
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number: 001-14714

兖州煤业股份有限公司

(Exact name of Registrant as specified in its charter)

Yanzhou Coal Mining Company Limited

(Translation of Registrant's name into English)

People's Republic of China
(Jurisdiction of incorporation or organization)

**298 Fushan South Road
Zoucheng, Shandong Province
People's Republic of China**
(Address of principal executive offices)

**Zhang Baocai
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Zoucheng, Shandong Province
People's Republic of China (273500)
Tel: (86)537 5382319
Fax: (86)537 5383311**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class
**American Depositary Shares
Class H Ordinary Shares**

Name of each exchange on which registered
**New York Stock Exchange
New York Stock Exchange***

* **Not for trading in the United States, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None
(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None
(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**2,960,000,000 Domestic Shares, par value RMB1.00 per share
1,958,400,000 H Shares, par value RMB1.00 per share, including H Shares that were represented by 6,952,181 ADSs**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued
by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report includes statements of our expectations, intentions, plans and beliefs that constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and are intended to come within the safe harbor protection provided by those sections. The statements relate to future events or our financial performance, including, but not limited to, projections and estimates concerning the timing and success of specific projects and acquisitions. We use words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “will” and the negatives of such terms or other similar expressions to identify forward-looking statements.

Without limiting the foregoing, all statements relating to our future operating results and anticipated capital expenditures, borrowings and sources of funding are forward-looking statements and speak only as of the date of this annual report. These statements are based on numerous assumptions that we believe are reasonable, but are subject to a wide range of risks, uncertainties and contingencies, which may cause actual results to differ materially from those discussed in these statements. Among the factors that could cause actual results to differ materially are:

- price volatility for our coal and other related products;
- demand for coal in the PRC and overseas markets;
- difficulty in managing our rapid growth, business diversification, geographic expansion and integrating our acquisitions;
- changes in legislation, regulations and policies;
- the factors affecting the methanol industry and methanol prices;
- our ability to compete effectively;
- our need for, and ability to obtain, capital to finance our future expansion plans and capital expenditures;
- expected increases in production capacity and utilization of new facilities;
- competitive landscape;
- uncertainties in estimating our proven and probable coal reserves and our ability to replace and develop coal reserves;
- effects of land reclamation and other liabilities;
- geologic, equipment and operational risks related to mining;
- changes in economic strength and political stability of countries in which we have operations or serve customers;
- our ability to realize the anticipated benefits of our acquisition of equity interests or assets of coal mines;
- obtaining governmental permits and approvals for our operations;
- proximity of our coal resources to end-markets and costs of transportation;
- availability, timing of delivery and cost of key supplies;
- impacts of natural disasters, epidemics and safety accidents; and
- other factors, including, but not limited to, those discussed under “Risk Factors”, set forth in Part D of Item 3 of this annual report.

All of the forward-looking statements made in this annual report are qualified by this cautionary statement. We cannot assure you that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected effect on us, our business or our operations. We caution you not to place undue reliance on any such forward-looking statements. Unless we are required to do so under U.S. federal securities laws or other applicable laws, we do not intend to update or revise any forward-looking statements.

DEFINITIONS AND SUPPLEMENTAL INFORMATION

As used in this annual report, references to “Yanzhou Coal,” “we,” “our,” “our Company,” “the Group” or “us” refer to Yanzhou Coal Mining Company Limited and its subsidiaries, which have been consolidated into its accounts for the purpose of the consolidated financial statements, unless the context indicates otherwise. References to “the Company” refer to Yanzhou Coal as a stand-alone statutory entity.

“ADSs” are to the American depositary shares of the Company.

“A Shares” are to domestic shares in the ordinary share capital of the Company, with nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange.

“Articles of Association” are to our Articles of Association, as amended from time to time.

“ASX” are to ASX Limited or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

“Austar Company” are to Austar Coal Mine Pty Limited, a wholly owned subsidiary of Yancoal Australia Limited incorporated in Australia, which mainly engages in the mining, processing and sale of coal in Australia.

“Australia” are to the Commonwealth of Australia.

“BBSY” are to the Australian Bank Bill Swap Rate.

“Beisheng Industry and Trade” are to Zoucheng Yankuang Beisheng Industry and Trade Co., Ltd., a limited liability company incorporated in the PRC.

“Beisu Company” are to Yankuang Group Beisu Coal Mine Co., Ltd., a limited liability company incorporated in the PRC, which is a wholly owned subsidiary of Yankuang Group.

“CAGR” are to the compound annual growth rate.

“CASs” are to Accounting Standard for Business Enterprises and the relevant regulations and explanations issued by the Ministry of Finance of the PRC.

“CHES” are to the Clearing House Electronic Subregister System of ASX.

“China” or the “PRC” are to the People’s Republic of China, excluding, for purposes of this annual report, the Hong Kong Special Administrative Region (“Hong Kong”), Macau Special Administrative Region and Taiwan.

“CSRC” are to the China Securities Regulatory Commission.

“CVR Shares” are to fully paid shares in the share capital of Yancoal Australia as defined in the amended merger proposal deed for the Gloucester acquisition.

“Directors” as used herein refer to our directors as discussed in Item 6 herein.

“Eastern China” are collectively to Shandong Province, Jiangsu Province, Anhui Province, Zhejiang Province, Fujian Province, Jiangxi Province and Shanghai Municipality; “southern China” are to Guangdong Province, Hunan Province and Guangxi Zhuang Autonomous Region; “northern China” are to Beijing Municipality, Tianjin Municipality, Hebei Province, Shanxi Province and the Inner Mongolia Autonomous Region; and “northwestern China” are to Shaanxi Province, Gansu Province, Qinghai Province, Xinjiang Uygur Autonomous Region and Ningxia Hui Autonomous Region.

“Felix” are to Yancoal Resources (formerly Felix Resources Limited).

“FOB” are to Free on Board, meaning the risk passes to the buyer, including payment of all transportation and insurance costs, once goods are delivered on board of the ship by the seller, as defined in the latest edition of the International Rules for the Interpretation of Trade Terms as published by ICC Publishing SA, 38 cours Albert 1er, 75008 Paris, France from time to time or such official rules for interpretation of trade terms as issued by the ICC in substitution therefore as amended from time to time.

“Gloucester” are to Gloucester Coal Ltd., a company incorporated in Australia, which focuses on the exploration, mining and sale of coal in Australia. We completed the merger with Gloucester in June 2012, which turned Gloucester a wholly-owned subsidiary of Yancoal Australia.

“Grant Thornton” are to a registered firm of certified public accountants in the People’s Republic of China and is the principal auditor for the purpose of reporting to the United States Securities and Exchange Commission and other relevant U.S. regulatory bodies.

“Grant Thornton Hong Kong” are to a firm of certified public accountants in Hong Kong and operates as a corporate practice under the name of Grant Thornton Hong Kong Limited. This firm is the auditor for the purpose of the Hong Kong H Share listing only.

“H Shares” are to overseas listed foreign invested shares in the ordinary share capital of the Company, with nominal value of RMB1.00 each, which are listed on the HKSE.

“Haosheng Company” are to Inner Mongolia Haosheng Coal Mining Company Limited, a Company incorporated in the PRC and a 74.82%-owned subsidiary of the Company, which engages in project development for Shilawusu Coal Field in the Inner Mongolia Autonomous Region.

“Heze Nenghua” are to Yanmei Heze Nenghua Company Limited, a Company incorporated in the PRC and a 98.33%-owned subsidiary of the Company, which manages our exploration for coal resources at the Juye Mine in Heze City, Shandong Province.

“Hong Kong Listing Rules” are to the Rules Governing the Listing of Securities on the HKSE.

“Hong Kong Stock Exchange” or “HKSE” are to The Stock Exchange of Hong Kong Limited.

“Hua Ju Energy” are to Shandong Hua Ju Energy Co., Limited, a Company incorporated in the PRC and a 95.14%-owned subsidiary of the Company, which engages in the generation of electric power from coal gangue and coal slurry, which are byproducts of our coal mining process.

“IFRS” are to International Financial Reporting Standards, as issued by the International Accounting Standard Board (“IASB”).

“Industry Guide 7” are to the United States Securities and Exchange Commission Industry Guide 7.

“Inner Mongolia Xintai” are to Inner Mongolia Xintai Coal Mining Company Limited, a company incorporated in the PRC that is a 80%-owned subsidiary of Ordos Neng Hua, which operates the Wenyu Coal Mine in Inner Mongolia Autonomous Region.

“Jiemei Wall Materials” are to Jining Jiemei New Wall Materials Co., Ltd., a limited liability company incorporated in the PRC.

“JORC Code” are to the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

“LIBOR” are to the London Interbank Offered Rate.

“MEP” are to the Ministry of Environmental Protection of the PRC.

“MLR” are to the Ministry of Land and Resources of the PRC.

“MOFCOM” are to the Ministry of Commerce of the PRC.

“MOT” are to the Ministry of Transportation of the PRC.

“MRRT” are to the Minerals Resource Rent Tax, a tax on assessable profits generated from the extraction of coal and iron ore in Australia.

“NDRC” are to the National Development and Reform Commission of the PRC.

“NYSE” are to the New York Stock Exchange, Inc.

“Ordos Neng Hua” are to Yanzhou Coal Ordos Neng Hua Company Limited, a wholly owned subsidiary of the Company incorporated in the PRC that is principally engaged in the development of coal resources and the development of coal chemical business in the Inner Mongolia Autonomous Region.

“PBOC” are to the People’s Bank of China.

“PRC government” are to the central, provincial or municipal government of the PRC.

“PRC Standards” are to the standards in the Solid Mineral Resource/Reserve Classification of the PRC (GB/T17766-1999).

“Promoter Shares” are to the domestic legal person shares held by Yankuang Group.

“SAFE” are to the State Administration of Foreign Exchange of the PRC.

“SASAC” are to the State-owned Assets Supervision and Administration Commission.

“SAT” are to the State Administration of Taxation of the PRC.

“SEC” are to the United States Securities and Exchange Commission.

“SERC” are to the State Electricity Regulatory Commission of the PRC.

“Shanxi Nenghua” are to Yanzhou Coal Shanxi Nenghua Company Limited, a wholly owned subsidiary of the Company incorporated in the PRC that manages our investment projects in Shanxi Province.

“Shares” refers collectively to our (i) domestic invested shares listed on the Shanghai Stock Exchange, par value RMB1.00 each (the “Domestic Shares” or “A Shares”), (ii) foreign-invested shares issued and traded in HK dollars and listed on the Hong Kong Stock Exchange, par value RMB1.00 each (the “H Shares”) and (iii) American Depositary Shares, each of which represents ten H Shares.

