

[1] Resigned on 28 March 2019

[2] Appointed on 29 March 2019

## 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 |
| **Independent non-executive directors** | | | | |
| Qi Anbang | 130 | – | – | 130 |
| Kong Xiangguo | 130 | – | – | 130 |
| Cai Chang[3] | 130 | – | – | 130 |
| Poon Chiu Kwok[2] | 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 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 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)

### Employees' emoluments

The five highest paid individuals in the Group included one (2018: one) director for the year ended 31 December 2019. The emoluments of the remaining four (2018: four) highest paid individuals were stated as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Salaries, allowance and other benefits in kind | **15,272** | 13,989 |
| Retirement benefit scheme contributions | **406** | 367 |
| Discretionary bonuses | **2,154** | 12,928 |
| | **17,832** | 27,284 |

Their emoluments were within the following bands:

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| HKD 1,500,001 to HKD 2,000,000 | **1** | – |
| HKD2,000,001 to HKD2,500,000 | **–** | 1 |
| HKD 2,500,001 to HKD 3,000,000 | **1** | – |
| HKD3,500,001 to HKD4,000,000 | **–** | – |
| HKD4,500,001 to HKD5,000,000 | **–** | 1 |
| HKD5,500,001 to HKD6,000,000 | **–** | 1 |
| HKD6,000,001 to HKD6,500,000 | **1** | – |
| HKD 8,500,001 to HKD 9,000,000 | **1** | – |
| HKD16,000,001 to HKD16,500,000 | **–** | – |
| HKD17,000,001 to HKD17,500,000 | **–** | 1 |
| | **4** | 4 |

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 2019 and 2018. 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

| | **2019 RMB'000** | 2018 RMB'000 |
|---|---|---|
| 2019 interim dividend, RMB1.00 per share (2018: 2018 interim dividend, nil) | **4,912,016** | – |
| 2018 final dividend, RMB0.54 per share (2018: 2017 final dividend, RMB0.48 per share) | **2,652,489** | 2,357,768 |
| | **7,564,505** | 2,357,768 |

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.

Pursuant to the annual general meeting held on 24 May 2019, a final dividend of RMB0.54 per share in respect of the year ended 31 December 2018 was approved by the shareholders and paid to the shareholders of the Company.

Pursuant to the extraordinary general meeting held on 1 November 2019, an interim dividend of RMB1.00 per share in respect of the six month ended 30 June 2019 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 RMB2,848,969,000 calculated based on a total number of 4,912,016,000 shares issued at RMB0.58 each in respect of the year ended 31 December 2019. 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 2019 and 2018 is based on the profit attributable to the equity holders of the Company for the year of approximately RMB9,388,645,000 and RMB8,582,556,000, respectively, and on the weighted average 4,912,016,000 shares in issue during 2019 and 2018.

For the purpose of computation of diluted earnings per share for the year ended 31 December 2019, the Company had taken into consideration the dilutive effects of the share options issued by the Company and shares issuable under share incentive schemes of a non-wholly-owned listed subsidiary (2018: shares issuable under share incentive schemes and subordinated capital notes of a non-wholly-owned listed subsidiary). The diluted earnings per share for the year ended 31 December 2019 and 2018 approximate the basic earnings per share.

## 17. BANK BALANCES AND CASH/PLEDGED TERM DEPOSITS AND RESTRICTED CASH

Bank balances carry interest at market rates which ranged from 0.30% to 1.75% (2018: from 0.30% to 1.69%) 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% (2018: 0.30% to 0.42%) 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 3.10% (2018: 0.55% to 2.9%) per annum.

## 18. BILLS AND ACCOUNTS RECEIVABLES

| | At 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Accounts receivables | **4,976,900** | 5,128,383 |
| Less: impairment loss | **(481,503)** | (399,830) |
| | **4,495,397** | 4,728,553 |
| Bills receivables | **3,103,594** | 4,430,527 |
| Less: impairment loss | **(828)** | (1,818) |
| Total bills and accounts receivables, net | **7,598,163** | 9,157,262 |

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 2019, the gross amount of bills and accounts receivable arising from contracts with customers amounted to approximately RMB8,080,494,000 (2018: RMB9,558,910,000).

## 18. BILLS AND ACCOUNTS RECEIVABLES (Continued)

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

The following is an aged analysis of bills and accounts receivables, net of 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 | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| 0-90 days | **4,352,677** | 5,151,867 |
| 91-180 days | **1,625,634** | 1,959,033 |
| 181-365 days | **1,365,969** | 1,709,290 |
| Over 1 year | **253,883** | 337,072 |
| | **7,598,163** | 9,157,262 |

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.

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.

For accounts receivables of approximately RMB1,134,601,000 (2018: RMB591,427,000) that 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 2019.

The following table provide information about the exposure to credit risk and ECL for bills and accounts receivables from customers, other than those large and state-owned enterprises, which are assessed individually or collecteively based on provision matrix as at 31 December 2019.

| **As at 31 December 2019** | **Average expected loss rate %** | **Gross carrying amount RMB'000** | **Loss allowance RMB'000** |
|---|---|---|---|
| Accounts receivables – collective assessment | | | |
| – Within 1 year | **0.23** | **3,187,935** | **7,457** |
| – 1-2 years | **6.19** | **103,317** | **6,400** |
| – 2-3 years | **33.00** | **35,190** | **11,614** |
| – Over 3 years | **95.62** | **112,379** | **107,453** |
| Accounts receivables – individual assessment | | **3,438,821** | **132,924** |
| | **86.39** | **403,478** | **348,579** |
| | | **3,842,299** | **481,503** |
| Bills receivables | **0.03** | **3,103,594** | **828** |
| | | **6,945,893** | **482,331** |

## 18. BILLS AND ACCOUNTS RECEIVABLES (Continued)

| 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 | 0.19 | 3,960,486 | 7,375 |
| – 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 |
| | | 4,264,856 | 263,780 |
| Accounts receivables – individual assessment | 50.00 | 272,100 | 136,050 |
| | | 4,536,956 | 399,830 |
| Bills receivables | 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 by the management to ensure relevant information about specific debtor is updated.

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 2019, no accounts receivables were written-off (2018: RMB108,000).

An analysis of the impairment loss on bills and accounts receivables for 2019 and 2018 are as follows:

| | At 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Balance at 1 January | **401,648** | 237,351 |
| Amounts written off as uncollectible | **(38,207)** | (108) |
| Provided for the year | **223,230** | 170,238 |
| Impairment loss reversed | **(104,340)** | (5,833) |
| Balance at 31 December | **482,331** | 401,648 |

Included in bills and accounts receivables as at 31 December 2019 are balances of approximately RMB2,075,393,000 (2018: RMB875,500,000) that have been pledged to secure borrowings and banking facilities granted to the Group.

## 19. ROYALTY RECEIVABLE

| | At 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| As at 1 January | **931,256** | 1,016,446 |
| Cash received | **(93,689)** | (155,700) |
| Unwinding discount | **98,986** | 103,383 |
| Exchange re-alignment | **49,425** | (51,446) |
| Change in fair value | **157,112** | 18,573 |
| As at 31 December | **1,143,090** | 931,256 |
| Presented as: | | |
| Current portion | **120,538** | 134,544 |
| Non-current portion | **1,022,552** | 796,712 |
| | **1,143,090** | 931,256 |

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 | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Work in progress | **850,927** | 639,492 |
| Finished goods | **390,144** | 178,562 |
| | **1,241,071** | 818,054 |
| Methanol | **175,194** | 74,173 |
| Auxiliary material, spare parts and small tools | **1,112,499** | 1,018,680 |
| Coal products | **3,067,810** | 1,955,580 |
| Iron ore | **392,570** | 196,866 |
| Others | **18,165** | 5,642 |
| | **6,007,309** | 4,068,995 |

## 21. PREPAYMENTS AND OTHER RECEIVABLES

| | At 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Advance to suppliers | **4,063,775** | 3,831,239 |
| Less: Impairment loss on advance to suppliers (note (i)) | **(579,506)** | (614,343) |
| | **3,484,269** | 3,216,896 |
| Prepaid relocation costs of inhabitants | **1,962,913** | 3,543,234 |
| Other taxes | **1,310,821** | 954,371 |
| Dividend receivable | **–** | 16,116 |
| Loan receivables (note (ii)) | **9,504,131** | 7,467,365 |
| Interest receivable | **118,464** | 43,949 |
| Others | **4,729,000** | 2,054,391 |
| Less: Impairment loss on other receivables | **(769,779)** | (423,134) |
| | **20,339,819** | 16,873,188 |

(i) An analysis of the impairment loss on advance to suppliers for 2019 and 2018 are as follows:

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Balance at 1 January | **614,343** | 1,365,448 |
| Amounts written off as uncollectible | **(34,837)** | (751,105) |
| Balance at 31 December | **579,506** | 614,343 |

Advances will be written off, if aged over 4 years and considered irrecoverable by the management after considering the credit quality of the individual party and the nature of the amount overdue. During the year ended 31 December 2019, advance to suppliers of approximately RMB 34,837,000 (2018: RMB 751,105,000) 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 the credit risk grading framework as follows:

| As at 31 December 2019 | Average expected loss rate % | Gross carrying amount RMB'000 | Loss allowance RMB'000 |
|---|---|---|---|
| Other receivables – Performing | 3.52 | 5,512,660 | 193,872 |
| Other receivables – Default | 100.00 | 575,907 | 575,907 |
| Remaining other receivables | * | 8,263,028 | – |
| | | 14,351,595 | 769,779 |

| As at 31 December 2018 | 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 RMB8,263,028,000 (2018: RMB639,631,000), 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 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 and 1 January 2019 | 237,796 | 185,338 | 423,134 |
| Provided for the year | 13,473 | 390,569 | 404,042 |
| Impairment loss reversed | (57,397) | – | (57,397) |
| At 31 December 2019 | 193,872 | 575,907 | 769,779 |

## 22. PREPAID LEASE PAYMENTS

| | 31/12/2018 RMB'000 |
|---|---|
| Current portion | 29,718 |
| Non-current portion | 1,275,029 |
| | 1,304,747 |

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.

Upon adoption of IFRS 16 on 1 January 2019, the carrying amount of prepaid lease payments of RMB1,304,747,000 was reclassified to right-of-use assets.

## 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 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 and 1 January 2019 | 52,063,431 | 4,089,569 | 1,300,016 | 243,001 | 290,131 | 100,618 | 58,086,766 |
| Exchange re-alignment | 670,251 | 74,278 | 23,612 | 1,483 | 14,952 | 33,853 | 818,429 |
| Additions | 3,472,654 | 38,100 | – | 880 | – | 1,625,409 | 5,137,043 |
| At 31 December 2019 | 56,206,336 | 4,201,947 | 1,323,628 | 245,364 | 305,083 | 1,759,880 | 64,042,238 |
| AMORTISATION AND IMPAIRMENT | | | | | | | |
| At 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 and 1 January 2019 | 9,960,195 | 129,151 | – | 26,296 | 13,249 | 88,886 | 10,217,777 |
| Exchange re-alignment | 132,835 | 31 | – | 107 | 61 | 427 | 133,461 |
| Provided for the year | 1,543,039 | – | – | 5,517 | 3,819 | 32,592 | 1,584,967 |
| Impairment loss | 147,464 | – | – | – | – | – | 147,464 |
| At 31 December 2019 | 11,783,533 | 129,182 | – | 31,920 | 17,129 | 121,905 | 12,083,669 |
| CARRYING VALUES | | | | | | | |
| At 31 December 2019 | 44,422,803 | 4,072,765 | 1,323,628 | 213,444 | 287,954 | 1,637,975 | 51,958,569 |
| At 31 December 2018 | 42,103,236 | 3,960,418 | 1,300,016 | 216,705 | 276,882 | 11,732 | 47,868,989 |

## 23. INTANGIBLE ASSETS (Continued)

The mining rights (mining reserves) are amortised based on unit of production method.

The mining resources is reclassified to mining reserves when the reserves are reasonably proved to be commercial available, It is stated at cost less impairment.

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 represented computer software which is amortised on a straight line basis over the contractual term.

Amortisation expense of the mining rights for the year of RMB1,543,039,000 (2018: RMB1,368,374,000) has been included in cost of sales and services provided. Amortisation expense of other intangible assets for the year of RMB41,928,000 (2018: RMB25,308,000) has been included in selling, general and administrative expenses.

During the years ended 31 December 2019 and 2018, 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 ranged from 10.74%-14% (2018: 10.74%-14%) to discount the forecast cash flows. The pre-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.

In relation to mining reserves, due to the underperformance of the cash generating unit, an impairment loss of RMB147,464,000 was recognised for Anyuan Mine (2018: RMB289,787,000 for Wenyu Mine). The recoverable amount for the Anyuan Mine as at 31 December 2019 was determined to be RMB0.2 billion (2018: RMB1.1 billion for Wenyu Mine).