“Shengyang Wood” are to Shandong Shengyang Wood Co., Ltd., a limited liability company incorporated in the PRC.

“Significant subsidiary” are to a significant subsidiary as defined in Rule 1-02 of Regulation S-X under the U.S. Securities Act of 1933.

“SSE” are to the Shanghai Stock Exchange.

“Tianhao Chemicals” are to Shanxi Tianhao Chemicals Company Limited, a 99.89%-owned subsidiary of Shanxi Nenghua and a Company incorporated in the PRC, which is principally engaged in the operation of a 100,000 tonne methanol project in Shanxi Province.

“Tonne” are to metric tonne, which is equivalent to 1,000 kilograms or approximately 2,205 pounds.

“Twelfth Five-Year Plan” are to the Twelfth Five-Year Plan (2011 to 2015) for National Economic and Social Development in the PRC.

“Yancoal Australia” are to Yancoal Australia Limited, an ASX-listed subsidiary of the Company incorporated in Australia that manages our investment projects in Australia, which is 78%-owned by the Company.

“Yancoal Canada” are to Yancoal Canada Resources Co., Ltd., a wholly owned subsidiary of the Company that manages our investment projects in Canada.

“Yancoal Resources” are to Yancoal Resources Limited, formerly known as Felix Resources Limited (“Felix”), a limited company incorporated under the laws of Australia and an indirect wholly owned subsidiary of Yancoal Australia, which mainly engages in coal mining, sales and exploration of coal.

“Yancoal International (Holding)” are to Yancoal International (Holding) Co., Limited, a wholly owned subsidiary of the Company.

“Yankuang Finance” is Yankuang Group Finance Company Limited, a joint venture established by the Yankuang Group, China Credit Trust Co., Ltd. and Yanzhou Coal Mining.

“Yankuang Group” or “Controlling Shareholder” are to Yankuang Group Corporation Limited (formerly known as Yanzhou Mining (Group) Corporation Limited), a wholly state-owned enterprise established in the PRC, and the Controlling Shareholder of our Company.

“Yulin Nenghua” are to Yanzhou Coal Yulin Nenghua Company Limited, a wholly owned subsidiary of the Company incorporated in the PRC, which is principally engaged in the operation of a 600,000-tonne methanol project in Shaanxi Province. Certain mining terms used in this annual report are defined in the “Glossary of Mining Terms”, which was included as Appendix B to our registration statement on Form F-1 that we filed with the U.S. Securities and Exchange Commission. A copy of the “Glossary of Mining Terms” may be obtained upon written request to the Company.

CONVENTIONS

Unless otherwise specified, all references in this annual report to “U.S. dollars”, “USD” or “US\$” are to United States dollars, the lawful currency of the United States of America; all references to “HK dollars”, “HKD” or “HK\$” are to Hong Kong dollars, the lawful currency of Hong Kong; all references to “AUD” or “A\$” are to Australian dollars, the lawful currency of Australia; all references to “RMB” are to Renminbi, the lawful currency of the PRC; all references to “Euro” or “€” are to Euro, the lawful currency of the European Union; and all references to “British Pound” or “£” are to British Pound, the lawful currency of the British Kingdom. Our financial statements are denominated in RMB and, except as otherwise stated, all monetary amounts in this annual report are presented in RMB.

Solely for your convenience, certain items in this annual report contain translations of Renminbi amounts into U.S. dollars, which have been made at the rate of RMB6.2046 to US\$1.00, being the exchange rate as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States on December 31, 2014. All such translations in this annual report are provided solely for your convenience and no representation is made that the Renminbi amounts could have been or could be converted into U.S. dollars at that rate, or at all.

In this annual report, where information has been presented in percentages, or thousands or millions or billions of units, amounts may have been rounded up or down. Accordingly, the amounts identified as total amounts in tables may not be equal to the apparent sum of the amounts listed therein.

In this annual report, business taxes and surcharges have been reclassified as corresponding costs of each category of revenue to provide a more appropriate presentation. The same adjustments have been made to the corresponding prior year. The reclassification has no impact on our overall results. The attention of Shareholders and potential investors is drawn to such adjustments.

Coal resources and reserves are key elements in our Company’s investment decision-making process. The term “resources” describes a concentration or occurrence of material of intrinsic economic interest in or on the Earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. The term “reserves” describes the recoverable quantity of coal that is commercially viable for development given the prevailing economic situation, particularly with respect to the prices of coal at the time of estimation. Reserves are estimated using a deterministic method, in which a single best estimate is made based on known geological, engineering and economic data, or a probabilistic method, in which known geological, engineering and economic data are used to generate a range of estimates and their associated probabilities. All coal reserves data are estimates, which are revised when additional information becomes available (for example, when additional coal mines commence operations or when actual coal production or extraction commences). “Proven reserves” refers to estimated quantities of coal that geological and engineering data demonstrate have reasonable certainty of being recovered in future years from known deposits under existing economic and operating conditions (that is, prices and costs at the date the estimate is made). “Probable reserves” refers to the estimated quantities of coal that geological and engineering data demonstrate have fair to good probability of being recovered in future years from known deposits under existing economic and operating conditions. To qualify as proven reserves, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the proven estimate. To qualify as probable reserves, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the proven plus probable estimate. Our total in-place proven and probable reserves are presented to include all mining and preparation losses that occur during the processing of coal after it is mined. Recoverable reserves refer to the amount of in-place proven and probable reserves but exclude all mining and preparation losses that occur during the processing of coal after it is mined. Our estimates of recoverable reserves are reported after deduction of actual production volume and nonaccessible reserves up to December 31, 2014. Unless otherwise specified, coal reserves and resources are presented on a 100% basis.

A majority of our Company’s total estimated proven coal reserves are located in China and Australia. The coal reserves data in this annual report represent estimates of our Company that were calculated by its internal reserves system, which includes, among others, procedures for classifying and estimating reserves. Our Company believes that the methods it uses to estimate these reserves are consistent with definitions and classifications in Securities Act Industry Guide 7, the JORC Code and the PRC Standards, as applicable, to its PRC and Australian mines. Our Company’s internal geological team focuses on periodically estimating reserves information based on geological data obtained from various geological, geophysical and engineering studies. Estimates of net reserves are based on numerous assumptions and estimates relating to technical factors such as initial coal reserves, initial production rates, production decline rates, ultimate recovery of reserves, as well as commercial factors such as future coal prices, timing and amount of capital expenditures, and operating costs that may occur during the production life of the coal reserves.

Unless otherwise indicated, information regarding our Company’s coal production in this annual report refers to our Company’s share of production based on its percentage of equity interest in the relevant subsidiaries or coal mining projects.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

Historical Financial Data

The following table sets forth selected financial data as of and for the years ended December 31, 2010, 2011, 2012, 2013 and 2014. The selected income statement and cash flow data for the years ended December 31, 2012, 2013 and 2014 and the summary balance sheet data as of December 31, 2012, 2013 and 2014 have been derived from our audited consolidated financial statements included elsewhere in this annual report and should be read in conjunction with those financial statements and the accompanying notes. Unless otherwise indicated, the financial statements have been prepared and presented in accordance with IFRS, as issued by the IASB.

	As of and for the Year Ended December 31,					
	2010	2011	2012	2013	2014	2014
	RMB	RMB	RMB	RMB	RMB	US\$
	(in millions except per Share and per ADS data)					
INCOME STATEMENT DATA						
Total revenue ¹	33,944.3	47,065.8	58,146.2	56,401.8	60,370.8	9,730.0
Gross sales of coal	32,590.9	45,181.2	56,200.6	54,444.8	58,539.4	9,434.8
Railway transportation service income	513.3	476.9	464.1	457.9	373.6	60.2
Gross sales of electricity power	185.5	328.0	323.6	332.1	241.5	38.9
Gross sales of methanol	629.3	1,059.3	1,118.0	1,155.7	1,195.5	192.7
Gross sales of heat supply	25.2	20.5	39.9	11.2	20.8	3.4
Transportation costs of coal	(1,160.5)	(1,248.3)	(2,104.2)	(2,024.2)	(2,291.6)	(369.3)
Cost of sales and service provided	(16,801.3)	(25,986.7)	(42,149.0)	(42,511.8)	(49,557.5)	(7,987.2)
Cost of electricity power	(195.5)	(362.5)	(330.8)	(320.5)	(159.7)	(25.7)
Cost of methanol	(716.8)	(930.2)	(911.2)	(850.8)	(869.3)	(140.1)
Cost of heat supply	(12.5)	(13.8)	(25.1)	(6.7)	(11.2)	(1.8)
Gross profit	15,057.6	18,524.3	12,625.8	10,687.8	7,481.4	1,205.9
Selling, general and administrative expenses	(5,093.4)	(6,570.2)	(7,987.6)	(10,380.7)	(6,069.9)	(978.3)
Share of profit of associates	8.9	68.9	142.0	233.9	310.6	50.1
Share of loss of jointly controlled entities	0.5	—	(191.6)	(376.0)	(320.8)	(51.7)
Other income	3,108.1	1,075.8	2,930.4	1,020.6	2,382.2	383.9
Interest expense	(603.3)	(839.3)	(1,448.7)	(1,765.8)	(2,183.6)	(351.9)
Profit before income taxes	12,477.3	12,259.5	6,070.4	(580.3)	1,599.9	258.0
Income taxes	(3,171.0)	(3,466.9)	(36.2)	394.8	(1,112.8)	(179.4)
Profit for the year	9,306.3	8,792.5	6,034.2	(185.5)	487.1	78.6
Profit attributable to our equity holders	9,281.4	8,745.1	6,065.6	777.4	766.2	123.5
Earnings per Share	1.89	1.78	1.23	0.16	0.16	0.03
Earnings per ADS	18.87	17.78	12.33	1.58	1.56	0.25
Operating income per Share before income tax	2.54	2.49	1.23	(0.12)	0.33	0.05
Profit from continuing operation per ADS before income tax	25.37	24.93	12.34	(1.18)	3.25	0.52
CASH FLOW DATA						
Net cash from operating activities	5,399.8	17,977.3	6,503.6	(2,201.1)	4,171.8	672.4
Net cash from (used in) investing activities	(5,884.4)	(25,611.1)	(3,187.4)	(13,504.4)	(8,534.8)	(1,375.6)
Net cash from (used in) financing activities	1,360.5	9,441.1	1,145.1	13,286.9	8,692.2	(1,400.9)
BALANCE SHEET DATA						
Total current assets	24,281.4	30,169.7	29,833.5	31,524.4	38,086.3	6,138.4
Total current liabilities	10,133.9	34,721.5	28,622.7	28,816.0	27,329.9	4,404.8
Net current assets/(liabilities)	14,147.5	(4,551.8)	1,210.8	2,708.4	10,756.4	1,733.6
Property, plant and equipment	19,874.6	31,273.8	39,503.1	41,896.5	44,174.6	7,119.7
Total assets	72,755.9	96,890.2	122,165.1	127,458.2	133,098.1	21,451.5
Long-term bank borrowing	22,400.8	14,869.3	33,283.8	44,100.0	50,566.4	8,149.8
Equity attributable to our equity holders	37,331.9	42,451.5	45,530.0	40,378.7	38,725.8	6,241.5
DIVIDEND PER SHARE						
A and H Shares	0.59	0.57	0.36	0.02	0.02	0.003
ADS	5.9	5.7	3.6	0.20	0.20	0.03

¹ In this annual report, business taxes and surcharges have been reclassified as corresponding costs of each category of revenue to provide a more appropriate presentation. The same adjustments have been made to the corresponding prior year. The reclassification has no impact on the overall results of the Group. The attention of Shareholders and potential investors is drawn to such adjustments. For details, please see Note 2 of the consolidated financial statements attached to this annual report.