## 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 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 |
| Initial adoption of IFRS 16 | – | – | – | – | (530,193) | – | (530,193) |
| At 1 January 2019 | 1,047,445 | 7,197,652 | 5,122,282 | 19,754,006 | 38,087,284 | 2,822,120 | 74,030,789 |
| Exchange re-alignment | 12,346 | 12,624 | – | 107,690 | 200,227 | 36 | 332,923 |
| Additions | – | 94,255 | 612,134 | 582,949 | 2,294,996 | 19,031 | 3,603,365 |
| Transfers from construction in progress | 59,317 | 33,325 | 12,240 | 147,138 | 917,721 | 9,715 | 1,179,456 |
| Disposals | – | (116,930) | (138,467) | (4,907) | (1,358,899) | (154,144) | (1,773,347) |
| At 31 December 2019 | 1,119,108 | 7,220,926 | 5,608,189 | 20,586,876 | 40,141,329 | 2,696,758 | 77,373,186 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT | | | | | | | |
| At 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 |
| Initial adoption of IFRS 16 | – | – | – | – | (185,021) | – | (185,021) |
| At 1 January 2019 | – | 2,127,757 | 2,971,402 | 5,702,019 | 16,462,540 | 1,816,123 | 29,079,841 |
| Exchange re-alignment | – | 5,288 | – | 30,537 | 120,370 | 26 | 156,221 |
| Provided for the year | – | 293,714 | 232,959 | 1,136,291 | 2,068,906 | 301,036 | 4,032,906 |
| Eliminated on disposals | – | (44,257) | (68,361) | (3,870) | (669,432) | (105,312) | (891,232) |
| At 31 December 2019 | – | 2,382,502 | 3,136,000 | 6,864,977 | 17,982,384 | 2,011,873 | 32,377,736 |
| CARRYING VALUE | | | | | | | |
| At 31 December 2019 | 1,119,108 | 4,838,424 | 2,472,189 | 13,721,899 | 22,158,945 | 684,885 | 44,995,450 |
| 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 |

## 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 2019, property, plant and equipment with carrying amount of approximately RMB7,453,220,000 (2018: RMB7,040,564,000) 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 approximately RMB345,172,000.

## 25. LEASES

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

| | 31/12/2019<br>RMB'000 | 1/1/2019<br>RMB'000 |
|---|---|---|
| Buildings | 8,479 | 13,156 |
| Land use right | 1,332,910 | 1,304,747 |
| Plant, machinery and equipment | 398,049 | 684,557 |
| At 31 December | 1,739,438 | 2,002,460 |

As at 31 December 2019, right-of-use assets of approximately RMB1,332,910,000 represents land use rights located in the PRC.

In addition, the Group has lease arrangements for buildings and plant, machinery and equipment. The lease terms are generally ranged from two to five years.

In respect of lease arrangement for renting certain production equipments, the Group has options to purchase certain production equipments for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such lease.

Additions to the right-of-use assets for the year ended 31 December 2019 amounted to RMB136,404,000, due to new lease arrangements of land use right and, plant, machinery and equipment.

## 25. LEASES (Continued)

### (ii) Lease liabilities

| | 31/12/2019 RMB'000 | 1/1/2019 RMB'000 |
|---|---|---|
| Non-current | 328,072 | 418,222 |
| Current | 156,852 | 139,632 |
| | 484,924 | 557,854 |

| Amounts payable under lease liabilities | 31/12/2019 RMB'000 | 1/1/2019 RMB'000 |
|---|---|---|
| Within one year | 156,852 | 139,632 |
| After one year but within two years | 153,969 | 201,360 |
| After two years but within five years | 174,103 | 216,862 |
| | 484,924 | 557,854 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | (156,852) | (139,632) |
| Amount due for settlement after 12 months | 328,072 | 418,222 |

During the year ended 31 December 2019, the Group entered into a number of new leases agreements in respect of renting plant, machinery and equipment and recognised lease liability of RMB98,304,000.

### (iii) Amounts recognised profit or loss

| | Year ended 31/12/2019 RMB'000 |
|---|---|
| Depreciation expense on right-of-use assets | 212,027 |
| Interest expense on lease liabilities | 33,894 |
| Expense relating to short-term leases | 115,398 |

### (iv) Amounts recognised profit or loss

During the year ended 31 December 2019, the total cash outflow for leases amount to RMB339,090,000.

## 26. GOODWILL

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| NET CARRYING VALUE | | |
| At 1 January | **1,651,211** | 1,668,727 |
| Exchange re-alignment | **3,879** | (17,516) |
| At 31 December | **1,655,090** | 1,651,211 |

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 | |
|---|---|---|
| | 2019 RMB'000 | 2018 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 | **299,700** | 295,997 |
| – Syntech | **19,767** | 19,592 |
| – Premier Coal and Wesfarmers Char | **12,293** | 12,184 |
| – 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 | **(1,007,420)** | (1,007,312) |
| | **1,655,090** | 1,651,211 |

## 26. GOODWILL (Continued)

Business performance is reviewed by management on an individual business unit basis. In particular, each mine is considered to be a separate cash generating unit.

For the impairment testing of goodwill, the recoverable amounts of the 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. 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. The future cash flows are dependent on the following unobservable inputs: forecast sales volumes and coal prices.

In determining each of the key inputs, management has used external sources of information and utilised the expertise of external consultants and experts within the Group to validate entity specific assumptions such as mining reserves and mining resources. Furthermore, in estimating future coal prices, the Group receives long term forecast coal price data from multiple externally verifiable sources when determining its coal price forecasts, making adjustments for specific coal quality factors. The long term forecast exchange rate is based on externally verifiable sources. Production and capital costs are based on the Group's estimate of forecasted geological conditions, stage of existing plant and equipment and future production levels. This information is obtained from internally maintained budgets, the five year business plan, life of mine models and project evaluations performed by the Group in its ordinary course of business.

The cash flow model was based on financial budgets approved by management covering a 5-year period with an assumption of pre-tax discount rate of ranged from 13% to 16% (2018: 12 % to 14 %). 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 estimated lines of mines ranged from 4 to 38 years (2018: 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.

No impairment of goodwill is required to be recognised for the years ended 31 December 2019 and 2018.

## 27. CONSTRUCTION IN PROGRESS

| | RMB'000 |
|---|---|
| **COST** | |
| At 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 and 1 January 2019 | 10,896,287 |
| Exchange re-alignment | 16,990 |
| Additions | 6,554,580 |
| Transfer to property, plant and equipment | (1,179,456) |
| At 31 December 2019 | 16,288,401 |

For the year ended 31 December 2019, the capitalised interest expense amounted to RMB378,009,000 (2018: RMB96,917,000). The annual interest rates used to determine the capitalised amount in 2019 are 4.35% to 6% (2018: 4.35% to 5.9%).

## 28. INTERESTS IN ASSOCIATES

| | At 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Cost of investments in associates | **12,810,183** | 13,140,038 |
| Share of post-acquisition profit and other comprehensive income, net of dividends | **4,305,256** | 2,883,671 |
| Carrying amount | **17,115,439** | 16,023,709 |

## 28. 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 2019 | 2018 |
|---|---|---|---|---|---|
| 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 (viii)) | Australia | Ordinary shares | Coal Mining and sales | 100% | 100% |
| Qilu Bank Co., Ltd. ("Qilu Bank") (note (v)) | PRC | Registered capital | Financial services | 8.67% | 8.67% |
| 內蒙古伊泰准東鐵路有限責任公司("伊泰") | PRC | Registered capital | Railway construction and transportation | 25% | 25% |
| 兗礦售電有限公司 | PRC | Registered capital | Sales of electricity | 25% | 25% |
| Haichang Industry Co., Ltd. of Dongguan City ("Haichang") (note (vii)) | PRC | Registered capital | Port service | – | 20.89% |
| Port Waratah Coal Services Ltd ("PWCS") | Australia | Ordinary shares | Provision of coal receivable, blending, stockpiling and ship loading service | 30% | 30% |
| Zheshang Bank (note (iii),(v),(vi)) | PRC | Registered capital | Financial services | 4.39% | 4.99% |
| Linshang Bank (note (iv),(v)) | PRC | Registered capital | Financial services | 19.75% | 19.75% |
| Shandong Yancoal Property Service Company Limited ("Yancoal Property Service") | PRC | Registered capital | Property management, garden greening engineering, sewage treatment and rental housing agency service | 35% | 35% |

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 Yancoal Australia.

(i) Huadian Zouxian is a trategic partner of the Group.

(ii) Shaanxi Chemical is a strategic partner to develop future energy business of the Group.

(iii) 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 RMB1.61 billion). Following the completion of the subscription, 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 investmemt as at 29 March 2018 was reclassified from financial assets at FVTPL to interest in an associate accordingly.

## 28. INTERESTS IN ASSOCIATES (Continued)

(iv) 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 joint top shareholder of Linshang Bank.

(v) 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 right and take 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 right 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.

(vi) On 26 November 2019, Zheshang Bank issued 2,550,000,000 A Shares. Following the completion of the subscription, the Group's interest in Zheshang Bank was decreased from 4.99% to 4.39%.

(vii) On 31 March 2019, the Group sold all of its interest in Haichang for a cash consideration of approximately RMB784,560,000 to an independent third party, resulting in a gain of RMB101 million (note 10).

(viii) On 18 February 2016, Yancoal Australia executed a bond subscription agreement, together with other agreements (the "Watagan Agreements") that, on completion, transferred the Group's interest in three of its 100% owned coal mines to Watagan for a purchase price of approximately AUD1.3 billion.

On completion, under the terms of the Watagan Agreements, it was determined that upon issuance of the bonds, Yancoal Australia lost control of Watagan. These powers were transferred to the bondholders under the terms of the Watagan Agreements as the Bondholders will be given control of Watagan's board of directors via appointment of the majority of directors.

Given the Group maintains one seat on the Watagan board and has ongoing involvement under the terms of the Watagan Agreements, the Group was determined to have significant influence over Watagan. As a result, the Group equity accounts for its interests in Watagan thereafter.

## 28. INTERESTS IN ASSOCIATES (Continued)

As stipulated in the Watagan Agreements, the bondholders were granted a put option to transfer the bonds to the Parent Company. On 4 January 2019, one of the bondholders exercised its right and put US$200 million of bonds to the Parent Company. As a consequence, the Parent Company became a bondholder. As the put bond represented less than 50.1% of the face value of the bonds, Yancoal Australia had not regained accounting control of Watagan. Accordingly, the Group continues to equity account for its interest in Watagan.

Due to the declining operating results of Watagan, the Group's interests in Watagan had reduced to nil (2018: nil) as at 31 December 2019. The Group had not recognised any losses that exceeded the value of the investment by the Group.

Under the Watagan Agreements, Yancoal Australia will regain accounting control of Watagan and need to re-consolidate the Watagan if (i) the bondholders exercised their rights to put the remaining bonds to the Parent Company; (ii) Watagan fully repaid the bonds or (iii) other changes of circumstance that re-establishes Yancoal Australia's control of Watagan, including amendments or replacement of existing accounting standards.

The management of the Group will closely monitor the development of the circumstances surrounding Watgan and assess the impact to the Group should the Group re-consolidates Watagan.

Except for Qilu Bank and Zheshang Bank, all of the associates are private companies whose quoted market price is not available. As at 31 December 2019, the fair value of Qilu Bank and Zheshang Bank's shares at 31 December 2019 were approximately RMB1,182,729,000 (2018: RMB1,482,397,000) and share of price RMB3,401,682,000 (2018: RMB3,567,703,000) respectively.

Summarised financial information in respect of the Group's material associates is set out below:

| | Huadian Zouxian | | Shaanxi Chemical | | Qilu Bank | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Current assets | **236,415** | 348,095 | **1,974,766** | 1,705,068 | **301,905,062** | 259,349,958 |
| Non-current assets | **4,221,928** | 4,530,923 | **17,941,924** | 18,495,872 | **5,615,242** | 6,387,106 |
| Current liabilities | **(1,025,774)** | (1,207,418) | **(2,636,522)** | (3,294,387) | **(241,650,282)** | (213,759,440) |
| Non-current liabilities | **–** | – | **(5,960,000)** | (6,330,000) | **(43,213,634)** | (31,100,486) |
| Revenue | **3,280,600** | 3,836,765 | **8,753,118** | 6,564,337 | **7,407,192** | 6,402,410 |
| Profit for the year | **54,743** | 181,254 | **2,299,965** | 1,371,105 | **2,307,068** | 2,202,095 |
| Other comprehensive income (expense) for the year | **–** | – | **–** | 26,128 | **187,416** | 1,018,501 |
| Total comprehensive income for the year | **54,743** | 181,254 | **2,299,965** | 1,397,233 | **2,494,484** | 3,220,596 |
| Dividend shared by the Group and received from the associate during the year | **88,132** | – | **424,000** | – | **56,099** | 55,385 |

## 28. INTERESTS IN ASSOCIATES (Continued)

| | 伊泰 2019 RMB'000 | 伊泰 2018 RMB'000 |
|---|---|---|
| Current assets | **1,073,704** | 680,151 |
| Non-current assets | **6,175,816** | 6,436,382 |
| Current liabilities | **(792,498)** | (494,383) |
| Non-current liabilities | **(874,426)** | (874,426) |
| Revenue | **1,685,865** | 1,917,365 |
| Profit for the year | **587,381** | 781,106 |
| Other comprehensive income for the year | **–** | – |
| Total comprehensive income for the year | **587,381** | 781,106 |
| Dividend shared by the Group and received from the associate during the year | **–** | 106,838 |

| | Zheshang Bank | | Linshang Bank | |
|---|---|---|---|---|
| | **2019 RMB'000** | 2018 RMB'000 | **2019 RMB'000** | 2018 RMB'000 |
| Current assets | **1,739,001,780** | 1,601,988,952 | **83,203,822** | 77,923,944 |
| Non-current assets | **61,784,087** | 44,705,792 | **5,092,865** | 3,977,684 |
| Current liabilities | **(1,449,773,690)** | (1,279,803,486) | **(78,774,486)** | (70,869,966) |
| Non-current liabilities | **(222,984,508)** | (264,442,721) | **(1,575,037)** | (2,683,180) |
| Revenue | **46,447,109** | 39,022,476* | **2,489,394** | 2,278,390* |
| Profit for the year | **13,142,983** | 11,560,337* | **430,323** | 348,184* |
| Other comprehensive income (expense) for the year | **878,612** | 1,686,707* | **(5,591)** | 12,921* |
| Total comprehensive income for the year | **14,021,595** | 13,247,044* | **424,732** | 361,105* |
| Dividend shared by the Group and received from the associate during the year | **–** | – | **–** | – |

* 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 | |
|---|---|---|---|---|---|---|
| | **2019 RMB'000** | 2018 RMB'000 | **2019 RMB'000** | 2018 RMB'000 | **2019 RMB'000** | 2018 RMB'000 |
| Net assets of the associate's attributable to owners | **3,432,569** | 3,671,600 | **11,305,468** | 10,576,553 | **20,462,638** | 18,699,757 |
| 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 | **1,029,771** | 1,101,480 | **2,826,367** | 2,644,138 | **1,797,674** | 1,621,268 |

| | 伊泰 2019 RMB'000 | 伊泰 2018 RMB'000 |
|---|---|---|
| Net assets of the associate's attributable to owners | **5,582,596** | 5,386,231 |
| Proportion of the Group's ownership interest | **25%** | 25% |
| Carrying amount of the Group's interest in the associate | **2,177,991** | 2,031,146 |

## 28. INTERESTS IN ASSOCIATES (Continued)

| | Zheshang Bank | | Linshang Bank | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Net assets of the associate's attributable to owners | **111,288,747** | 85,927,834 | **7,947,164** | 8,348,482 |
| Proportion of the Group's ownership interest | **4.39%** | 4.99% | **19.75%** | 19.75% |
| Carrying amount of the Group's interest in the associate | **5,185,673** | 4,298,831 | **2,247,035** | 2,163,150 |

Aggregate information of Huadian Zouxian and other associate (2018: Qilu Bank and other associates) that are not individually material.

| | At 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| The Group's share of profit and total comprehensive income | **107,998** | 180,308 |
| Aggregate carrying amount of the Group's interests in these associates | **1,850,928** | 2,163,696 |

## 29. LONG-TERM RECEIVABLES

| | At 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| **Current assets** | | |
| – Loan receivables (i) | **1,380,012** | 1,638,609 |
| – Less: impairment loss recognised | **(24,161)** | (67,325) |
| | **1,355,851** | 1,571,284 |
| **Non-current assets** | | |
| – Loan to an associate (ii) | **4,398,756** | 4,028,373 |
| – Loan to joint venture (iii) | **989,901** | 1,051,126 |
| – Loan receivables (i) | **1,842,932** | 2,384,121 |
| – Others (iv) | **1,740,804** | 1,320,627 |
| – Less: impairment loss recognised (iv) | **(210,193)** | (129,605) |
| | **8,762,200** | 8,654,642 |
| | **10,118,051** | 10,225,926 |

## 29. LONG-TERM RECEIVABLES (Continued)

(i) The loan receivables carry interest at 5.22% to 7.5% per annum and are secured by the machinery of the borrowers.

(ii) Loan to an associate represented an unsecured loan to Watagan of AUD900,590,879 (equivalent to approximately RMB4,398,756,000) (2018: AUD834,896,000 (equivalent to approximately RMB4,028,373,000)). The loan bearing interest of Bank Bill Swap Bid Rate ("BBSY") plus 7.06% per annum with a maturity date of 1 April 2025.

Such loan was guaranteed by the Parent Company.

(iii) Loan to a joint venture represented an unsecured interest-free loan to Middlemount Joint Venture of AUD203,000,000 (equivalent to approximately RMB989,901,000) that are not repayable within 12 months from the end of the reporting period.

(iv) As at 31 December 2019, other long-term receivables include investment in the long term bonds of a company of AUD31,500,000 (equivalent to approximately RMB153,855,000) (2018: AUD31,500,000 (equivalent to approximately RMB151,988,000)) with floating interest rate.

As at 31 December 2019, 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.

Due to the deterioration in the current and forecast operating results of Watagan, there had been a significant increase in credit risk of the loan at the reporting date compared to the credit risk at inception of the loan. On this basis, the Group has changed the ECL calculation for the Watagan loan from an allowance for 12 month ECL to an allowance for lifetime ECL. As at 31 December 2019, taking into account the enforceability of the guarantee provided by the Parent Company as well as the financial position of the Parent Company, directors of the Company considered that the expected credit loss on the loan to Watagan is not significant (2018: nil).

Other than the above, 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.

## 29. LONG-TERM RECEIVABLES (Continued)

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 2019 | | | | |
| – Performing | **5,402,693** | **–** | **–** | **5,402,693** |
| – Doubtful | **–** | **4,801,316** | **–** | **4,801,316** |
| – Default | **–** | **–** | **148,396** | **148,396** |
| | **5,402,693** | **4,801,316** | **148,396** | **10,352,405** |

| | 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 2018 | 23,797 | – | – | 23,797 |
| Provided for the year | 70,322 | 91,030 | 11,781 | 173,133 |
| At 31 December 2018 and 1 January 2019 | 94,119 | 91,030 | 11,781 | 196,930 |
| Provided for the year | 10,207 | 1,561 | 72,110 | 83,878 |
| Impairment loss reversed | (46,454) | – | – | (46,454) |
| At 31 December 2019 | 57,872 | 92,591 | 83,891 | 234,354 |

## 30. DEPOSITS MADE ON INVESTMENTS

| | At 31 December 2019 RMB'000 | 2018 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 2019, the Group made a deposit of RMB117,926,000 (2018: RMB117,926,000) in relation to this acquisition. As at 31 December 2019, the relevant registration procedures to establish the new company are still in progress, and the establishment has not yet been completed.

## 31. INTERESTS IN JOINT VENTURES

| | At 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Share of net assets | **518,956** | 660,221 |

| Name of joint venture | Place of establishment and operation | Class of shares held | Principal activity | At 31 December 2019 Interest held | 2019 Voting power | 2018 Interest Held | 2018 Voting power |
|---|---|---|---|---|---|---|---|
| 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 and are not individually material to the Group.

Note (i): The interests held disclosed above represented the interests held by the Group through Yancoal Australia.

## 32. 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 2019 Interest held | At 31 December 2018 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 48(C)) | Australia | Development and operation of open-cut and underground coal mines | 85% | 85% |
| Hunter Valley Australia Operation ("HVO") (note 48(A)) | Australia | Underground coal mines | 51% | 51% |
| Warkworth Coal Sales Pty Ltd ("Warkworth Joint Venture") (note 48(B)) | Australia | Development and operation of open-cut mines | 84.5% | 84.5% |

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 Yancoal Australia.

## 33. INVESTMENTS IN SECURITIES

| | At 31 December 2019 RMB'000 | At 31 December 2018 RMB'000 |
|---|---|---|
| **Financial assets at FVTPL** | | |
| Unlisted equity securities, at fair value (i) | **152,097** | 156,840 |
| **Financial assets at FVTOCI** | | |
| Equity securities listed on the SSE, at fair value (ii) | **350** | 277 |
| Unlisted equity securities, at fair value (i) | **4,273** | 4,969 |
| | **4,623** | 5,246 |
| | **156,720** | 162,086 |

(i) 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 RMB4,273,000 (2018: RMB4,969,000), 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 as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

The remaining investments of approximately RMB152,097,000 (2018: RMB156,840,000) are classified and measured as at FVTPL.

(ii) As at 31 December 2019 and 2018, the investments in equity securities listed on the Shanghai Stock Exchange (the "SSE") are carried at fair value which are determined based on the quoted market prices in active market.

## 34. ASSETS CLASSIFIED AS HELD FOR SALE

As at 31 December 2019, 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 | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Land held for sale | **217,644** | 272,902 |

The balance at 31 December 2019 and 2018 represented parcels of freehold non-mining land that is held for future sale in Australia which were acquired as part of the acquisition of Coal & Allied Industries Limited ("C&A") and was stated at its fair value.

## 35. BILLS AND ACCOUNTS PAYABLES

| | At 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Accounts payable | **10,024,399** | 9,573,440 |
| Bills payable | **9,092,259** | 2,940,858 |
| | **19,116,658** | 12,514,298 |

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

| | At 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| 0 – 90 days | **15,611,872** | 9,615,259 |
| 91 – 180 days | **1,377,383** | 1,040,167 |
| 181 – 365 days | **1,285,558** | 953,486 |
| Over 1 year | **841,845** | 905,386 |
| | **19,116,658** | 12,514,298 |

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 | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Accrued staff costs | **1,453,978** | 1,680,981 |
| Other taxes payable | **468,177** | 742,479 |
| Payables in respect of purchases of property, plant and equipment and construction materials | **195,615** | 727,729 |
| Accrued freight charges | **2,108** | 23,685 |
| Security deposits received | **390,615** | 1,077,107 |
| Deposits received from customers in relation to financing business | **17,846,659** | 11,284,197 |
| Interest payable | **462,144** | 744,857 |
| Dividends payable | **1,919,666** | 43,626 |
| Payables for acquisition of subsidiaries/associates | **304,063** | 1,998,501 |
| Others | **3,755,349** | 2,356,126 |
| | **26,798,374** | 20,679,288 |

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Contract liabilities | **2,717,475** | 2,207,641 |

Contract liabilities include advances received to deliver goods and advances received to render transportation services. The increase in contract liabilities was in line with the increase in sales transactions and consequently the Group received more deposits are received in 2019.

Revenue recognised during the year ended 31 December 2019 and 2018 that was included in the contract liabilities as at 31 December 2018 and 1 January 2018 is RMB2,207,641,000 and RMB2,569,384,000 respectively. There was no revenue recognised that related to performance obligations that were satisfied in prior year.

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

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Balance at 1 January | **3,752,230** | 3,975,612 |
| Exchange re-alignment | **74,128** | (54,463) |
| Additional provision in the year | **492,872** | 1,096,973 |
| Utilisation of provision | **(2,276,508)** | (1,265,892) |
| Balance at 31 December | **2,042,722** | 3,752,230 |
| Presented as: | | |
| Current portion | **50,940** | 2,327,177 |
| Non-current portion | **1,991,782** | 1,425,053 |
| | **2,042,722** | 3,752,230 |

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<br>2019<br>RMB'000 | <br>2018<br>RMB'000 |
|---|---|---|
| Current provision | | |
| – Take or pay provision (note (i)) | **32,961** | 58,727 |
| – Onerous contract provision (note (ii)) | **21,407** | 72,438 |
| – Others | **–** | 4,711 |
| | **54,368** | 135,876 |
| Non-current provision | | |
| – Take or pay provision (note (i)) | **104,604** | 161,183 |
| – Onerous contract provision (note (ii)) | **228,910** | 271,974 |
| – Employee benefits (note (iii)) | **420,482** | 382,713 |
| – Others | **337,644** | 371,359 |
| | **1,091,640** | 1,187,229 |
| | **1,146,008** | 1,323,105 |

## 38. PROVISION (Continued)

Notes:

(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 | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| **Current liabilities** | | |
| Bank borrowings | | |
| – Unsecured borrowings (i) | **8,750,202** | 7,646,000 |
| – Secured borrowings (ii) | **4,458,453** | 4,811,175 |
| Loans pledged by machineries (iii) | **–** | 600,000 |
| Finance lease liabilities (iv) | **–** | 63,727 |
| Guaranteed notes (v) | **2,998,800** | 6,948,783 |
| | **16,207,455** | 20,069,685 |
| **Non-current liabilities** | | |
| Bank borrowings | | |
| – Unsecured borrowings (i) | **16,711,000** | 12,531,432 |
| – Secured borrowings (ii) | **17,889,763** | 21,436,627 |
| Finance lease liabilities (iv) | **–** | 141,586 |
| Guaranteed notes (v) | **14,567,273** | 14,498,593 |
| | **49,168,036** | 48,608,238 |
| Total borrowings | **65,375,491** | 68,677,923 |

## 39. BORROWINGS (Continued)

(i) Unsecured borrowings are repayable as follows:

| | At 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Within one year | **8,750,202** | 7,646,000 |
| More than one year, but not exceeding two years | **2,828,000** | 749,242 |
| More than two years, but not more than five years | **4,883,000** | 2,782,190 |
| More than five years | **9,000,000** | 9,000,000 |
| | **25,461,202** | 20,177,432 |

At 31 December 2019, included in unsecured borrowing are short-term borrowings amounting to approximately RMB7,624,000,000 (2018: RMB5,850,000,000) which carrying interest at 3.43% to 5.00% per annum (2018: 4.35% to 5.00% per annum). In addition, included in short-term borrowing are foreign currency borrowing of approximately RMB145,002,000 (USD54,599,000) carrying interest at 3.43% to 3.90% (2018: nil).