Number of Shares Outstanding

	As of December 31,				
	2010	2011	2012	2013	2014
A Shares	2,960,000,000	2,960,000,000	2,960,000,000	2,960,000,000	2,960,000,000
H Shares	1,958,400,000	1,958,400,000	1,958,400,000	1,958,400,000	1,958,400,000
ADS	19,744,158	13,933,698	12,915,380	6,952,181	6,952,181

Exchange Rate Information

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we use in this annual report or will use in the preparation of our periodic reports or any other information to be provided to you. The source of these rates is the Federal Reserve H.10 Statistical Release.

<u>Period</u>	<u>Period End</u>	<u>Average⁽¹⁾</u> (expressed in RMB per US\$)	<u>High</u>	<u>Low</u>
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.3093	6.3449	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
October	6.1142	6.1251	6.1385	6.1107
November	6.1429	6.1249	6.1429	6.1117
December	6.2046	6.1886	6.2256	6.1490
2015				
January	6.2495	6.2181	6.2535	6.1870
February	6.2695	6.2518	6.2695	6.2399
March	6.2103	6.2422	6.2741	6.1955
April (through April 10, 2015)	6.2082	6.1989	6.2082	6.1930

(1) Determined by averaging the rates on the last business day of each month during the respective period, except for monthly averages, which are determined by averaging the rates on each business day of the month.

On April 10, 2015, the noon buying rate was US\$1.00 = RMB6.2082.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Our business, financial condition and results of operations are subject to various changing business, industry, competitive, economic, political and social conditions in China and worldwide. In addition to the factors discussed elsewhere in this annual report, the following are some of the important factors that could cause our actual results to differ materially from those projected in any forward-looking statements.

Risks Relating to Our Business and Industry

Our business and profitability are affected by global economic conditions.

The coal industry depends on general economic conditions, including the conditions of global and local economies. In 2014, the economic recovery of certain developed countries have generally been muted or have slowed down, which has led to general market volatility and uncertainty about the prospects of future of global growth and investment. In addition, regional geopolitical turmoil in various countries has added uncertainty to the global economy. Meanwhile, China's economic growth has generally slowed down due to excess production capacities in certain industries. The PRC government has implemented economic reform and sought to enhance economic growth methods, which includes energy conservation and environmental measures. However, to achieve certain energy-saving, emission-reduction as well as environmental protection goals, high energy consumption industries, such as coal industry and its downstream industries may be adversely affected, which may in turn materially and adversely affected our business, results of operations and financial condition.

Our business, results of operations and financial condition depend on volatile domestic and international coal markets.

Coal sales accounted for 96.7%, 96.5% and 97.0% of our revenues in 2012, 2013 and 2014, respectively, and we expect our coal sales to continue to account for a substantial portion of our revenue. As we derive a substantial portion of our revenue from sales of coal and coal-related products, our business and operating results depend heavily upon supply and demand for coal and coal-related products in the domestic and international coal markets. Accordingly, we are vulnerable to downturns in the demand for coal, increases in supply of coal through new or expanded coal production and declines in coal prices.

In 2014, as the global economy recovered slowly, which was affected by China's slowing economic growth and weakness in domestic and overseas coal markets. International coal suppliers generally reduced production, while the PRC government introduced certain policies for coal companies. However, these measures were not considered fundamental changes to the adjust the growing imbalance between coal supply and demand. As such, coal prices general decreased, resulting in intensifying pressure on the overall coal industry in 2014. The average selling price of our coal products was RMB604.3, RMB523.5 and RMB475.6 per tonne in 2012, 2013 and 2014, respectively, representing a decrease of RMB47.9 per tonne from 2013 to 2014, which in turn had a direct adverse impact on our sales income. We cannot assure you that demand for and prices of coal will not further decline, the occurrence of which may adversely affect our business, results of operations and financial condition.

Global coal demand correlates strongly with the global economy and the performance of coal-consuming industries, including but not limited to the power generation, chemical, metallurgy and construction materials industries. In addition, the availability and prices of alternative energy sources to coal, as well as international shipping costs, also affect coal demand. Coal supply is primarily affected by the geographic location of coal reserves, transportation capacity, the level of domestic and international coal supplies and the type, quality and price of coal from various producers. Developments in the international coal market may adversely affect our overseas sales. The relaxation of global supply-demand structure of coal or reduction in demand for coal from key consuming industries, such as the PRC power generation industry, metallurgy industry and other related sectors, may decrease coal prices which, in turn, may significantly reduce our profitability and adversely affect our business, results of operations and financial condition.

We face risks associated with our sales contracts and strategic framework agreements, which may materially and adversely affect our business, results of operations and financial condition.

Sales of our coal produced in China are made primarily on the spot market or pursuant to strategic framework agreements and to a lesser extent, pursuant to sales contracts. Approximately 75% of sales of our coal produced in Australia are made pursuant to sales contracts. Our PRC sales contracts generally have terms of one year and specify the price, quantity and quality of coal and delivery schedule of coal. Our Australian sales contracts generally have terms of one year or less and specify the price, quantity and quality of coal and delivery schedule of coal. In 2013 and 2014, due to the volatile international coal markets, customers purchasing our coal produced in Australia generally entered into quarterly contracts with us. As such, if we experience a weak coal pricing environment that results in a decline in coal prices at the time of actual delivery, our revenue and profitability may be materially and adversely affected. In addition, our sales contracts are not automatically renewable. If we are not able to maintain our sales contracts with our major customers on terms commercially acceptable to us or at all, our business, results of operations and financial condition may be adversely affected.

In addition, the strategic framework agreements used in the sales of our coal produced in China generally only specify the quantity and quality of coal, while the purchase price is determined in the annual or monthly sales contracts we enter into under the strategic framework agreements. As a result, we are subject to market conditions at the time of actual delivery. Moreover, as letters of intent are not legally binding, customers entering into letters of intent with us are not obligated to purchase the agreed quantity of products, or any products at all. In addition, in accordance with industry practice, our customers do not enter into long-term contracts (those exceeding one year) with us. Therefore, we do not have long-term commitments from our customers to purchase our products, and our customers may reduce or stop purchasing products from us for various reasons, which may also materially and adversely affect our business, results of operations and financial condition.

We derive a significant portion of our revenue from a limited number of customers, and the loss of, or a significant reduction in, sales to any of these customers could materially and adversely affect our business, results of operations and financial condition.

For the years ended December 31, 2012, 2013 and 2014, our top five customers accounted for 19.4%, 21.4% and 18.7% of our revenue, respectively, and sales to our largest customer accounted for 6.3%, 6.0% and 5.0% of our revenue, respectively. We expect that our results of operations will continue to depend on sales to a limited number of customers for the foreseeable future. We may not be able to rely on these customers for revenue generation in the future. We may lose these customers due to the intensified competition. See “— Competition in the PRC and the international coal industry is intensifying, and we may not be able to maintain our competitiveness.” We may also experience reduction, delay or cancellation of orders from one or more of our significant customers, and any decline in the businesses of our customers could also reduce their purchases of our products. The loss of sales to any of these customers could have a material adverse effect on our business, results of operations and financial condition.

We rely primarily on ports, highways and third party operated railway systems in the PRC and Australia to deliver our coal, any major disruption of which may adversely affect our business, results of operations and financial condition.

We rely primarily on highways and our own railway network, as well as third party operated railway system, to deliver coal to customers in China. We also deliver small volumes of coal through ports and canals. Coal resources and production in China are mainly located in northern and northwestern China, while coal consumption is primarily in eastern and southern China. As a result, coal suppliers must transport coal via third party operated railway systems from major supply areas to major demand areas. Although the PRC government has taken steps to upgrade and expand the railway system, the capacities of certain railway routes after even after an increase in capacity may not be sufficient to meet coal transportation demand in the short-term. Even though our domestic customers are mainly located in eastern China, where the railway system is more developed than other regions of China, our ability to deliver coal is still restricted by the transportation capacity. Pursuant to the Twelfth Five-Year Plan, the PRC government plans to construct several railways for coal transportation in cities in northern China and northwestern China, such as Shanxi Province, Shaanxi Province and the Inner Mongolia Autonomous Region. However, as it will take a significant amount of time for the relevant PRC authorities to grant approvals and permits and to complete the construction of the railway, we anticipate that we will continue to face challenges with respect to access to railway transportation. In addition to railway transportation, we use major coal shipping ports along the coast of China to deliver coal to customers located along the coastal regions of China. However, we may not be able to continue securing sufficient railway or port capacity to deliver our coal and may experience material delivery delays or substantial increases in transportation costs as a result of insufficient railway capacity.

In Australia, we rely substantially on third party operated railway networks to deliver coal to ports in New South Wales and Queensland, for onward shipping to our customers. We generally enter into transportation agreements with national and privately operated railway networks, rail haulage operators and ports to secure transportation capacity, generally for terms of five to ten years and generally on a “take or pay” basis. As the transportation capacity secured by these agreements is based on assumed production volume, we may not have sufficient capacity if our actual production volume exceeds our estimated production volume. Conversely, we may have excess transportation capacity (which, in the case of “take or pay” agreements, we will have to pay for even if unused) if our actual production volume is lower than our estimated production volume. In 2015, we expect the sluggish global economy will lead to weak demand for coal in both the PRC and overseas markets. We expect that global economic conditions will remain uncertain and international coal markets will not fundamentally improve in 2015, and as a result, we cannot assure you that we will fully use the transportation capacity secured on a “take or pay” basis. In addition, we may not be able to secure sufficient transportation capacity to deliver our coal in the future and may experience material delivery delays or substantial increases in transportation costs as a result of insufficient transportation capacity, which may also adversely affect our business, results of operations and financial condition.