Long-term borrowings of the Group amounting to approximately RMB17,837,202,000 (2018: RMB14,327,432,000) carrying interest at 4.51% to 5.9% per annum (2018: 4.31% to 5.9% per annum and 12 months loan prime rate ("LPR") plus a margin of 0.45%).

(ii) Secured borrowings are repayable as follows:

| | At 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Within one year | **4,458,453** | 4,811,175 |
| More than one year, but not exceeding two years | **9,573,642** | 4,145,799 |
| More than two years, but not more than five years | **8,206,921** | 16,105,530 |
| More than five years | **109,200** | 1,185,298 |
| Total | **22,348,216** | 26,247,802 |

At 31 December 2019, secured borrowings of Yancoal Australia were amounting to RMB10,939,244,000 (approximately USD1,575,000,000) (2018: RMB12,411,944,000 (approximately USD1,825,000,000)). Such borrowings carried interest at three-month LIBOR plus a margin of 3.1% of six-month LIBOR plus a margin of 2.75% (2018: three-month LIBOR plus a margin of 2.8% to 3.1% and six-month LIBOR plus a margin of 2.75%) per annum, approximately 4.96% to 5.24% (2018: 4.66% to 5.24%) per annum as at 31 December 2019.

At 31 December 2018, the secured borrowings of Yancoal International were amounting to approximately RMB1,366,988,000 (approximately HKD1,560,132,000) and RMB3,431,593,000 (USD500,000,000). These secured borrowings carried interest at three-month LIBOR plus a margin of 1.1%, approximately 2.96% per annum or fixed rate of 2.16% to 4.58% per annum as at 31 December 2018. During the year ended 31 December 2019, secured borrowings of RMB1,366,988,000 (approximately HKD1,560,132,000) were fully repaid and as at 31 December 2019, the secured borrowings were amounting to approximately RMB2,307,347,000 (approximately USD330,228,000) which carried interest at 2.74% to 4.58% per annum. RMB2,304,347,000 (USD330,228,000) (2018: RMB4,798,581,000 (USD2,060,132,000)).

## 39. BORROWINGS (Continued)

(ii) Secured borrowings are repayable as follows: (Continued)

At 31 December 2019, secured borrowings of Premier Coal Limited and Premier Holdings Pty., Ltd., were amounted to RMB109,199,000 (AUD22,357,000) (2018: RMB77,191,000 (AUD15,872,000)) which carried interest at 8.7% (2018: 8.7%) per annum.

Other than the above, at 31 December 2019, secured borrowings of the Group amounting to RMB8,995,426,000 (2018: RMB8,960,086,000) of which RMB5,772,042,000 (USD827,143,000) (2018: RMB5,710,449,000 (approximately USD833,000,000)) and RMB3,254,000 (EUR385,000) were denominated in foreign currency. Such borrowings carried interest at 12-months LPR plus a margin of 0.4% per annum or at fixed rate of 2.65% to 6.00% (2018: six-month LIBOR plus a margin of 2.1%), approximately 4.59% (2018: 4.59%) per annum.

As at 31 December 2019 and 2018, certain of the borrowings of the Group were secured by the Group's interests in certain overseas subsidiaries and joint operations.

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

| | At 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Within one year | – | 600,000 |

At 31 December 2018, a loan of RMB600,000,000 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% per annum, approximately 8.75% per annum. The amount is fully repaid during the year ended 31 December 2019.

(iv) Finance lease liabilities are repayable as follows:

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

## 39. BORROWINGS (Continued)

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

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

As at 31 December 2018, finance lease liabilities of RMB205,313,000 (AUD42,552,000) carried interest ranged from 4.98%-5.49% per annum.

The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases and disclosed in note 25. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to IFRS 16 are set out in note 3.

(v) Guaranteed notes are detailed as follows:

| | **At 31 December** | |
|---|---|---|
| | **2019 RMB'000** | 2018 RMB'000 |
| Guaranteed notes denominated in RMB repayable within one year | **2,998,800** | 6,948,783 |
| Guaranteed notes denominated in USD repayable within two to five years | **3,048,607** | 2,992,227 |
| Guaranteed notes denominated in RMB repayable within two to five years | **11,518,666** | 8,472,124 |
| Guaranteed notes denominated in RMB repayable after five years | **–** | 3,034,242 |
| | **17,566,073** | 21,447,376 |

## 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 2019, guaranteed notes with par value of USD103,954,000 (approximately RMB725,204,000) (2018: USD103,954,000 (approximately RMB708,625,000)) 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 2019, RMB notes of RMB3,990,000,000 (2018: RMB3,986,000,000) 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. In 2019, the 5-year RMB notes were fully redeemed by the Company. At 31 December 2019, the 5-year RMB notes and 10-year notes amounted to nil (2018: RMB1,949,350,000) and RMB3,037,291,000 (2018: RMB3,034,242,000) respectively.

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 which were fully redeemed by the Company in 2019.

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 2019, the remaining amount of medium-term notes is RMB4,491,375,000 (2018: 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 2019, guaranteed notes with par value of USD335,000,000 (approximately RMB2,323,403,000) (2018: USD335,000,000 (approximately RMB2,283,602,000)) will mature in 2021 with interest rate of 6% per annum. The notes are unconditionally guaranteed by the Company.

In 2019, the Company issued 2019 three tranches short-term notes at par value of RMB8,000,000,000 with 3 months to 9 months maturity at an average interest rate ranging from 2.98% to 3.35% per annum. In 2019, such short-terms notes with par value of RMB5,000,000,000 were redeemed by the Company. As at 31 December 2019, the remaining amount of short-term notes is RMB2,998,800,000.

## 40. DERIVATIVE FINANCIAL INSTRUMENTS

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| **Current asset** | | |
| Derivatives not for hedge | | |
| – Forward foreign exchange contracts | **36,114** | – |
| **Current liability** | | |
| Derivatives not for hedge | | |
| – Forward foreign exchange contracts | **–** | 1,254 |
| – Interest swaps | **148,554** | – |
| | **148,554** | 1,254 |

## 41. LONG-TERM PAYABLES

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Intangible assets payable (i) | **2,347,154** | – |
| Non-contingent royalty payable (ii) | **73,266** | 251,974 |
| | **2,420,420** | 251,974 |
| Analysed for financial reporting purpose: | | |
| Current Portion | **4,070** | 122,388 |
| Non-current portion | **2,416,350** | 129,586 |
| Total | **2,420,420** | 251,974 |

Notes:

(i) Intangible assets payable represented the consideration for acquisition of mining right. The amount is payable by the Group by installments from 2019 to 2049.

(ii) Non-contingent royalty payable arose from 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 fair value 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 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 and 1 January 2019 | **(47)** | **(7,130,045)** | **1,583,630** | **3,475,144** | **608,314** | **(1,463,004)** |
| **Exchange re-alignment** | **–** | **(38,308)** | **15,381** | **199,511** | **32,571** | **209,155** |
| Credit (charge) to other comprehensive income | **156** | **–** | **–** | **–** | **(209,311)** | **(209,155)** |
| Credit (charge) to the consolidated statement of profit or loss | **–** | **1,743,538** | **(928,562)** | **(1,145,578)** | **–** | **(330,602)** |
| Balance at 31 December 2019 | **109** | **(5,424,815)** | **670,449** | **2,529,077** | **431,574** | **(1,793,606)** |

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 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Deferred tax assets | **1,620,590** | 6,545,102 |
| Deferred tax liabilities | **(3,414,196)** | (8,008,106) |
| | **(1,793,606)** | (1,463,004) |

At the reporting date, the Group has unused tax losses of RMB12,284 million (2018: RMB16,093 million) available for offset against future profits. RMB2,529 million deferred tax asset has been recognised (2018: RMB3,475 million) for such tax losses. No deferred tax asset has been recognised in respect of tax losses of RMB3,830 million (2018: RMB4,271 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB78 million, RMB86 million and RMB888 million, RMB2,218 million and RMB560 million (2018: RMB1,001 million, RMB78 million, RMB86 million, RMB888 million and RMB2,218 million) that will be expiring in 2020, 2021, 2022, 2023 and 2024 (2018: 2019, 2020, 2021, 2022 and 2023) 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 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019 | 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 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019 | 2,960,000 | 1,952,016 | 4,912,016 |

Each share has a par value of RMB1.

### Capital reserve

During the year ended 31 December 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 loss arising from such dilution of interests of approximately RMB49,000 (2018: gain of approximately RMB27,495,000 was credited to capital reserve) was debited to capital reserve.

During the year ended 31 December 2019, the non-controlling shareholders of certain non-wholly owned subsidiaries made capital injection to certain non-wholly owned subsidiary, amounted to approximately RMB2,928,000 in aggregate from equity holders other than the Group. Following such, the Group's equity interests were diluted without any change to the Group's control over these subsidiaries. A loss arising from such dilution of interests of approximately RMB600,483,000 was charged to capital reserve.

## 43. SHAREHOLDERS' EQUITY (Continued)

### Reserves

*Future Development Fund*

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

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

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

In accordance with the regulations of the State Administration of Work Safety, the Company has a commitment to incur RMB15 per tonne of raw coal mined from 1 February 2012 onwards (Shanxi Tianch RMB30 per tonne of raw coal mined from 1 October 2013 onwards, Xintai and Ordos RMB15 per tonne of raw coal mined 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.

## 43. SHAREHOLDERS' EQUITY (Continued)

### Reserves (Continued)

*Statutory Common Reserve Fund*

The Company and its subsidiaries in the PRC have to set aside 10% of its profit for the statutory common reserve fund (except where the fund has reached 50% of its registered capital). The statutory common reserve fund can be used for the following purposes:

– to make good losses of the previous years; or
– to convert into capital, provided such conversion is approved by a resolution at a shareholders' general meeting and the balance of the statutory common reserve fund does not fall below 25% of the registered capital.

*Retained earnings*

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

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

The Company's distributable reserve as at 31 December 2019 is the retained earnings computed under IFRS which amounted to approximately RMB45,879,106,000 (2018: RMB44,635,365,000).

## 44. PERPETUAL CAPITAL SECURITIES

| | Perpetual capital securities issued by the Company RMB'000 (notes (i) to (iii)) | Perpetual capital securities issued by a subsidiary RMB'000 (note (iv)) | Total RMB'000 |
|---|---|---|---|
| At 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 and 1 January 2019 | **10,316,444** | **3,417,351** | **13,733,795** |
| Dividend to holders of perpetual capital security | **580,181** | **200,566** | **780,747** |
| Distribution paid to holders of perpetual capital security | **(585,014)** | **(200,566)** | **(785,580)** |
| At 31 December 2019 | **10,311,611** | **3,417,351** | **13,728,962** |

Notes:

(i) 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.

(ii) 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.

(iii) 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 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.

## 44. PERPETUAL CAPITAL SECURITIES (Continued)

(iv) 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. 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.

## 46. FINANCIAL INSTRUMENTS

### 46a. Categories of financial instruments

| | At 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| **Financial assets** | | |
| Financial assets at amortised cost | **58,571,636** | 61,264,619 |
| Financial assets at FVTOCI | | |
| – Listed equity instruments at FVTOCI | **350** | 277 |
| – Unlisted equity instruments at FVTOCI | **4,273** | 4,969 |
| Financial assets at FVTPL | | |
| – Unlisted equity instruments at FVTPL | **152,097** | 156,840 |
| – Royalty receivable | **1,143,090** | 931,256 |
| – Derivative financial instruments | **36,114** | – |
| **Financial liabilities** | | |
| Financial liabilities at amortised cost | **114,336,473** | 102,105,345 |
| Financial liabilities at FVTPL | | |
| – Derivative financial instruments | **148,554** | 1,254 |

## 46. FINANCIAL INSTRUMENTS (Continued)

### 46b. Financial risk management objectives and policies

The Group's major financial instruments include investments in securities, bills and accounts receivable, royalty receivables, other receivables, bank balances and cash, pledged 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 2019 and 2018, 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 56.

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.

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.

## 46. FINANCIAL INSTRUMENTS (Continued)

### 46b. Financial risk management objectives and policies (Continued)

*Credit risk (Continued)*

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.

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 assets as well as the Group's maximum exposure to credit risk by credit risk rating grades are disclosed in respective notes

## 46. FINANCIAL INSTRUMENTS (Continued)

### 46b. 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 2019 and 2018 are as follows:

| | Percentage of accounts receivable At 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Five largest receivable balances | **30.74%** | 26.43% |

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:

| | | **31 December 2019** | | 31 December 2018 | |
|---|---|---|---|---|---|
| Counterparty | Location | **Credit limit RMB'000** | **Carrying amount RMB'000** | Credit limit RMB'000 | Carrying amount RMB'000 |
| Company A | PRC | **Not applicable** | **345,979** | Not applicable | N/A |
| Company B | PRC | **Not applicable** | **325,307** | Not applicable | N/A |
| Company C | PRC | **Not applicable** | **309,080** | Not applicable | 127,603 |
| Company D | PRC | **Not applicable** | **286,810** | Not applicable | N/A |
| Company E | PRC | **Not applicable** | **274,500** | Not applicable | N/A |
| Company F | AUS | **Not applicable** | **N/A** | Not applicable | 578,246 |
| Company G | AUS | **Not applicable** | **N/A** | Not applicable | 307,134 |
| Company H | AUS | **Not applicable** | **N/A** | Not applicable | 176,683 |
| Company I | PRC | **Not applicable** | **N/A** | Not applicable | 164,990 |
| | | | **1,541,676** | | 1,354,656 |

Other than PRC, the Group's geographical concentration of credit risk is mainly in East Asia and Australia (2018: East Asia and Australia). As at 31 December 2019 over 34% (2018: 46%) of the Group's total trade receivables were from customers, located in Australia and East Asia (excluding the PRC).

## 46. FINANCIAL INSTRUMENTS (Continued)

### 46b. 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** | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| USD | **23,752,429** | 27,276,294 | **9,857,443** | 9,378,142 |
| EUR ("EUR") | **–** | – | **18,763** | 16,768 |
| Hong Kong Dollar ("HKD") | **–** | 1,366,988 | **444,323** | 164,229 |
| Australian Dollar ("AUD") | **–** | – | **10,623** | 358,447 |

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 of 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.

## 46. FINANCIAL INSTRUMENTS (Continued)

### 46b. Financial risk management objectives and policies (Continued)

*Market risk (Continued)*

*(i) Currency risk (Continued)*

*Sensitivity analysis (Continued)*

| | USD Impact (note (i)) | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| (Decrease) increase in profit | | |
| – if RMB weakens against respective foreign currency | **(91,553)** | (171,239) |
| – if RMB strengthens against respective foreign currency | **91,553** | 171,239 |

| | USD Impact (note ii) | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| (Decrease) increase in profit | | |
| – if RMB weakens against respective foreign currency | **400,875** | 474,412 |
| – if RMB strengthens against respective foreign currency | **(400,875)** | (474,412) |

Notes:

(i) This is mainly attributable to the exposure of the Group's outstanding bank deposit and loans denominated in USD.

(ii) This is mainly attributable to the exposure of the Group's outstanding bank borrowings in foreign currency 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.

## 46. FINANCIAL INSTRUMENTS (Continued)

### 46b. 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, pledged 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, LIBOR and LPR.

| | **2019**<br>**RMB'000** | 2018<br>RMB'000 |
|---|---|---|
| (Decrease) increase in profit or loss | | |
| – if increases by 100 basis points | **(151,292)** | (103,409) |
| – if decreases by 100 basis points | **151,292** | 103,409 |

*(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. The Group currently does not have any arrangement to hedge the price risk exposure of its investment in equity securities. The Group's exposure to equity price risk through investment in listed equity securities is not significant.

## 46. FINANCIAL INSTRUMENTS (Continued)

### 46b. 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*

| | 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 |
|---|---|---|---|---|---|
| **2019** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Bills and accounts payable | 19,116,658 | – | – | 19,116,658 | 19,116,658 |
| Other payables | 26,330,197 | – | – | 26,330,197 | 26,330,197 |
| Amounts due to Parent Company and its subsidiary companies | 1,093,707 | – | – | 1,093,707 | 1,093,707 |
| USD guaranteed note | 180,958 | 3,233,704 | – | 3,414,662 | 3,048,607 |
| RMB guaranteed note | 3,643,625 | 12,567,843 | – | 16,211,468 | 14,517,466 |
| Bank borrowings | 17,671,998 | 27,074,204 | 9,555,593 | 54,301,795 | 47,809,418 |
| Long term payable | 156,193 | 312,954 | 1,955,962 | 2,425,109 | 2,420,420 |
| | 68,193,336 | 43,188,705 | 11,511,555 | 122,893,596 | 114,336,473 |
| Lease liabilities | 197,109 | 350,174 | – | 547,283 | 484,924 |
| Derivative financial liabilities | 148,554 | – | – | 148,554 | 148,554 |
| **Financial guarantees issued** | | | | | |
| Maximum amount guaranteed (note) | 4,497,031 | – | – | 4,497,031 | – |

Note: the amount presented is the maximum contractual presented under guarantees issued.

## 46. FINANCIAL INSTRUMENTS (Continued)

### 46b. Financial risk management objectives and policies (Continued)

*Liquidity risk (Continued)*

*Liquidity and interest risk tables (Continued)*

| | 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 | 12,514,298 | – | – | 12,514,298 | 12,514,298 |
| Other payables | 19,936,809 | – | – | 19,936,809 | 19,936,809 |
| Amounts due to Parent Company and its subsidiary companies | 929,654 | – | – | 929,654 | 929,654 |
| USD guaranteed note | 177,606 | 3,351,560 | – | 3,529,166 | 2,992,227 |
| RMB guaranteed note | 7,598,124 | 10,074,301 | 3,068,495 | 20,740,920 | 18,455,149 |
| Bank borrowings | 14,391,920 | 27,876,218 | 11,180,176 | 53,448,314 | 46,425,234 |
| Loan pledged by machineries | 610,206 | – | – | 610,206 | 600,000 |
| Long term payable | 130,221 | 146,704 | – | 276,925 | 251,974 |
| | 56,288,838 | 41,448,783 | 14,248,671 | 111,986,292 | 102,105,345 |
| Finance lease liabilities | 73,662 | 151,866 | – | 225,528 | 205,313 |
| Derivative financial liabilities | 1,254 | – | – | 1,254 | 1,254 |
| **Financial guarantees issued** | | | | | |
| Maximum amount guaranteed (note) | 4,221,989 | – | – | 4,221,989 | – |

Note: the amount presented is the maximum contractual presented under guarantees issued.

### 46c. 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:

## 46. FINANCIAL INSTRUMENTS (Continued)

### 46c. Fair values (Continued)

| | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | At 31 December<br>Total<br>RMB'000 |
|---|---|---|---|---|
| **2019** | | | | |
| Assets | | | | |
| Financial assets at FVTPL: | | | | |
| – Unlisted equity investments | – | – | 152,097 | 152,097 |
| – Royalty receivables | – | – | 1,143,090 | 1,143,090 |
| – Derivative financial instruments | 32,016 | 4,098 | – | 36,114 |
| Financial assets at FVTOCI: | | | | |
| – Investments in securities listed on the SSE | 350 | – | – | 350 |
| – Unlisted equity securities | – | – | 4,273 | 4,273 |
| | 32,366 | 4,098 | 1,299,460 | 1,335,924 |
| Liabilities | | | | |
| Financial assets at FVTPL: | | | | |
| – Derivative financial instruments | – | 85,598 | 62,956 | 148,554 |

| | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | At 31 December<br>Total<br>RMB'000 |
|---|---|---|---|---|
| **2018** | | | | |
| Assets | | | | |
| Financial assets at FVTPL: | | | | |
| – Unlisted equity investments | – | – | 156,840 | 156,840 |
| – Royalty receivables | – | – | 931,256 | 931,256 |
| Financial assets at FVTOCI: | | | | |
| – Investments in securities listed on the SSE | 277 | – | – | 277 |
| – Unlisted equity securities | – | – | 4,969 | 4,969 |
| | 277 | – | 1,093,065 | 1,093,342 |
| Liabilities | | | | |
| Financial assets at FVTPL: | | | | |
| – Derivative financial instruments | – | 1,254 | – | 1,254 |

During the years ended 31 December 2019 and 2018, 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.

## 46. FINANCIAL INSTRUMENTS (Continued)

### 46c. 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 11.0% (2018: 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.

## 47. SHARE-BASED PAYMENTS

**(a)** The Company:

In February 2019, a scheme of the Company (the "Share Option Scheme") was approved. The principal terms are as follows:

***(i) Purpose***

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

***(ii) Scope of participants***

The participants include the directors, senior management, mid-level management and core employees of the Company. In respect of the abovementioned participants, any such directors and senior management must have been elected at the General Meeting or appointed by the Board. A participant must be employed by and have entered into a labor contract or an employment contract with the Company, the wholly-owned subsidiaries or controlled subsidiaries of the Company as at the date of grant and during the assessment years.

The participants do not include the external directors (including the independent directors), the supervisors and any shareholder or actual controller individually or jointly holding more than 5% of the shares of the Company and their respective spouse, parents and children. The participants shall not also be participants of share incentive schemes of any other listed companies, and persons who are already participants of such incentive schemes of any other listed companies shall not take part in the Share Option Scheme.

## 47. SHARE-BASED PAYMENTS (Continued)

(a) The Company: (Continued)

### *(iii) Total number of the options involved in the Share Option Scheme*

The number of A Share Options granted under the scheme is 46,320,000. Upon satisfaction of the conditions of exercise of the share options, each share option shall provide its holder with a right to purchase one A Share at the exercise price during the validity period. The share options shall not be transferred, mortgaged or used to set-off.

### *(iv) Validity Period*

The validity period of the share options granted under the Share Option Scheme commences from the Date of Grant, and such period must not exceed 60 months.

### *(v) Vesting Period*

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

### *(vi) Exercise Price, exercisable Period and Exercise Conditions*

The exercise of the share options under the Share Option Scheme are subject to the performance targets in the assessment years from the financial year of 2019 through the financial year of 2021. Assessment will be made once a financial year.

Under the premise that conditions of exercise of the share options have been fulfilled, the share options are exercisable in three tranches upon expiry of 24 months of the date of grant.

The participants shall exercise their share options during the validity period of the share options. If the conditions of exercise of share options are not fulfilled, the share options for that period shall not be exercised. If the conditions of the share options are fulfilled but not all of the relevant share options for that period have been exercised, such portion of the unexercised share option shall be cancelled by the Company.

During the year ended 31 December 2019, 46,320,000 share options were granted and no options were exercised or cancelled under the Share Option Scheme up to the end of the reporting period.

## 47. SHARE-BASED PAYMENTS (Continued)

(a) The Company: (Continued)

### *(vi) Exercise Price, Exercise Period and Exercise Conditions*

As at 31 December 2019, the Company had 46,320,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 46,320,000 (2018: nil) additional ordinary shares of the Company. No option is exercisable as at 31 December 2019.

The fair value per share option at the date of grant amounted to RMB2.12. The fair value of the share options granted was estimated on the date of grant using the Black Scholes model, taking into account of the terms and conditions pon which the options were granted. The inputs used in the model was as follow:

| | |
|---|---|
| Share price at date of grant | RMB9.37 |
| Exercise price | RMB9.64 |
| Risk-free interest rate | 2.77% |
| Expected life | 4 years |
| Expected volatility | 25.52% |

### *(vii) Exercise Price and basis of determination*

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The Black Scholes model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an share option varies with different variables of certain subjective assumptions.

## 47. SHARE-BASED PAYMENTS (Continued)

### (b) Equity incentive plan of a subsidiary

Yancoal Australia, a non-wholly owned subsidiary of the Company, had adopted a share incentive scheme and the principal terms of the incentive plan (the "Plan") are as follows:

#### *(i) Purpose*

The purpose of the Plan is to:

(1) attract, retain and motivate eligible employees essential for the continued growth and development of Yancoal Australia;

(2) provide a strategic, value based reward for eligible employees who make a key contribution to the success of Yancoal Australia;

(3) align the interests of eligible employees more closely with the interests of shareholders by providing an opportunity for eligible employees to receive an equity interest in the form of awards;

(4) provide eligible employees with the opportunity to share in any future growth in value of Yancoal Australia; and

(5) provide greater incentive for eligible employees to focus on Yancoal Australia's longer term goals.