Competition in the PRC and the international coal industry is intensifying, and we may not be able to maintain our competitiveness.

We face competition in all aspects of our business, including pricing, production capacity, coal quality and specifications, transportation capacity, cost structure and brand recognition. Our coal business competes in the domestic and international markets with other large domestic and international coal producers. The ongoing consolidation in the PRC and Australian coal industry has increased the level of competition we face in our core business. In 2014, China continued to import a substantial amount of coal. Our competitors may have higher production capacities, stronger brand names and better financial, marketing, distribution and other resources than we do. We may not be able to maintain our competitiveness if changes or developments in the market weaken our existing competitive advantages. Efforts by our competitors to improve the quality of their coal may render obsolete or irrelevant any competitive advantage we have over them. Our failure to compete effectively may have a material adverse impact on our business, results of operations and financial condition.

We may not be able to meet our capital expenditure requirements or secure additional external financing in the future.

Our business is capital intensive and will require substantial expenditures for, among other things, the construction of our key projects, machinery and equipment and operational capital expenditures. In 2012, 2013 and 2014, our total capital expenditures in respect of core coal business were approximately RMB20,809.2 million, RMB20,251.2 million and RMB7,489.4 million, respectively. In 2012, 2013 and 2014, our total capital expenditures in respect of acquisition of subsidiaries were approximately RMB10,882.2 million, RMB12,391.9 million and RMB 3,746.2 million, respectively. Our capital expenditures were made largely due to investment in our core coal businesses. We intend to use cash on hand, funds from operations and additional debt and equity financing to finance our capital expenditures going forward. However, we may not be able to obtain sufficient amounts of capital in a timely manner, on terms acceptable to us, or at all, which could result in a material adverse effect on our business, results of operations and financial condition.

In recent years, the size of our interest-bearing debt obligations has increased. In November and December 2013, we issued RMB denominated short term notes and non-public financing instruments in aggregate principal amounts of RMB6 billion. As of December 31, 2014, we had approximately RMB61,438.1 million in borrowings, of which approximately RMB10,871.7 million is due within a year and approximately RMB50,566.4 million is due after one year. In the first quarter of 2014, we issued RMB denominated short term notes in the aggregate principal amount of RMB5 billion. This level of debt could have significant consequences for our operations, including reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes as a result of our debt servicing obligations, limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, our industry and the general economy and potentially limiting our ability to obtain, or increasing the cost of, any additional financing. In addition, our business plans may change from time to time due to changing circumstances, new opportunities or unforeseen contingencies. If we change our business plans, we may need to obtain additional external financing which may include bank borrowings or issuances of debt securities to meet our capital expenditure plans. If we raise additional funds through debt financing, our interest and debt repayment obligations will increase and we may be subject to additional covenants that could limit our ability to access cash flows from operations. We may not be able to raise sufficient financing to fund our future capital expenditures and service our debt obligations or at all. Failure to obtain sufficient financing could cause delays or abandonment of business development plans and have a material adverse effect on our business, results of operations and financial condition.

The coal reserve data in this annual report are only estimates, which may differ materially from actual reserve amounts.

Our coal reserve data are only estimates, which may differ materially from actual reserve amounts. There are inherent uncertainties in estimating reserves, which require the consideration of a number of factors, assumptions and variables, many of which may be beyond our control and cannot be ascertained despite due investigation. Our reserve estimates may change substantially if new information becomes available.

In addition, reserve data for certain of our PRC mines are estimated in accordance with Industry Guide 7 for proven and probable reserves and the JORC Code, as revised in 2004, for reserves. Reserve data for our Australian mines are typically estimated in accordance with the JORC Code, as revised in 2012. As the mining standards and mining terminology of the JORC Code may differ substantially from Industry Guide 7, our reserve data may materially vary when we compile and present such data. As such, our actual results of operations may differ materially from our long-term business and operational projections, which are based on our coal reserve estimates. We may adjust our coal reserve estimates downward in the future, and in such event, our long-term production and the useful lives of our mines may be materially and adversely affected.

Our business, results of operations and financial condition depend on in part our ability to continue developing or acquiring suitable coal reserves.

Coal reserves in existing mines decline as coal is produced. Due to limitations in significantly increasing our production capacity at existing mines, our ability to expand our coal production capacity depends on our development of coal reserves, as well as our projects under construction.

We may not be able to successfully develop new coal mines or expand our existing ones in accordance with our development plans, or at all. Moreover, we may not be able to continue to identify suitable acquisition targets or acquire these targets on competitive terms, at an acceptable cost or in a timely manner. The acquisition of new mines by PRC coal companies, either within China or overseas, and the procurement of related licenses and permits are subject to PRC government approvals. Delays or failures in securing the required PRC government approvals, licenses or permits, as well as any adverse change in government policies, may hinder our expansion plans, which may materially and adversely affect our future profitability and growth prospects. In connection with overseas acquisitions and expansion, we may encounter challenges due to our unfamiliarity with local laws and regulations, and may suffer foreign exchange losses on overseas investments or face political or regulatory obstacles to acquisitions. As a result of these challenges, our overseas expansion plans and investments may not be successful and may not achieve our anticipated results. Failure to acquire suitable targets on competitive terms, develop new coal mines or expand our existing coal mines could have an adverse effect on our competitiveness and growth prospects.

We may experience difficulty integrating our acquisitions, which could result in a material adverse effect on our business, results of operations and financial condition.

We may from time to time expand our business through acquisitions of other coal mining companies, assets or other coal or mining-related businesses. We are devoting significant resources to the integration of our operations in order to achieve the anticipated synergies and benefits of the acquisitions and expansion.

Acquisitions and expansion involve uncertainties and a number of risks, including:

- difficulty in integrating the assets, operations and technologies of the acquired companies or assets, including their employees, corporate cultures, managerial systems, processes and procedures and management information systems and services;
- complying with the laws, regulations and policies applicable to the acquired businesses;
- failure to achieve the objectives or benefits, or to generate sufficient revenue to recover the costs and expenses, resulting from the acquisition and integration of such companies or assets;
- managing relationships with employees, customers and business partners during the course of integrating new businesses;
- integrating other acquired employee groups with our employee groups and on maintaining productive employee relations;
- attracting, training and motivating members of our management and workforce;
- accessing our capital resources and internally generated funds to fund acquisitions, which may divert financial resources otherwise available for other purposes;
- strengthening our operational, financial and management controls, particularly those of our newly acquired assets and subsidiaries, to maintain the reliability of our reporting processes;
- difficulty in exercising control and supervision over the newly acquired operations, including failure to implement and communicate our safety management procedures resulting in additional safety hazards and risks;
- potential ongoing financial obligations and unforeseen or hidden liabilities of the acquired companies or coal or potash-related businesses; and
- failure to diversify our operations to include new products or successfully manage our operations in new markets, such as potash.

In the event that we are unable to efficiently and effectively integrate newly acquired companies or coal or potash-related businesses into our Company, we may be unable to achieve the objectives or anticipated benefits of such acquisitions, which may adversely impact our business, results of operations and financial condition. In addition, we may have to write down the carrying value of the intangible assets associated with any acquired companies, which could adversely affect our earnings.

We may be required to allocate additional funds for land subsidence, restoration, rehabilitation and environmental protection.

Underground and surface mining may cause the land above mining sites to subside, or may otherwise adversely affect the environment. We may compensate inhabitants in areas surrounding our mining sites for their relocation expenses or for any property loss or damage as a result of our mining activities. PRC regulations require us to set aside provisions to cover the costs associated with land subsidence, restoration, rehabilitation and environmental protection. An estimated provision is deducted as a cost and expense item in our income statement based on the amount of coal actually extracted. In addition, under the relevant Australian environmental regulations, rehabilitation costs are generally estimated in accordance with the expected costs of land rehabilitation. These land rehabilitation costs may exceed current estimates. Environmental legislation may also change, which could result in mandated modifications to mining operations that are costly.

In 2012, 2013 and 2014, we expensed approximately RMB1,450.6 million, RMB1,390.6 million and RMB1,225.4 million, respectively, of our provisions for land subsidence, restoration, rehabilitation and environmental protection as determined by our Directors based on estimations of various factors, including past occurrences of land subsidence. However, the provisions that we make are only estimates and may be adjusted to reflect the actual effects of our mining activities on the land above and surrounding our mining sites. Therefore, such estimates may not be accurate and land subsidence, restoration, rehabilitation and environmental costs may substantially increase in the future. Moreover, governments may impose new fees or change the basis of calculating compensation and reclamation costs in respect of land subsidence, the occurrence of any of which could increase our costs and have a material adverse effect on our business, results of operations and financial condition.

Our business and industry may be affected by the development of alternative energy sources and climate change.

We supply coal as fuel to, among others, the PRC thermal power generation industry and, as a result, are affected by the demand and growth of the PRC thermal power industry, which in turn is affected by the development of alternative energy sources, climate change and global environmental factors. If alternative combustion technologies develop and reduce the demand for coal in electricity generation, then demand for coal in the PRC thermal power generation industry may decrease, which would materially and adversely affect its demand for our products.

In addition, while the majority of global energy consumption is from conventional energy sources such as coal, alternative energy industries are rapidly developing and are gradually gaining widespread acceptance. Coal combustion generates significant greenhouse gas and other pollutants, and the effects of climate change resulting from global warming and increased pollution levels may provide incentives for governments to promote or invest in “green” energy technologies such as wind, solar, nuclear and biomass power plants, or to reduce their consumption of conventional energy sources such as coal. The Plan for Strategic Action of Energy Development (2014-2020), promulgated by the PRC government on June 7, 2014, requires total primary energy consumption by 2020 should be limited to approximately 4.8 billion tonnes, and total coal consumption should be limited to approximately 4.2 billion tonnes. By 2020, consumption of non-fossil fuel energy should account for 15% of total primary energy consumption, and consumption of coal should account for less than 62% of total primary energy consumption. As such, alternative energy industries may rapidly develop and gradually gain mainstream acceptance in the PRC and the rest of the world. If alternative energy technologies continue to develop and prove suitable for wide commercial application in the PRC and overseas, demand for conventional energy sources such as coal could gradually be reduced, which would have a material adverse effect on the coal mining industry and, consequently, our business, results of operations and financial condition. See “— Our business, results of operations and financial condition may be adversely affected by present or future environmental regulations.”

Exploration of mineral properties and development of resources could involve significant uncertainties.