#### *(ii) Scope of participants*

Those employees that the Board of Yancoal Australia (the"Board") determine are eligible to participate in the Plan (the "Participants"). Eligible employee may receive, at the absolute discretion of the Board, options or rights (a conditional right to receive shares of Yancoal Australia) ("Rights") or a Share (each, an "Award") under the Plan.

#### *(iii) Maximum number of shares*

Where an offer is made under the Plan, the Board of Yancoal Australia must, at the time of making the offer, have reasonable grounds to believe that the total number of Shares (or, in respect of Options or Rights, the total number of Shares which would be issued if those Options or Rights were exercised) will not exceed 5% of the total number of Shares on issue when aggregated with the number of Shares issued or that may be issued as a result of offers made at any time during the previous 3 year period under: (a) the Plan or any other employee incentive scheme covered by the ASIC Class Order [CO 14/1000] (or any amendment to or replacement of that Class Order) ("Class Order"); or (b) a ASIC exempt arrangement of a similar kind to an employee incentive scheme, ("5% limit")

## 47. SHARE-BASED PAYMENTS (Continued)

### (b) Equity incentive plan of a subsidiary (Continued)

The Rights are redeemable on a one-for-one basis for Yancoal Australia's shares.

During the year ended 31 December 2018, 4,309,438 Rights were granted, 1,185,203 Rights were exercised and 31,225 Rights were forfeited. During the year ended 31 December 2019, 2,161,669 Rights were granted, 1,609,198 Rights were cancelled and 45,642 Rights were forfeited.

The fair value of share options granted was estimated on the date of grant using the Black Scholes model, taking into account of the terms and conditions upon which the options were granted. The inputs used in the model was as follow:

| | | | |
|---|---|---|---|
| Grant date | 31/12/2018 | 1/1/2019 | 30/5/2018 |
| Post-consolidation share price at grant date ($) | AUD3.66 | AUD3.35 | AUD4.94 |
| Risk-free interest rate | N/A | 2.77% | 2.77% |
| Dividend yield | 8% | 8% | 0% |
| Value per performance right | AUD3.36 | AUD2.66 | AUD4.94 |

The Rights has been valued using the volume weighted average price of Yancoal Australia's ordinary shares across a 10 day trading period before grant date.

## 47. SHARE-BASED PAYMENTS (Continued)

### (b) Equity incentive plan of a subsidiary (Continued)

There are a maximum of 3,599,839 shares available for issue, which, if issued as new shares of Yancoal Australia, would represent 0.2% of share capital in issue at 31 December 2019 (31 December 2018: 3,093,010 shares representing 0.2% of share capital of Yancoal Australia).

## 48. 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 disposals** | |
| Cash received on disposal | 2,767,218 |
| Less: Bank balances and cash derecognised | (63,223) |
| | 2,703,995 |

## 48. OTHER ACQUISITION AND DISPOSALS (Continued)

### (B) Acquisition of Warkworth Joint Venture

On 1 March 2018, the Group has completed the acquisition of 28.898% interest in Warkworth Joint Venture for USD230 million (equivalent to approximately RMB 1,716,745,000). 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.

| | |
|---|---|
| **Net cash outflow arising on acquisition** | |
| Cash paid on acquisition | 1,716,745 |
| Less: Bank balance and cash acquired | (29,180) |
| | 1,687,565 |

## 48. 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 RMB 405,300,000), 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 completion.

| | RMB'000 |
|---|---|
| Consideration transferred | |
| Purchase price | 405,300 |
| Effective date adjustment | (101,672) |
| | 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 |

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.

| | RMB'000 |
|---|---|
| **Net cash outflow arising on acquisition:** | |
| Cash paid on acquisition | 303,628 |
| Less: Bank balance and cash acquired | (7,315) |
| | 296,313 |

## 49. NON-CONTROLLING INTERESTS

Summarised financial information of material non-controlling interests of subsidiaries is set out below.

| | Yancoal Australia At 31 December | | Haosheng At 31 December | |
|---|---|---|---|---|
| | **2019 RMB'000** | 2018 RMB'000 | **2019 RMB'000** | 2018 RMB'000 |
| Non-controlling interests percentage | | | | |
| – 1 January | **37.53%** | 34.54% | **22.26%** | N/A |
| – 31 December | **37.74%** | 37.53% | **40.62%** | 22.26% |
| **Summarised financial information** | | | | |
| Current assets | **8,653,988** | 9,270,771 | **1,800,416** | 286,577 |
| Non-current assets | **44,777,384** | 49,655,299 | **10,450,812** | 4,091,265 |
| Current liabilities | **(10,308,273)** | (4,379,462) | **(1,518,949)** | (959,817) |
| Non-current liabilities | **(13,716,792)** | (27,100,406) | **(5,900,027)** | (2,423,268) |
| Net assets | **29,406,307** | 27,446,202 | **4,832,252** | 994,757 |
| Carrying amounts of non-controlling interests | **11,097,940** | 10,300,560 | **1,962,861** | 221,433 |
| Revenue | **21,887,315** | 23,271,056 | **1,169,804** | 1,009,071 |
| Profit (loss) for the year | **3,524,844** | 4,272,873 | **(273,285)** | (532,486) |
| Other comprehensive income (expense) | **854,867** | (947,270) | **–** | – |
| Total comprehensive income (expense) | **4,379,711** | 3,325,603 | **(273,285)** | (532,486) |
| Total comprehensive income (expense) allocated to non-controlling interests | **1,652,827** | 1,148,663 | **(68,646)** | (118,531) |
| Cash flows generated from (used in) operating activities | **7,560,896** | 9,541,201 | **226,567** | (455,387) |
| Cash flows (used in) from investing activities | **(1,914,646)** | 735,909 | **(2,169,605)** | (380,394) |
| Cash flows (used in) from financing activities | **(5,905,119)** | (6,376,098) | **1,953,452** | 632,537 |
| Net (decrease) increase in cash and cash equivalents | **(258,869)** | 3,901,012 | **10,414** | (203,244) |
| Dividends paid to non-controlling interests | **239,634** | 285,877 | **–** | – |

The amount of above financial information is before elimination of intra-group transactions.

## 49. NON-CONTROLLING INTERESTS (Continued)

| | Jinan Duanxin Mingren At December 2018 RMB'000 (Note) | Jinan Duanxin Mingli At December 2018 RMB'000 (Note) | Jinang Duanxin Mingzhi At December 2018 RMB'000 (Note) |
|---|---|---|---|
| Non-controlling interests percentage | 80% | 80% | 80% |
| Summarised financial information | | | |
| Current assets | 12,740 | 7,455 | 3,283 |
| Non-current assets | 5,000,000 | 5,000,000 | 1,250,000 |
| Current liabilities | (4,349) | – | – |
| Non-current liabilities | – | – | – |
| Net assets | 5,008,391 | 5,007,455 | 1,253,283 |
| Carrying amounts of non-controlling interests | 4,006,713 | 4,005,964 | 1,002,626 |
| Revenue | – | – | – |
| Profit for the year | 263,252 | 260,252 | 66,311 |
| Other comprehensive income | – | – | – |
| Total comprehensive income | 263,252 | 260,252 | 66,311 |
| Total comprehensive income allocated to non-controlling interests | 210,602 | 208,201 | 53,049 |
| Cash flows (used in) generated from operating activities | (1,553) | 2,578 | (3,607) |
| Cash flows from investing activities | – | – | – |
| Cash flows from financing activities | – | – | – |
| Net (decrease) increase in cash and cash equivalents | (1,553) | 2,578 | (3,607) |
| Dividends paid to non-controlling interests | 204,400 | 205,911 | 55,878 |

Note: During the year ended 31 December 2019, the Group acquired additional interests in these subsidiaries and these subsidiaries became wholly-owned subsidiaries of the Group thereafter. As these subsidiaries made insignificant contribution to the Groups profit or loss of 2019, the relevant details for 2019 were not disclosed.

## 50. 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 | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Nature of balances (other than those already disclosed) | | |
| Bills and accounts receivable | | |
| – Parent Company and its subsidiaries | **584,454** | 890,182 |
| – Joint ventures | **362,167** | 45,370 |
| – Associates | **–** | 45,437 |
| Prepayments and other receivables | | |
| – Parent Company and its subsidiaries | **327,392** | 142,695 |
| – Joint ventures | **122,107** | – |
| – Associates | **72,819** | 92,943 |
| Long-term receivables | | |
| – Parent Company and its subsidiaries | **8,689** | 42,893 |
| – Joint ventures | **989,901** | 1,051,126 |
| – Associates | **4,398,756** | 4,028,373 |
| Bills and accounts payable | | |
| – Joint ventures | **–** | 2,509 |
| – Associates | **8,151** | 6 |
| – Parent Company and its subsidiaries | **1,093,259** | 929,654 |
| Other payables and accrued expenses | | |
| – Parent Company and its subsidiaries | **10,599,970** | 11,394,349 |
| – Associates | **17,272** | 574 |

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

## 50. 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 subsidiaries (excluding the Group):

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Income | | |
| Sales of coal | **2,860,293** | 2,269,360 |
| Sales of auxiliary materials | **805,598** | 1,154,088 |
| Supply of power and heat | **31,138** | 73,448 |
| Sales of methanol | **5,456** | 1,588 |
| Equipment leasing | **29,450** | 9,202 |
| Professional services | **5,553** | 4,279 |
| Provision of repair and maintenance services | **17,196** | 3,220 |
| Provision of road transportation services | **74,010** | 41,408 |
| Expenditure | | |
| Utilities and facilities | **49,133** | 14,399 |
| Purchases of materials and facilities | **275,204** | 296,747 |
| Repair and maintenance services | **102,834** | 25,323 |
| Labour and services | **958,016** | 1,099,136 |
| Construction services | **896,497** | 1,044,908 |
| Coal train escort services | **50,476** | 51,550 |
| Financial services | **852** | 1,670 |
| Insurance fund management and payment services (free of charge) | **961,616** | 900,552 |
| Purchase of bulk commodities | **561,586** | 160,656 |
| Commissioned management services | **5,790** | 17,550 |

Expenditures for social welfare and support services (excluding medical and child care expenses) are approximately RMB103,439,000 (2018: RMB193,398,000) for the year ended 31 December 2019. These expenses will be negotiated with and paid by the Parent Company each year.

As at 31 December 2019, the Parent Company and its subsidiaries, excluding the Group, had deposited approximately RMB10,129,682,000 (2018: RMB9,985,986,000) to Yankuang Finance. For the year ended 31 December 2019, interest income from and interest expense to the Parent Company and its subsidiaries (excluding the Group), joint ventures and associates amounted to approximately RMB207,191,000 and RMB105,623,000 respectively (2018: RMB199,352,000 and RMB104,380,000).

In addition to the above, the Company participates in a retirement benefit scheme of the Parent Company in respect of retirement benefits (note 52).

## 50. 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 balances with other state-controlled entities are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Trade sales | **3,366,596** | 3,820,529 |
| Trade purchases | **861,501** | 550,141 |

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

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Amounts due to other state-controlled entities | **712,270** | 655,120 |
| Amounts due from other state-controlled entities | **49,211** | 180,750 |

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

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

Except as disclosed above, the directors 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.

## 50. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

### Balances and transactions with joint ventures/associates

| | At 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Loan to a joint venture and an associate (note 29) | **5,388,657** | 5,079,499 |

Interest recognised by the Group in the current year amounting to approximately RMB397,683,000 (2018: RMB423,318,000).

### Compensation of key management personnel

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

| | Year ended 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Directors fee | **568** | 520 |
| Salaries, allowance and other benefits in kind | **9,797** | 9,486 |
| Retirement benefit scheme contributions | **1,722** | 1,666 |
| | **12,087** | 11,672 |

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

## 51. COMMITMENTS

Save as disclosed elsewhere is the consolidated financial statements, the Group had the following capital commitments.

| | At 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Capital expenditure contracted for but not provided in the consolidated financial statements | | |
| Acquisition of property, plant and equipment and intangible assets | | |
| – the Group | **8,397,556** | 8,904,861 |
| – share of joint operations | **215,197** | 219,185 |
| – others | **26,234** | 10,866 |
| Intangible assets | | |
| – share of joint operations | **9,764** | 12,509 |
| Exploration and evaluation | | |
| – share of joint operations | **22,766** | 2,538 |
| – others | **9,156** | – |
| | **8,680,673** | 9,149,959 |

## 52. 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% (2018: 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 RMB961,616,000 and RMB900,552,000 for the years ended 31 December 2019 and 2018 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.

## 53. 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 2019 and 2018. Such expenses, amounting to RMB6,333,000 the year ended 31 December 2019 (2018: RMB137,200,000) respectively, have been included as part of the social welfare and support services expenses summarised in note 50.

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.

## 54. POST BALANCE SHEET EVENTS

(a) Subsequent to the end of the reporting period, in March 2020, the Group completed the acquisition of 10% interest in the Moolarben JV from Sojitz Moolarben Resources Pty Ltd for a consideration of approximately AUD300 million (RMB1,456 million). Further details of the transaction are set out in the Yancoal Australia's announcement dated 31 March 2020. Upon completion of the transaction, Yancoal Australia holds 95% in the Moolarben JV and it continues to be accounted for as a joint venture of the Group.

(b) Subsequent to the end of the reporting period, the outbreak of COVID-19 in January 2020 has caused disruptions to many industries. These disruptions have inevitably posed a significant threat to the global economy in 2020. Despite the challenges, governments and international organizations have implemented a series of measures to contain the pandemic. The time duration and scope of these disruptions cannot be accurately assessed at this point in time. Given the dynamic nature of these circumstances, the financial impact will be reflected in the Group's subsequent financial statements. The Group will closely monitor the development of the pandemic and assess its impact on its operations.

## 55. OPERATING LEASE COMMITMENTS

### The Group as lessee

| | 31/12/2018<br>RMB'000 |
|---|---|
| Within one year | 160,184 |
| In the second to fifth years inclusive | 297,436 |
| | 457,620 |

As at 31 December 2018, operating lease payments represent rentals payable by the Group for certain of its mining equipment, office space and small items of office equipment. Leases are negotiated for an average term of 1 to 5 years.

The Group is the lessee in respect of buildings and plant, machinery and equipment which the leases were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 4, and the details regarding the Group's future lease payments are disclosed in note 25.

## 56. CONTINGENT LIABILITIES

### (i) Guarantees

| | | At 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| (a) | **The Group** | | |
| | Performance guarantees provided to daily operations | **736,989** | 1,005,073 |
| | Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute | **661,600** | 546,196 |
| (b) | **Joint operations** | | |
| | Performance guarantees provided to external parties | **780,700** | 693,983 |
| | Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute | **1,390,318** | 1,137,861 |
| (c) | **Related parties** | | |
| | Performance guarantees provided to external parties | **515,714** | 571,979 |
| | Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute | **411,710** | 266,897 |
| | | **4,497,031** | 4,221,989 |

## 57. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

During the year ended 31 December 2018, investment in securities of approximately RMB3,781,200,000 was reclassified to interests in associates.

Additions to the Group's intangible assets, property, plant and equipment and construction-in-progress amounted to approximately RMB1,000,000,000, RMB2,000,000,000 and Nil respectively were settled through bills during the year ended 31 December 2019 (2018: Nil, RMB1,000,000,000 and RMB3,000,000,000).

During the year ended 31 December 2019, the Group entered into several new arrangement in respect of buildings, and plant, machinery and equipment. Right-of-use assets and lease liabilities of approximately RMB98,304,000 were recognised at the commencement of the lease.

During the year ended 31 December 2019, the Group acquired mining rights of which approximately RMB2,347,154,000 intangible assets payable will be settled over the mining period.

## 58. 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 | Lease liabilities (Note 25) RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 31 December 2018 | 43,626 | 11,284,197 | 68,677,923 | – | 80,005,746 |
| Adoption of IFRS 16 | – | – | (205,313) | 557,854 | 352,541 |
| At 1 January 2019 | 43,626 | 11,284,197 | 68,472,610 | 557,854 | 80,358,287 |
| Dividends declaration | 8,788,347 | – | – | – | 8,788,347 |
| Finance cost incurred | – | – | – | 33,894 | 33,894 |
| Cash flows | (6,912,307) | 6,562,462 | (3,538,407) | (185,592) | (4,073,844) |
| New lease arranements | – | – | – | 98,304 | 98,304 |
| Termination of lease | – | – | – | (21,732) | (21,732) |
| Exchange adjustment | – | – | 441,288 | 2,196 | 443,484 |
| At 31 December 2019 | 1,919,666 | 17,846,659 | 65,375,491 | 484,924 | 85,626,740 |

| | 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 | 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 |

## 59. INFORMATION OF THE COMPANY

The Company's statement of financial position is disclosed as follows:

| | At 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| **Current assets** | | |
| Bank balances and cash | **4,588,562** | 13,653,633 |
| Pledged term deposits | **210,000** | 1,823,231 |
| Restricted cash | **722,320** | 1,629,645 |
| Bills and accounts receivable | **3,754,703** | 4,904,199 |
| Inventories | **630,263** | 578,184 |
| Prepayments and other receivables | **43,419,371** | 39,472,294 |
| Prepaid lease payments | **–** | 13,388 |
| | **53,325,219** | 62,074,574 |
| **Non-current assets** | | |
| Intangible assets | **828,784** | 989,558 |
| Prepaid lease payments | **–** | 381,019 |
| Property, plant and equipment | **7,237,158** | 9,757,349 |
| Right-of-use assets | **4,362,050** | – |
| Investments in subsidiaries (note a) | **65,982,294** | 62,219,428 |
| Investments in securities | **4,623** | 5,246 |
| Investments in associates | **8,801,123** | 8,745,421 |
| Investment in joint venture | **28,290** | 28,762 |
| Deposit made on investments | **117,926** | 117,926 |
| Deferred tax assets | **1,233,628** | 1,193,597 |
| | **88,595,876** | 83,438,306 |
| **Total assets** | **141,921,095** | 145,512,880 |

## 59. INFORMATION OF THE COMPANY (Continued)

| | At 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| **Current liabilities** | | |
| Bills and accounts payable | **4,683,330** | 3,425,208 |
| Other payables and accrued expenses | **19,207,165** | 13,526,037 |
| Contract liabilities | **635,148** | 749,246 |
| Provision for land subsidence, restoration, rehabilitation and environmental costs | **–** | 1,844,810 |
| Borrowings – due within one year | **13,248,800** | 11,899,433 |
| Lease liabilities | **1,083,566** | – |
| Long term payable – due within one year | **2,367,430** | 16,588,063 |
| Derivative financial instruments | **85,598** | – |
| Tax payable | **330,165** | 261,345 |
| | **41,641,202** | 48,294,142 |
| **Non-current liabilities** | | |
| Borrowings – due after one year | **32,415,387** | 29,349,927 |
| Lease liabilities | **3,671,227** | – |
| Long term payable – due after one year | **60,755** | 2,771,712 |
| | **36,147,369** | 32,121,639 |
| **Total liabilities** | **77,788,571** | 80,415,781 |
| **Capital reserves** | | |
| E quity (note b) | **53,820,913** | 54,780,655 |
| Perpetual capital securities | **10,311,611** | 10,316,444 |
| | **64,132,524** | 65,097,099 |
| **Total liabilities and equity** | **141,921,095** | 145,512,880 |

## 59. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2019 and 2018 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 |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2019 | | 2018 | | 2019 | 2018 | |
| | | | 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 | RMB1,184,620,000 (2018: RMB904,900,000) | 59.38% | – | 77.74% | – | 59.38% | 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 |
| 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 |

## 59. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2019 and 2018 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 |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2019 | | 2018 | | 2019 | 2018 | |
| | | | Directly | Indirectly | Directly | Indirectly | | | |
| 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 |
| Yancoal Australia (note 2) | Australia | AUD6,482,144,000 | 62.26% | – | 62.47% | – | 62.26% | 62.47% | Investment holding |
| Austar Coal Mine Pty, Limited ("Austar") | Australia | AUD64,000,000 | – | 62.26% | – | 62.47% | 100% | 100% | Coal mining business in Australia |
| Gloucester | Australia | AUD719,720,808 | – | 62.26% | – | 62.47% | 100% | 100% | Coal resource exploration development |
| Yancoal Australia Sales Pty Ltd | Australia | AUD100 | – | 62.26% | – | 62.47% | 100% | 100% | Coal sales |
| Yancoal SCN Ltd | Australia | AUD5 | – | 62.26% | – | 62.47% | 100% | 100% | Issue subordinated capital note |

## 59. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2019 and 2018 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 |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2019 | | 2018 | | 2019 | 2018 | |
| | | | Directly | Indirectly | Directly | Indirectly | | | |
| Yancoal Mining Services Ltd | Australia | AUD100 | – | 62.26% | – | 62.47% | 100% | 100% | Provide management services to the underground mines |
| Yancoal Resources Ltd | Australia | AUD446,409,065 | – | 62.26% | – | 62.47% | 100% | 100% | Coal mining business in Australia |
| Westralian Prospectors NL | Australia | AUD93,001 | – | 62.26% | – | 62.47% | 100% | 100% | No business in Australia |
| Eucla Mining NL | Australia | AUD2 | – | 62.26% | – | 62.47% | 100% | 100% | Coal mining |
| CIM Duralie Pty Ltd | Australia | AUD665 | – | 62.26% | – | 62.47% | 100% | 100% | No business in Australia |
| Duralie Coal Marketing Pty Ltd | Australia | AUD2 | – | 62.26% | – | 62.47% | 100% | 100% | No business in Australia |
| Duralie Coal Pty Ltd | Australia | AUD2 | – | 62.26% | – | 62.47% | 100% | 100% | Coal mining |
| Gloucester (SPV) Pty Ltd | Australia | AUD2 | – | 62.26% | – | 62.47% | 100% | 100% | Holding company |
| Gloucester (Sub Holdings 1) Pty Ltd | Australia | AUD2 | – | 62.26% | – | 62.47% | 100% | 100% | Holding company |
| Gloucester (Sub Holdings 2) Pty Ltd | Australia | AUD2 | – | 62.26% | – | 62.47% | 100% | 100% | Holdings company |
| SASE Pty Limited | Australia | AUD9,650,564 | – | 56.03% | – | 56.22% | 90% | 90% | No business in Australia, to be liquidated |
| Proserpina Coal Pty Ltd | Australia | AUD1 | – | 62.26% | – | 62.47% | 100% | 100% | Coal mining and sales |
| Yarrabee Coal Company Pty Ltd | Australia | AUD92,080 | – | 62.26% | – | 62.47% | 100% | 100% | Coal mining and sales |
| White Mining Limited | Australia | Ordinary shares AUD3,300,000 A Shares AUD200 | – | 62.26% | – | 62.47% | 100% | 100% | Investment holding and management of operations |
| Moolarben Coal Operations Pty Ltd | Australia | AUD2 | – | 62.26% | – | 62.47% | 100% | 100% | Management of coal operations |
| Moolarben Coal Mines Pty Limited | Australia | AUD1 | – | 62.26% | – | 62.47% | 100% | 100% | Coal business development |
| Felix NSW Pty Ltd | Australia | AUD2 | – | 62.26% | – | 62.47% | 100% | 100% | Investment holding |
| Moolarben Coal Sales Pty Ltd | Australia | AUD2 | – | 62.26% | – | 62.47% | 100% | 100% | Coal sales |
| CIM Mining Pty Ltd | Australia | AUD30,180,720 | – | 62.26% | – | 62.47% | 100% | 100% | No business in Australia |
| Donaldson Coal Holdings Limited | Australia | AUD204,945,942 | – | 62.26% | – | 62.47% | 100% | 100% | Holdings company |
| Monash Coal Holdings Pty Ltd | Australia | AUD100 | – | 62.26% | – | 62.47% | 100% | 100% | Dormant |
| Athena Coal Operation Pty Ltd | Australia | AUD1 | – | 62.26% | – | 62.47% | 100% | 100% | Dormant |
| Athena Coal sales Pty Ltd | Australia | AUD1 | – | 62.26% | – | 62.47% | 100% | 100% | Dormant |
| Paway Limited | British Virgin Islands | AUD1 | – | 62.26% | – | 62.47% | 100% | 100% | Dormant |