We currently have exploration projects in Australia and Canada and we may have additional exploration projects in the PRC and other countries and regions in the future. The success of any mining exploration program depends on various factors including, among other things, whether mineral bodies can be located and whether the locations of mineral bodies are economically viable to mine. In addition, the development of these resources could face significant uncertainties. It can take several years and would require capital expenditures from the initial exploration phase until production commences, during which time market fundamentals, capital costs and economic feasibility may change, and the actual results may differ from those anticipated by third party independent technical studies. Furthermore, there are a number of uncertainties inherent in the development and expansion of mining operations, including: (i) the availability and timing of necessary governmental permits, licenses and approvals; (ii) the timing and cost necessary to construct mining and processing facilities; (iii) the availability and cost of labor, utilities, and supplies; (iv) the accessibility of transportation and other infrastructure; and (v) the availability of funds to finance construction and production activities. As a result, we cannot assure you that any of our exploration activities will result in the discovery of valuable resources or reserves, or that reported resources can be converted into reserves in the future.

We are exposed to fluctuations in exchange rates and interest rates.

We face risks relating to fluctuations in exchange rates for RMB against other currencies, primarily the Australian dollar and the U.S. dollar. China has adopted a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand with reference to a basket of currencies. In April 2012, the PRC government further enlarged the trading band. In this regard, the PBOC has allowed the Renminbi to rise or fall 1% against the U.S. dollar from the daily central parity rate, effective April 16, 2012, compared with its previous 0.5% limit. Subsequently, the PRC government further enlarged this trading band from 1% to 2% in March 2014, effective March 17, 2014. In the first quarter of 2015, the PRC government enacted certain measures that enabled the RMB exchange rate to float more freely at an appropriate and balanced level. We are primarily affected by exchange rate fluctuations that arise from our export sales denominated in Australian dollars and U.S. dollars, which may affect the RMB values of such export sales. In addition, exchange rate fluctuations can result in exchange losses on our foreign currency deposits and loans and other indebtedness. As of December 31, 2014, the exchange rate for the Australian dollar against the U.S. dollar was US\$1.00 = A\$0.8173, compared with US\$1.00 = A\$0.8929 as of December 31, 2013. We recorded an exchange loss of RMB1,686.0 million for the year ended December 31, 2013 and an exchange gain of RMB154.0 million for the year ended December 31, 2014, respectively. Exchange rate fluctuations can affect our cost of imported equipment and components. See “Item 3. — Key Information — A. Selective Financial Data — Exchange Rate Information.”

On April 9, 2013, with the authorization of the PBOC, the China Foreign Exchange Trade System (CFETS) launched direct trading between Renminbi and Australian dollar on the inter-bank foreign exchange market, which is based on the direct exchange rate between the two currencies. We expect that this will help lower the currency conversion costs between the two currencies. However, we cannot assure you that the new policy will decrease our currency conversion costs. The conversion costs we realized in the previous trading scheme, which used U.S. dollars, may be lower, reflecting that the U.S. dollar is more liquid than the Australian dollar.

We are exposed to cash flow interest rate risk in relation to variable-rate bank balances, term deposits, restricted cash and variable rate borrowings. Our interest rate risk primarily arises from fluctuations in the PBOC benchmark interest rate in relation to our RMB-denominated borrowings, and fluctuations in the LIBOR rate in relation to our U.S. dollar-denominated borrowings. As of December 31, 2014, we had approximately US\$5.8 billion of borrowings denominated in U.S. dollars and RMB 26 billion of borrowings denominated in RMB. A substantial majority of our borrowings denominated in RMB are linked to the benchmark lending rate published by the PBOC, which is subject to fluctuations as the PRC government adjusts interest rates and related policies from time to time as a matter of national economic policy.

In addition, a substantial majority of our borrowings denominated in U.S. dollars are linked to floating LIBOR rates, the fluctuation of which are beyond our control. Our lending rates may increase in the future as a result of reasons beyond our control, and may result in an adverse effect on our business, results of operations and financial condition.

As a part of our risk management efforts, we entered into forward foreign exchange contracts to sell or purchase specified amounts of foreign currencies in the future at stipulated exchange rates. The objective of entering into the forward foreign exchange contracts is to reduce our exposure to foreign exchange rate related volatility, which may affect the presentation of our revenues and capital expenditures. To hedge the exchange losses of USD loan arising from the fluctuation of foreign exchange, Yancoal Australia and Yancoal International have taken foreign exchange hedging measures to such debt on the accounting basis, which mitigated the impact of exchange loss on the current profit. We also entered into contracts with three banks to hedge a proportion of our borrowings issued at variable interest rates through the use of floating-to-fixed interest rate swap contracts. As of December 31, 2014, this interest rate hedging contract expired and we did not enter into any new interest rate hedging contracts. As of December 31, 2014, the fair value of our derivative assets in respect of our forward foreign exchange contracts was RMB0.4 million, compared with the fair value liability of our forward foreign exchange contracts of approximately RMB80.9 million. See "Item 11. Quantitative and Qualitative Disclosures of Market Risks." In addition, our Australian subsidiaries' USD bank loan repayments in a six-month period are structured to hedge against forecasted USD sales during the same period. However, despite our risk management efforts, our hedging arrangements may not be effective in all situations, and our business, results of operations and financial condition may be materially and adversely affected by fluctuations in exchange rates or interest rates.

Our business, results of operations and financial condition are subject to resource taxes and we may not be able to pass on our increased costs relating to resource taxes to our customers.

Pursuant to the *Notice of Adjustment of Resource Tax in Shandong Province*, jointly issued by the Provincial Department of Finance and local tax authority of Shandong, since December 1, 2014, the collection basis of resource tax in Shandong province has been changed from volumes into prices and the amount of business tax has been changed from RMB3.60 per tonne into 4% of the taxable sales of coal. Pursuant to the *Notice of the Reformation Implementation of Coal Resource Tax in Shanxi Province*, jointly issued by the Provincial Department of Finance and local tax authority of Shandong, as of December 1, 2014, the collection basis of resource tax in Shanxi Province has been modified to take into account prices, and business tax amounts have been changed from RMB3.20 per tonne to 8% of the taxable sales of coal. Pursuant to the Announcement of Applicable Coal Resource Tax Rate of Inner Mongolia, as of December 1, 2014, the collection basis of resource tax in Inner Mongolia has been modified to take into account prices, and the amount of business tax has been changed from RMB3.20 per tonne to 9% of the taxable sales of coal.

For resource taxes that are paid based on volume, we and our domestic subsidiaries pay resource tax on the actual sales of the sum of raw coal and washed coal products, multiplied by the applicable tax rate. For resource tax that are paid based on price, we and our domestic subsidiaries pay resource tax on the total taxable sales, multiplied by the applicable tax rate. As a result of these changes, if the tax based on pricing is significantly higher than our current tax, our costs will increase, which could have a material adverse effect on our business, results of operations and financial condition. In addition, the Australian MRRT became effective as of July 1, 2012. The MRRT is a profits-based tax that is charged at an effective rate of 22.5% on the assessable profits (excess of annual mining revenue over annual mining expenditures with respect to mineral interests, less certain allowances) of, among others, coal mining enterprises. On October 24, 2013, the Australian government announced that it will seek to repeal the MRRT with effect from July 1, 2014. We cannot predict whether the MRRT will be successfully repealed. The MRRT has the potential to increase the overall tax liability of our Australian subsidiaries and adversely affect our results of operations and financial condition in the future.

Our Controlling Shareholder has significant influence over us.

As of December 31, 2014, our Controlling Shareholder, the Yankuang Group, together with its wholly owned subsidiary, owned 56.52% (52.86% A share and 3.66% H share) of our outstanding shares and has significant influence over us. The Company entered into a special labor and service supply agreement in March 2014 and renewed five continuing connected transaction agreements with Yankuang Group, namely a materials supply agreement, a supply of labor and services agreement, a pension fund management agreement, a coal products and materials supply and equipment lease agreement and an electricity and heat energy supply agreement in the ordinary course of business in October 2014. In March of 2014 and 2015, the Company renewed a financial services agreement with Yankuang Group, respectively. In addition, on March 27, 2015, the Company entered into a coal train escort services agreement with Shandong Yankuang Security Services Co., Ltd., a wholly owned subsidiary of the Company. These related party transactions were reviewed and approved according to the procedures under relevant regulations and standards of the HKSE, SSE, NYSE and SEC. However, we may continue to enter into related party transactions with Yankuang Group and, as such, any material financial or operational developments experienced by the Yankuang Group that lead to the disruption of its operations or impairs its ability to perform its obligations under the agreements could materially affect our business, results of operations and financial condition and future prospects.

As our Controlling Shareholder, the Yankuang Group has the ability to exercise control over the Company's business and affairs, including, but not limited to, decisions with respect to:

- mergers or other business combinations;
- the acquisition or disposition of assets;
- the issuance of additional shares or other debt or equity securities; and
- management of our Company.

Accordingly, our Controlling Shareholder may vote, take other actions or make decisions that conflict with our interests or the interests of our other security holders.

Our coal operations are extensively regulated by the PRC and Australian government, and government regulations may limit our activities and adversely affect our business, results of operations and financial condition.

Our coal operations in China are subject to extensive regulation by the PRC government. National governmental authorities, such as the National Development and Reform Commission of the PRC (the "NDRC"), the MEP, the MLR, the State Administration of Coal Mine Safety of the PRC ("SACMS"), the State Administration of Work Safety of the PRC (the "SAWS"), the National Energy Administration of the PRC and the SAT, as well as corresponding provincial and local authorities and agencies, exercise extensive control over the mining and transportation (including rail, sea and river transport) of coal within China. Our operations in Australia are subject to similar laws and regulations of general application governing mining and processing, land tenure and use, environmental requirements, including site-specific environmental licenses, permits and statutory authorizations, workplace health and safety, trade and export, competition, access to infrastructure, foreign investment and taxation. These regulations may be implemented by various federal, state and local government departments and authorities including the Department of Industry and the Department of Environment. Regulatory oversight from these authorities and agencies may affect the following aspects of our operations, among others:

- the use and granting of mining rights;
- access to land for mining and mining-related purposes;
- exploration licenses;
- rehabilitation of mining sites and surrounding areas;
- mining recovery rates;
- pricing of our transportation services for coal in China;
- taxes, levies and fees on our business;
- return on investments;
- application of capital investments;
- pension fund contributions;
- technological innovations;
- preferential tax treatment;
- environmental and safety standards; and
- MRRT and carbon tax for Australian operations.

As a result of the foregoing regulation, our ability to execute our business strategies or to carry out or expand our business operations may be restricted. We are still in the process of obtaining or renewing some of the regulatory approvals, permits and licenses required for our business operations, and may experience substantial delays in obtaining such regulatory approvals, permits and licenses.