## 59. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2019 and 2018 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 |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2019 | | 2018 | | 2019 | 2018 | |
| | | | Directly | Indirectly | Directly | Indirectly | | | |
| White Mining Services Pty Limited | Australia | AUD2 | – | 62.26% | – | 62.47% | 100% | 100% | No business in Australia, to be liquidated |
| Ashton Coal Operations Pty Limited | Australia | AUD5 | – | 62.26% | – | 62.47% | 100% | 100% | Management of operations |
| Ashton Coal mines Limited | Australia | AUD5 | – | 62.26% | – | 62.47% | 100% | 100% | Coal sales |
| White Mining (NSW) Pty Limited | Australia | AUD10 | – | 62.26% | – | 62.47% | 100% | 100% | Coal mining and sales |
| CIM Stratford Pty Ltd | Australia | AUD21,558,606 | – | 62.26% | – | 62.47% | 100% | 100% | Dormant |
| CIM Services Pty Ltd | Australia | AUD8,400,002 | – | 62.26% | – | 62.47% | 100% | 100% | Dormant |
| Donaldson Coal Pty Ltd | Australia | AUD6,688,782 | – | 62.26% | – | 62.47% | 100% | 100% | Coal mining and sales |
| Donaldson Coal Finance Pty Ltd | Australia | AUD10 | – | 62.26% | – | 62.47% | 100% | 100% | Investment company |
| Monash Coal Pty Ltd | Australia | AUD200 | – | 62.26% | – | 62.47% | 100% | 100% | Coal mining and sales |
| Stradford Coal Pty Ltd | Australia | AUD10 | – | 62.26% | – | 62.47% | 100% | 100% | Coal mining |
| Stradford Coal Marketing Pty Ltd | Australia | AUD10 | – | 62.26% | – | 62.47% | 100% | 100% | Coal sales |
| Abakk Pty Ltd | Australia | AUD6 | – | 62.26% | – | 62.47% | 100% | 100% | Liquidated |
| Newcastle Coal Company Pty Ltd | Australia | AUD2,300,999 | – | 62.26% | – | 62.47% | 100% | 100% | Coal mining and sales |
| Primecoal International Pty Ltd | Australia | AUD1 | – | 62.26% | – | 62.47% | 100% | 100% | No business in Australia, to be liquidated |
| Coal & Allied Industries Limited ("C&A") | Australia | AUD3,724,000,000 | – | 62.26% | – | 62.47% | 100% | 100% | Coal mining business |
| Australian Coal Resources Ltd | Australia | AUD5 | – | 62.26% | – | 62.47% | 100% | 100% | Coal Mining Business |
| Kalamah Pty Ltd | Australia | AUD1 | – | 62.26% | – | 62.47% | 100% | 100% | Investment, holding company |
| RioTinto Coal (NSW) Pty Ltd | Australia | AUD1 | – | 62.26% | – | 62.47% | 100% | 100% | Employment, management company |
| Coal & Allied Operations Pty Ltd | Australia | AUD17,147,500 | – | 62.26% | – | 62.47% | 100% | 100% | Coal mining, processing and sales |
| CNA Investments (UK) Pty Ltd | Australia | AUD202,000 | – | 62.26% | – | 62.47% | 100% | 100% | Investment Management |
| CNA Resources Holdings Pty Ltd | Australia | AUD405 | – | 62.26% | – | 62.47% | 100% | 100% | Investment holding |
| HV Operations Pty Ltd | Australia | AUD1 | – | 62.26% | – | 62.47% | 100% | 100% | Management company |
| Lower Hunter Land Holdings Pty Ltd | Australia | AUD6 | – | 62.26% | – | 62.47% | 100% | 100% | Management, holding company |
| Oaklands Coal Pty Ltd | Australia | AUD5,005,000 | – | 62.26% | – | 62.47% | 100% | 100% | Management company |
| Novacoal Australia Pty Ltd | Australia | AUD530,000 | – | 62.26% | – | 62.47% | 100% | 100% | Management company |

## 59. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2019 and 2018 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 |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2019 | | 2018 | | 2019 | 2018 | |
| | | | Directly | Indirectly | Directly | Indirectly | | | |
| Yancoal International (Holding) Co., Ltd | Hong Kong | USD689,313,091 | 100% | – | 100% | – | 100% | 100% | Investment holding |
| Yancoal International Resources Development Co., Limited | Hong Kong | USD600,000 | – | 100% | – | 100% | 100% | 100% | Coal resource exploration development |
| Yancoal International Technology Development Co., Limited | Hong Kong | USD1,000,000 | – | 100% | – | 100% | 100% | 100% | Coal mining technology development, transfer and consultation |
| Yancoal International Trading Co., Limited | Hong Kong | USD1,000,000 | – | 100% | – | 100% | 100% | 100% | Entrepot trade |
| Yancoal Luxembourg Resources Holding Co., Ltd | Luxembourg | USD500,000 | – | 100% | – | 100% | 100% | 100% | Investment holding |
| Yancoal Canada Resources Holding Co., Ltd | Canada | USD290,000,000 | – | 100% | – | 100% | 100% | 100% | Potash exploration |
| Athena Holdings P/L | Australia | AUD24,450,405 | – | 100% | – | 100% | 100% | 100% | Holding company |
| Premier Coal Holdings Pty Ltd | Australia | AUD321,613,108 | – | 100% | – | 100% | 100% | 100% | Holding company |
| Tonford Holdings Pty Ltd | Australia | AUD46,407,917 | – | 100% | – | 100% | 100% | 100% | Holding company |
| Wilpeena Holdings Pty Ltd | Australia | AUD3,457,381 | – | 100% | – | 100% | 100% | 100% | Holding company |
| Yancoal Energy Pty Ltd | Australia | AUD202,977,694 | – | 100% | – | 100% | 100% | 100% | Holding company |
| Yancoal International Technology Development Pty Ltd | Australia | AUD75,407,506 | – | 100% | – | 100% | 100% | 100% | Holding company |
| Athena Coal Mine Pty Ltd | Australia | AUD2 | – | 100% | – | 100% | 100% | 100% | Coal exploration |
| Premier Coal Limited | Australia | AUD8,779,250 | – | 100% | – | 100% | 100% | 100% | Coal mining and sales |
| Tonford Pty Ltd | Australia | AUD2 | – | 100% | – | 100% | 100% | 100% | Coal exploration |
| Syntech Holdings Pty Ltd | Australia | AUD223,470,552 | – | 100% | – | 100% | 100% | 100% | Investment holding and management of coal operation |
| Syntech Holdings II Pty Ltd | Australia | AUD6,318,490 | – | 100% | – | 100% | 100% | 100% | Investment holding |
| UCC Energy Pty Limited | Australia | AUD2 | – | 100% | – | 100% | 100% | 100% | Ultra clean coal technology |
| Premier Char Pty Ltd | Australia | AUD1,000,000 | – | 100% | – | 100% | 100% | 100% | Charcoal Product Development |
| Yancoal Technology Development Pty Ltd | Australia | AUD2 | – | 100% | – | 100% | 100% | 100% | LTCC technology development and equipment rental |
| AMH (Chinchilla Coal) Pty Ltd | Australia | AUD2 | – | 100% | – | 100% | 100% | 100% | Coal exploration |

## 59. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2019 and 2018 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 |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2019 | | 2018 | | 2019 | 2018 | |
| | | | Directly | Indirectly | Directly | Indirectly | | | |
| Syntech Resources Pty Ltd | Australia | AUD1,251,431 | – | 100% | – | 100% | 100% | 100% | Coal mining and sales |
| Mountfield Properties Pty Ltd | Australia | AUD100 | – | 100% | – | 100% | 100% | 100% | Investment holding |
| Donghua (note 1) | PRC | RMB1,277,888,000 | 100% | – | 100% | – | 100% | 100% | Manufacturing of coal mining and excavating equipment |
| Yankuang Group Tangcun Industrial Co., Ltd ("Tangcun") (note 1) | PRC | RMB51,000,000 | – | 100% | – | 100% | 100% | 100% | Manufacturing and repair of machinery and cable |
| Shandong Yankuang Group Changlong Cable Manufacturing Co., Ltd ("Changlong") (note 1) | PRC | RMB20,000,000 | – | 95% | – | 95% | 95% | 95% | Manufacturing and sale of cable, rubber products |
| Zhoucheng Chengyan Material Inspection and Testing Co., Ltd ("Chengyan") (note 1) | PRC | RMB300,000 | – | 100% | – | 100% | 100% | 100% | Mining products supporting materials testing |
| Yankuang Group Mainland Machinery Co. Ltd ("Mainland Machinery") (note 1) | PRC | RMB50,000,000 | – | 79.69% | – | 79.69% | 79.69% | 79.69% | Manufacturing of special coal mining equipment |
| Yankuang Group Yanzhou Sanfanggang Structural Engineering ("Sanfanggang") (note 1) | PRC | RMB8,000,000 | – | 62.50% | – | 62.50% | 62.50% | 62.50% | Production and processing of steel engineering components |
| 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 of mining equipments |
| Yankuang Group Jintong Rubber Co., Ltd ("Jintong") (note 1) | PRC | RMB6,600,000 | – | 54.55% | – | 54.55% | 54.55% | 54.55% | Manufacturing and sale of rubber products |
| Jinan Duanxin Mingren Financial Consulting Partnership (LP) ("Jinan Duanxin Mingren") (notes 1 and 3) | PRC | RMB5,000,000,000 | – | 100% | – | 20% | 100% | 100% | Financial advisory; Asset management consultancy service; Business advisory; Business service; Market information consultation and investigation |

## 59. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2019 and 2018 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 |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2019 | | 2018 | | 2019 | 2018 | |
| | | | Directly | Indirectly | Directly | Indirectly | | | |
| Jinan Duanxin Mingli Financial Consulting Partnership (LP) ("Jinan Duanxin Mingli") (note 1) | PRC | RMB5,000,000,000 | – | 100% | – | 20% | 100% | 100% | Management consulting service, Asset management consultancy service; Business advisory; Business service; Market information consultation and investigation |
| Jining Duanxin Mingzhi Financial Consulting Partnership (LP) ("Jining Duanxin Mingzhi") (notes 1 and 3) | PRC | RMB1,250,000,000 | – | 100% | – | 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% | – | 35% | 35% | 35% | Property management, Garden greening engineering, Sewage treatment and rental housing agency service |
| Duanxin Investment Holding (Shenzhen) Company Limited (note 1) | PRC | RMB1,100,000,000 | – | 100% | – | 100% | 100% | 100% | Equity investment, the entrusted assets and investment management, 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 |

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 (2018: RMB21,425,119,000) in respect of investment in Yancoal Australia, a subsidiary dually listed on the Australia Stock Exchange and SEHK, was included in investment in subsidiaries. As at 31 December 2019, the market value of these shares was approximately RMB11,645,428,000 (AUD2,384,257,000) (2018: approximately RMB15,550,291,000 (AUD3,222,858,000)).

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.

## 59. INFORMATION OF THE COMPANY (Continued)

(b) The Company's equity is as follows:

| | Share capital RMB'000 | Share premium RMB'000 | Share option reserve 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 |
|---|---|---|---|---|---|---|---|---|---|
| As at 1 January 2018 | 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 income (expense) 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 |
| As at 1 January 2019 | **4,912,016** | **2,967,947** | **–** | **780,222** | **5,855,024** | **176** | **40,265,270** | **10,316,444** | **65,097,099** |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **–** | **6,572,677** | **580,181** | **7,152,858** |
| Other comprehensive expense | | | | | | | | | |
| – Fair value changes of financial assets at FVTOCI | **–** | **–** | **–** | **–** | **–** | **(467)** | **–** | **–** | **(467)** |
| Total comprehensive income (expense) for the year | **–** | **–** | **–** | **–** | **–** | **(467)** | **6,572,677** | **580,181** | **7,152,391** |
| Transactions with owners: | | | | | | | | | |
| – Distribution paid to holders of perpetual capital securities | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(585,014)** | **(585,014)** |
| Dividends | **–** | **–** | **–** | **–** | **–** | **–** | **(7,564,505)** | **–** | **(7,564,505)** |
| Recognition of share based payment expense (note 47) | **–** | **–** | **32,553** | **–** | **–** | **–** | **–** | **–** | **32,553** |
| Total transactions with owners | **–** | **–** | **32,553** | **–** | **–** | **–** | **(7,564,505)** | **(585,014)** | **(8,116,966)** |
| Balance at 31 December 2019 | **4,912,016** | **2,967,947** | **32,553** | **780,222** | **5,855,024** | **(291)** | **39,273,442** | **10,311,611** | **64,132,524** |

## 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)

## 1. 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 | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **As per consolidated financial statements prepared under IFRS** | **9,388,645** | 8,582,556 | **54,119,800** | 52,077,360 |
| ***Impact of IFRS adjustments in respect of:*** | | | | |
| – Future development fund charged to income before income taxes | **(983,241)** | (992,958) | **–** | – |
| – Reversal of provision of work safety cost | **12,056** | 73,195 | **(48,332)** | (60,388) |
| – Fair value adjustment and amortisation | **10,000** | 10,000 | **(230,052)** | (240,052) |
| – 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 | **2,043** | 2,042 | **(420,674)** | (422,717) |
| – Goodwill arising from acquisition of Yankuang Finance | **–** | – | **(16,966)** | (16,966) |
| – Deferred tax | **228,165** | 223,869 | **578,467** | 350,302 |
| – Perpetual capital security | **–** | – | **10,311,611** | 10,316,444 |
| – Reversal of impairment loss on intangible assets in Yancoal Australia | **10,200** | 10,199 | **(750,259)** | (760,459) |
| – Others | **–** | – | **647,648** | 647,648 |
| As per consolidated financial statements prepared under PRC GAAP | **8,667,868** | 7,908,903 | **63,291,840** | 60,991,769 |

Chapter 13

# Documents Available for Inspection

| | |
|---|---|
| Documents available for inspection | The financial statements sealed and signed by the Chairman the Company, the chief financial officer and the director of the financial management department of the Company 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 22 April 2020

Revised information
Not applicable.

For further details
about information disclosure,
please visit the website of
Yanzhou Coal Mining Company Limited at