Our business may also be adversely affected by future changes in PRC or Australian regulations and policies that affect the coal industry. The adoption of new legislation or regulations or the new interpretation of existing legislation or regulations or changes in conditions attaching to approvals may materially and adversely affect our operations, our tax costs and cost structure or product demand. The occurrence of any of the foregoing may cause us to substantially change our existing operations, incur significant compliance costs and increase the risk of our future investment or prevent us from carrying out mining operations, which could have a material adverse effect on the profitability of our operations in Australia and our overall business, results of operations and financial condition. See “— Our business, results of operations and financial condition may be adversely affected by present or future environmental regulations” and “— Our business, results of operations and financial condition are subject to resource taxes and we may not be able to pass on our increased costs relating to resource taxes to our customers.”

Our business, results of operations and financial condition may be adversely affected by present or future environmental regulations.

Our coal mining operations produce waste water, gas emissions and solid waste materials. In addition, surface mining operations also produce noise pollution. As a PRC and Australian coal producer, we are subject to extensive and increasingly stringent environmental protection laws and regulations. These laws and regulations:

- impose fees and limits on the discharge of waste substances to air, water and land, including carbon emissions;
- require provisions for land reclamation and rehabilitation;
- impose fines and other penalties for serious environmental offenses;
- authorize the PRC government to close any facility that fails to comply with environmental regulations and suspend any coal operation that causes excessive environmental damage; and
- establish the conditions (including environmental requirements) for domestic mining operations.

Due to the increasing awareness of environmental issues, the PRC government has tightened its enforcement of applicable laws and regulations and adopted more stringent environmental standards, such as the Working Plan for the Control of Discharge of Greenhouse Gases under the Twelfth Five-Year Plan, the Twelfth Five-Year Plan for Environmental Protection and the Twelfth Five-Year Plan for Energy-saving and Emission-reduction, pursuant to which China plans to continue to increase the proportion of non-fossil fuels used as an overall primary energy source to 11.4% by 2015 and reduce the proportion of coal used as an overall primary energy source. On September 10, 2013, the State Council issued the Action Plan for Prevention and Control of Atmospheric Pollution (the “Action Plan”), pursuant to which the PRC government plans to reduce the coal consumption to less than 65% of total energy consumption by 2017. On April 24, 2014, the Standing Committee of National People’s Congress passed the Amended Environmental Protection Law, pursuant to which, effective January 1, 2015, more responsibility has been imposed on local governments and unlimited fines will be imposed on polluters. Similarly, our Australian operations are subject to Australia’s stringent federal and state environmental laws and regulations. Compliance with laws and involvement in litigation can be expensive, lengthy and disruptive to normal business operations. Moreover, Australian environmental approval processes require a technical environmental assessment to be prepared prior to granting approval, as well as public consultation. Community groups may lobby for more restrictive conditions to be imposed on approvals granted or for the approval to be declined, either of which may result in a material adverse effect on our business and results of operations.

In September 2014, the NDRC issued the State Plan of Responding to the Climate Change (2014-2020), which requires the carbon emission per unit of gross domestic product (GDP) of the PRC to decrease by 40% to 45% from 2005 to 2020; the percentage of non-fossil energy among the primary energy to decrease to approximately 15%; and the carbon emission per unit of industrial added value of the PRC to decrease by 50% from 2005 to 2020. In addition, the PRC government plans to reduce the coal consumption growth in certain key areas such as Beijing-Tianjin-Hebei metropolitan region, Yangtze River Delta and Pearl River Delta by increasing the consumption of electricity generated outside the region and using non-fossil fuel energy such as natural gas as alternative energy.

For our operations in Australia and Canada, we are required to renew some major supervisory approvals, permits and certificates from time to time. We are currently applying for certain supervisory approvals, permits and certificates for our mines.

If efforts to increase energy efficiency, control greenhouse gas emissions and enhance environmental protection result in a decrease in coal consumption, our revenue may decrease and our business may be adversely affected. In addition, our budgeted amount for environmental regulatory compliance may not be sufficient, and we may need to allocate additional funds for this purpose. If we fail to comply with current or future environmental laws and regulations, we may be required to pay penalties or fines or take corrective actions, any of which may have a material adverse effect on our business, results of operations and financial condition.

We may not be able to obtain all necessary approvals, permits and licenses.

Pursuant to applicable laws and regulations in China, we are required to renew approvals, permits and licenses with respect to our exploration activities, mining operations and environmental protection for our existing operational mines and obtain more approvals, permits and licenses for our development-stage or exploration projects such as Zhuanlongwan, Shilawusu, Yingpanhao and Wanfu. In addition, we are required to obtain or maintain land use rights certificates and building ownership certificates for property we own or lease properties from owners possess valid land use rights certificates or building ownership certificates.

With respect to our operations in Australia and Canada, we are also required to obtain and renew from time to time a number of material regulatory approvals, permits and license. We are in the process of obtaining or renewing certain regulatory approvals, permits and licenses for our coal mines, such as the open-pit and underground project at Moolarben Coal Mine and the Southeast open-pit project at Ashton Coal Mine. As of the date of this annual report, we have obtained the approval of the Southeast open-pit project at Ashton Coal Mine, which requires the acquisition of a certain property from a private individual prior to the commencement of development.

If any of these or our other mining licenses, safety production licenses, environmental authorities or other certificates, approvals or permits are revoked, not renewed or not obtained, we could be required to cease operations of the affected mine or production facility. The loss of some or all of our mining licenses, coal production licenses, safety production licenses, environmental authorities or other certificates, approvals or permits may have a material adverse effect on our business, results of operations and financial condition.

Our ability to operate effectively could be impaired if we lose key personnel, including mine planners, or if we are unable to attract and retain skilled and qualified personnel.

In the conduct of our operations, we rely substantially on the services of our key employees with professional skills, qualifications and experience, including mine planners. We may not be able to continue to employ our key personnel or attract and retain skilled and qualified personnel and the loss of any of these personnel could materially and adversely affect our operations.

As our business expands, we believe our success will depend on our continued ability to attract and retain skilled and qualified personnel familiar with internationalized operation. Any difficulty in attracting, recruiting, training and retaining skilled and qualified personnel could materially and adversely affect our business, results of operations and financial condition.

Our operations may be affected by uncertain mining conditions and we may suffer losses resulting from mining safety incidents.

Our coal mines and operating facilities may be damaged by water, gas, fire or cave-ins due to unstable geological structures, which may affect the safety of our workforce as well as our costs of producing coal, including without limitation, roof collapses, deterioration in the quality or variations in the thickness of coal seams, mine water discharge and flooding, inclement weather, explosions from methane gas or coal dust, ground falls and other mining hazards. For example, an underground incident occurred at Astar Coal Mine on April 15, 2014 and two employees died. Additionally, we are exposed to operational risks associated with industrial or engineering activities, such as maintenance problems or equipment failures. Although we conduct geological assessments on mining conditions and adapt our mining plans to the mining conditions at each mine, adverse mining conditions may endanger our workforce, increase our production costs, reduce our coal output or temporarily suspend our operations. Although we have implemented safety measures at our mining sites, trained our employees on occupational safety and maintain liability insurance for personal injuries as well as limited property damage for certain of our operations, safety incidents may occur. The occurrence of any of the foregoing events or conditions would have a material adverse impact on our business, results of operations and financial condition.

We face price volatility and intense competition in our methanol operations.

We entered the PRC methanol market and commenced production of coal-based methanol at Tianhao Chemicals and Yulin Nenghua in September 2008 and August 2009, respectively. In 2012, 2013 and 2014, we generated revenue of RMB1,117.9 million, RMB1,155.7 million and RMB1,195.5 million from sales of methanol, respectively, which represented 1.9%, 2.0% and 2.0% of our total revenue for the same periods, respectively. However, we ceased production of coal-based methanol at Tianhao Chemicals in April 2012 due to the shortage of raw materials and are in the process of disposing of its methanol assets.

The methanol business is a cyclical and competitive commodity industry with rapidly changing supply and demand fundamentals. In addition, there is currently significant overcapacity in the methanol industry, which is not expected to change, and the market demand of methanol is not expected to grow significantly in the short term.

We expect our methanol prices to be affected by a number of factors, including, without limitation:

- global and domestic methanol production;
- global energy prices;
- methanol plant utilization rates, capacity expansions and shutdowns;
- global economic conditions;
- compliance costs and environmental risks; and
- competition from low-cost methanol producers.

As of the end of 2014, we had a total annual methanol production capacity of 0.6 million tonnes. In addition, we have completed the construction of a 600,000-tonne methanol project in Ordos City, Inner Mongolia Autonomous Region, which has become commercially operational in the first half of 2015. We may not be able to optimize the utilization of our new facilities as planned. If our projections for the domestic methanol market prove incorrect or if we are unable to otherwise compete effectively, we may not recover the capital and resources we have invested in our methanol operations and may not realize the intended benefits of our expansion into this industry. In either event, our business, results of operations and financial condition will be adversely affected.

Our insurance will not cover all the potential risks associated with our operations.

Our business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, ground or slope failures, changes in regulatory environment and natural phenomena such as inclement weather conditions, floods, earthquakes and fires. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to our properties or properties of others, delays in development or mining, monetary losses and possible legal liability. Customary to what we believe to be industry practice, we have maintained insurance to protect against certain risks in such amounts we consider to be reasonable. However, our insurance may not cover all potential risks associated with our operations. We may also be unable to maintain insurance to cover these risks at economically feasible premiums and may not be able to pass on any increased costs relating to insurance to our customers. If such costs exceed the levels which we expect, there could be a material adverse effect on our business, results of operations and financial condition.

We may not be able to protect our patents or other intellectual property rights, which could have a material adverse effect on our business.

From 2012 to 2014, we completed 511 technology improvement projects, obtained 143 patents and received 368 technological awards, which have enhanced our coal mining and related business operations. Further, we own other intellectual property such as trademarks and know how. We believe our patents and other intellectual property rights are important to our success. Existing laws in China offer limited protection for our intellectual property rights. We rely upon a combination of patents, confidentiality policies and agreements, nondisclosure and other contractual arrangements to protect our intellectual property rights. We cannot assure you that we will be able to detect any unauthorized use of, or take appropriate, adequate and timely actions to enforce, our intellectual property rights. Consequently, we may not be able to effectively prevent unauthorized use of our patents in other countries where such patents are not registered.

The measures we take to protect our intellectual property rights may not be adequate, and monitoring and preventing unauthorized use is difficult. The protection of our intellectual property may be compromised as a result of (i) expiration of the protection period of our registered intellectual property rights, (ii) infringement by others of our intellectual property rights; and (iii) refusal by relevant regulatory authorities to approve our pending patent applications. Furthermore, the application of laws governing intellectual property rights in China and abroad is uncertain and evolving, and could involve substantial risks to us. If we are unable to adequately protect our intellectual property rights, our reputation may be negatively impacted and our business may be materially and adversely affected.

The audit report included in this annual report is prepared by an auditor who is not inspected by the Public Company Accounting Oversight Board and, as such, you are deprived of the benefits of such inspection.

Auditors of companies that are registered with the SEC and traded publicly in the United States, including our independent registered public accounting firm, must be registered with the United States Public Company Accounting Oversight Board (the "PCAOB") and are required by the laws of the United States to undergo regular inspections by the PCAOB to assess their compliance with the laws of the United States and professional standards in connection with their audits of financial statements filed with the SEC. Because we have substantial operations within the Peoples' Republic of China and the PCAOB is currently unable to conduct inspections of the work of our auditors as it relates to those operations without the approval of the Chinese authorities, our auditor's work related to our operations in China is not currently inspected by the PCAOB.

This lack of PCAOB inspections of audit work performed in China prevents the PCAOB from regularly evaluating the audits performed by Grant Thornton and its quality control procedures. As a result, investors are deprived of the full benefits of PCAOB inspections of auditors.

The inability of the PCAOB to conduct inspections of audit work performed in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures as compared to auditors in other jurisdictions that are subject to PCAOB inspections on all of their work. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

Proceedings instituted recently by the SEC against five PRC-based accounting firms could result in our financial statements being determined to not be in compliance with the requirements of the Exchange Act.

The SEC has recently brought administrative proceedings against five accounting firms in China, alleging that they had refused to produce audit work papers and other documents related to certain other China-based companies under investigation by the SEC for potential accounting fraud. On January 22, 2014, an initial administrative law decision was issued, censuring these accounting firms and suspending four of the five firms from practicing before the SEC for a period of six months. The decision is neither final nor legally effective unless and until reviewed and approved by the SEC. The sanction will not become effective until after a full appeal process is concluded and a final decision is issued by the SEC. The four firms which are subject to the six month suspension from practicing before the SEC have recently appealed the initial administrative law decision to the SEC. We were not and are not subject to any SEC investigations, nor are we involved in the proceedings brought by the SEC against the accounting firms. In addition, our independent registered public accounting firm has no relationship with any one of the four accounting firms subject to the six month suspension from practicing before the SEC in the initial administrative law decision. However, we cannot assure you that our independent registered public accounting firm will not be investigated or be subject to similar suspension in the future and we may therefore be adversely affected by the outcome of such proceedings, along with other U.S.-listed companies audited by these accounting firms.

On May 24, 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and MOFCOM, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations in the United States and China. In February 2015, each of the four accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The firms' ability to continue to serve all their respective clients is not affected by the settlement. The settlement requires the firms to follow detailed procedures to seek to provide the SEC with access to Chinese firms' audit documents via the CSRC. If the firms do not follow these procedures, the SEC could impose penalties such as suspensions, or it could restart the administrative proceedings. The settlement did not require the firms to admit to any violation of law and preserves the firms' legal defenses in the event the administrative proceeding is restarted.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about the proceedings against these audit firms may cause investor uncertainty regarding China-based, United States-listed companies and the market price of our ADSs may be adversely affected.

Risks Relating to the PRC

Changes in China's economic, political and social conditions as well as governmental policies could affect our business, results of operations and financial condition.

China's economy differs from the economies of more developed countries in many respects, including the structure of the economy, level of government involvement, level of development, growth rate, control of capital investment, control of foreign currency and allocation of resources. China's economy has been in transition from a planned economy to a more market-oriented economy. For the past three decades, the PRC government authorities have implemented economic reform measures to emphasize market forces in economic development. The PRC government authorities implement various macroeconomic and other policies and measures from time to time, including contractionary and expansionary policies and measures at times of, or in anticipation of, changes in China's economic conditions. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. We cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, results of operations and financial condition.

Interpretation of PRC laws and regulations involves uncertainty.

The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty. Under certain circumstances, some of these laws may be changed without being immediately published or may be amended with retroactive effect. We cannot predict the effect of future developments in the PRC legal system, particularly with regard to the coal mining industry in China, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

Government control of currency conversion and future movements in exchange rates may adversely affect our business, results of operations and financial condition.

A portion of our Renminbi revenue may need to be converted into other currencies to meet our substantial requirements for foreign currencies, including debt service on foreign currency denominated debt, overseas acquisitions of mining properties, purchases of imported equipment, and payment of dividends declared in respect of shares held by international investors.

Foreign exchange transactions under the capital account, including principal payments with respect to foreign currency denominated obligations, are subject to the approval requirements of SAFE. In addition, the value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. Fluctuations in the exchange rate of the Renminbi against the U.S. dollar, the Australian dollar and certain other foreign currencies may adversely affect our business, results of operations and financial condition. For further information, please see "Item 11. Quantitative and Qualitative Disclosures of Market Risks — Foreign Currency Exchange Rate Risk."

Our subsidiaries are subject to restrictions on the payment of dividends to us.

The ability of our subsidiaries to pay dividends to their shareholders is subject to, among other things, distributable earnings and restrictions contained in the articles of association of our subsidiaries, restrictions contained in the debt instruments and the requirements of PRC laws and regulations. For example, certain loan agreements of our subsidiaries contain covenants that limit their ability to pay dividends to us if there is a default in such loan agreements, or unless certain thresholds are satisfied or, in certain cases, limit their ability to pay dividends to us if their after-tax profits are nil or negative. PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Such profits differ from profits determined in accordance with IFRS in certain significant respects, including the use of different bases of recognition of expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as such dividends.

Risks Relating to Australia

Coal mining operations in Australia have inherent title risks associated with renewal and native title rights.

Interests in tenements in Australia are governed by the respective State and Territory legislation and are evidenced by the granting of licenses or leases. Each license or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, we could lose title to or our interest in tenements if license or lease conditions are not met or if insufficient funds are available to meet expenditure commitments.

It is also possible that, in relation to tenements which we have an interest in or will in the future acquire, there may be areas over which legitimate native title rights of Aboriginal Australians exist. If native title rights do exist, our ability to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations, may be adversely affected. The tenements in which we have an interest are subject to applications for renewal. There is a risk that these applications will not be granted or transfers not approved.

All of the granted tenements in which we have or may earn an interest in will be subject to applications for renewal or grant (as the case may be). The renewal or grant of each tenement or license is usually at the discretion of the relevant government authority which will consider various factors, including our compliance with any conditions placed on an existing license, when making its decisions. It is possible that the government authority may reject our applications for renewal or grant, in which case, our operations in Australia may be adversely affected.

Additionally, tenements are subject to a number of specific legislative conditions including payment of rent and meeting minimum annual expenditure and reporting commitments. Our inability to meet these conditions could affect the standing of a tenement or restrict its ability to be renewed. If a tenement is not renewed, we may suffer significant damage through loss of the opportunity to discover and/or develop any mineral resources on that tenement.

Coal mining operations in Australia are subject to certain domestic operational risks.

Our coal mining operations in Australia are subject to certain domestic operational risks, which include the following.

Land access. The granting of mining tenure does not remove the need to enter into land access arrangements with third party land holders (where the land underlying the mining tenure is owned by a third party). In some cases, the underlying land may be owned by a competitor, pastoralist or other third parties. In addition, elements of the agricultural industry and other groups are opposed to the future development of land for mining or mining-related purposes. These groups are actively lobbying the relevant government entities or seeking public support in an effort to limit the amount of land available for mining, and to make access arrangements for mines more difficult.

Coordination agreements. Coal mining tenure in Australia is frequently granted over land over which coal seam gas tenure has or may be granted. Where coal mining and coal seam gas tenures overlap, it is necessary for the coal miner and coal seam gas producer to enter into a coordination agreement. Where overlapping tenure exists, mining operations cannot commence without a coordination agreement. In some cases, the interests of the coal miner and coal seam gas producer may not be aligned and accordingly, mining operations may be delayed or adversely affected.

Environmental conditions and action groups. Before any mining tenure is granted in Australia, it is required that a comprehensive public environmental assessment on the impact of the proposed mining operations be undertaken. Such an assessment involves a public consultation process, which often involves encountering organized environmental or community groups that seek to restrict or block contemplated mining operations. Generally, where environmental approvals are granted, conditions are frequently imposed that materially affect mining operations.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of our Company

Overview

Yanzhou Coal Mining Company Limited was established on September 25, 1997 as a joint stock company with limited liability under the Company Law of the PRC (the “Company Law”). The predecessor of our Company, Yanzhou Mining Bureau, was established in 1976. With the approval of the former State Economic and Trade Commission and the former Ministry of Coal Industry in 1996, the predecessor was incorporated under the name Yanzhou Mining (Group) Corporation Limited and subsequently renamed Yankuang Group Corporation Limited after undergoing a reorganization in 1999.

In 1999, the Minister of Foreign Trade and Economic Cooperation, the predecessor of the MOFCOM, approved our conversion into a Sino-foreign joint stock company with limited liability under the Company Law and the Sino-Foreign Joint Venture Law of the PRC.

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(the contents of our website do not form part of this annual report)

Acquisitions

Acquisition of Equity Interest in Haosheng Company

As approved at the general manager working meeting of the Company held on November 24, 2014, the Company signed the Equity Transfer Agreement of Haosheng Company and Coal Resources Transfer Agreement of Inner Mongolia Shilawusu Coal Field (collectively, the “Equity Transfer and Resource Transfer Agreements”) to acquire 11.59% of the equity interest in Haosheng Company and corresponding 150 million tonnes of coal resources in Shilawusu coal field previously held by Inner Mongolia New Yangtze River Mining Investment Co., LTD. (“New Yangtze River Mining”), for the total consideration of RMB885.9 million.

To support the highly-purified aluminum project (with an annual production of 42,000 tonnes) of New Yangtze River Mining, Inner Mongolia Autonomous Region allocated 150 million tonnes of coal resources in Shilawusu coal field. As approved by a shareholders’ meeting of Haosheng Company, New Yangtze River Mining contributed RMB137.4 million to subscribe for 11.6% of equity interests of Haosheng Company through equity capital increase. After the equity capital increase, the equity interest of Yanzhou Coal in Haosheng Company would decrease from 74.8% to 66.2%. According to the Equity Transfer and Resource Transfer Agreements, New Yangtze River Mining will transfer 11.6% of equity interests in Haosheng Company and 150 million tones of coal resources allocated to it to Yanzhou Coal. After this transfer, the equity interest of Yanzhou Coal in Haosheng Company will be increased to 77.8%. The acquisition price is RMB885.9 million, representing 26.3% of the Group’s audited total profit of RMB3,366.2 million of 2014 calculated in accordance with CASs. As of the date of the annual report, the filing and approval procedures of above acquisition are being implemented.

Acquisition of 10% Equity Interests of Ashton Coal Mines Limited

On September 30, 2014, Yancoal Australia invested AUD17.9 million to acquire 10% of the equity interest in Ashton Coal Mines Limited held by ICRA Ashton Pty Ltd. through its wholly owned subsidiary. After the acquisition, Ashton Coal Mines Limited became a wholly-owned subsidiary of Yancoal Australia.

Financing Activities

As approved at the 2013 annual general meeting of our Company held on May 14, 2014, our Group was authorized to carry out domestic and overseas financing activities of an aggregate amount not exceeding RMB30 billion. On September 29, 2014, the Equity Investment Special Asset Management Planning Contract of Yanzhou Coal was entered into between the Company and ICBC Credit Suisse Investment Management Co., Ltd. (“ICBC Credit Suisse Investment”), which stipulated that the Equity Investment Special Asset Management Plan of Yanzhou Coal will be established through ICBC Credit Suisse Investment to raise RMB1.4 billion, with 46.7% equity of Heze Neng Hua held by Yanzhou Coal.

Acquisition of 5% Equity Interests of Ordos South Railway Co., Ltd.

Haosheng Company proposed to invest RMB147.4 million to acquire 5% of the equity interest of Ordos South Railway Co., Ltd. (“South Railway”) previously held by Ejin Horo Banner State-Owned Operation Co., Ltd. Haosheng Company contributed RMB100.7 million to South Railway, which was established in September 2010 with a registered capital of RMB2.948 billion, and whose business scope includes railways transportation, railway construction, facilities transportation, repair and manufacturing, storage services, transportation and handling, passenger and freight station services, logistics and mechanical equipment procurement and supply and marketing. The largest shareholder of South Railway, Hohhot Railway Bureau, holds 45% of South Railway’s equity interests. There are two railway lines under the administration of South Railway: (i) starting from Xinjie to Engealu to Taolimiao with a total length of 175 kilometers; and (ii) starting from Alimiao to Etukeqian Banner to Shanghaimiao, with a total length of 190 kilometers.

Subscription of the Placing Shares of Qilu Bank Co., Ltd

As reviewed and approved at the sixth meeting of the sixth session of the Board held on December 23, 2014, it was approved to subscribe for up to RMB246.2 million placing shares in Qilu Bank at the offering price of RMB3.18 per share. As of the date of this annual report, related procedures for subscription have being performed by Qilu Bank Co., Ltd.

Save as disclosed above, there was no other asset acquisition, sales and mergers during the reporting period.

The Offering of RMB Denominated Short Term Notes, Corporate Bonds, USD Denominated Perpetual Securities and Debt Financing Notes through Private Placement Notes

Pursuant to approval granted at the 2012 annual general meeting, we completed the issuance of RMB5 billion short term notes due March 14, 2015, which bore interest of 5.95% on March 12, 2014.

Pursuant to approval granted at the 2012 first extraordinary general meeting of held on February 8, 2012 and the acceptance of registration notices Zhengjianxuke [2012] No. 592, we completed the second issuance of RMB1.95 billion and RMB3.05 billion corporate bonds due March 3, 2019 and March 3, 2024, respectively, bearing interest rate of 5.92% and 6.15% on March 6, 2014, respectively. The corporate bonds were listed in SSE on March 31, 2014.

Pursuant to approval granted at the 2012 annual general meeting, Yancoal International Trading completed issuance of USD perpetual securities of USD300 million bearing an interest rate of 7.2% on May 15, 2014. The perpetual securities were listed on Hong Kong Stock Exchange. The proceeds will be used for debt repayment and replenishment of working capital of overseas subsidiaries. As of December 31, 2014, USD220 million of net proceeds had been used.

Pursuant to the approvals granted at the 2012 annual general meeting and the 2013 annual general meeting, we completed the first and second issuance of debt financing notes through private placement on September 19, 2014 and November 17, 2014, respectively with issue price of RMB100/par value RMB100 and total net proceeds of RMB1.5 billion and RMB998.5 million, respectively. As of December 31, 2014, all of the net proceeds raised in the private placements have been used for working capital purposes.

Capital Expenditures

Our principal source of cash in 2014 was cash generated from our operating activities, the offering of RMB denominated short term notes and non-public issuance of financing instruments and bank borrowings. Our capital expenditures in 2014 were primarily for operational capital expenditures, purchase of properties, machinery and equipment, payment of dividends, and consideration paid for our acquisitions of assets and equity interests.

The following table sets forth a summary of our capital expenditures in the periods indicated:

	Year Ended December 31,			
	2012	2013	2014	2014
	RMB	RMB	RMB	US\$
	(in millions)			
Capital Expenditure				
Coal mining	19,170.1	18,709.6	5,296.6	853.7
Coal railway transportation	33.8	22.3	5.0	0.8
Electricity power and methanol	1,605.3	1,519.2	2,096.3	337.9
Corporate	0.1	0.04	91.5	14.7
Total	<u>20,809.2</u>	<u>20,251.2</u>	<u>7,489.4</u>	<u>1,207.1</u>

Note: Capital expenditures include those arising from the acquisition of equity interest in Ashton Coal Mines Limited.

Our planned capital expenditures for 2015 are approximately RMB9,686.6 million. For more information, see “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Capital Expenditures” in this annual report.

Potential Takeovers by Third Parties

There were no indications of any public takeover offers by third parties in respect of our common shares in 2014.

B. Business Overview

We are one of the largest coal producers in China and Australia, with rapidly growing coal mining operations. We primarily engage in the mining, washing, processing and distribution of coal through railway transportation. We offer a wide variety of coal products including thermal coal, semi-hard coking coal, semi-soft coking coal, PCI coal and other mixed coal products which are sold to power plants, metallurgical mills, chemical manufacturers, construction material manufacturers and fuel trading companies in China and other countries, including Japan and South Korea. Since 2004, we have expanded and diversified our operations to include the production of coal chemicals and the generation of electricity and heat. We also commenced our potash exploration business in 2011.

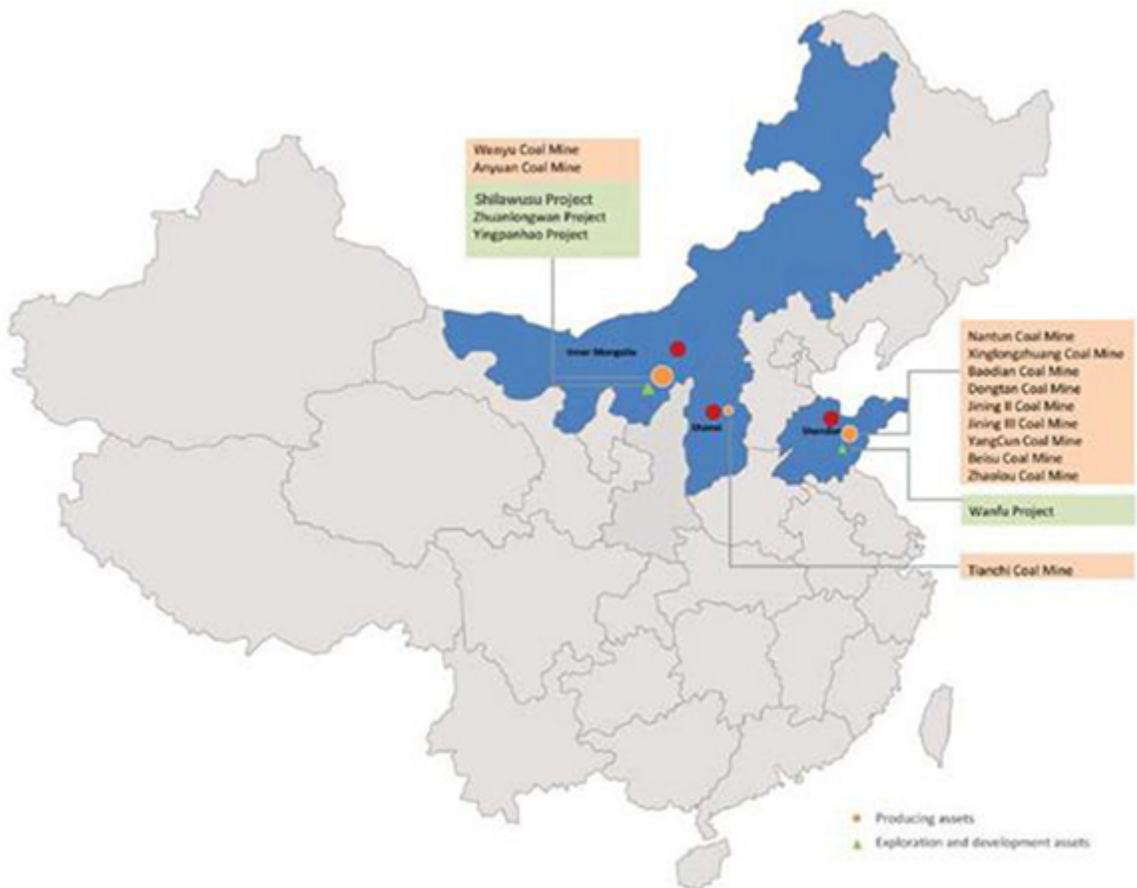
We were established in 1997 and listed on the SSE, HKSE and NYSE in 1998. In addition, our subsidiary, Yancoal Australia, was listed on the ASX in 2012. Our revenue was RMB58,146.2 million, RMB56,401.8 million and RMB60,370.8 million in 2012, 2013 and 2014, respectively.

As of December 31, 2014, we were 52.86% directly owned by our parent, the Yankuang Group, which is wholly owned by the Shandong Provincial Government under the control of the SASAC of the Shandong Provincial Government. Yankuang Group’s wholly owned subsidiary incorporated in Hong Kong owned 3.66% of our total share capital. Yankuang Group and its wholly owned subsidiary incorporated in Hong Kong together owned 56.52% of our total share capital. The Yankuang Group was founded in 1973 to focus on coal mining and sales, the coal chemical industry, power generation, aluminum production, machinery manufacturing and financial investments.

As of December 31, 2014, we owned and operated 21 coal mines across China and Australia with abundant coal resources, including Shandong and Shanxi Provinces and the Inner Mongolia Autonomous Region in China, as well as Queensland, New South Wales and Western Australia in Australia. In addition, as of December 31, 2014, we had four coal projects under construction in China and four advanced-exploration stage projects in Australia.

In PRC, we directly own and operate eight coal mines in the PRC, namely, Nantun, Xinglongzhuang, Baodian, Dongtan, Jining II, Jining III, Beisu and Yangcun which produced in the aggregate approximately 50.2% of our total coal output in 2014. As of December 31, 2014, these eight mines had approximately 3,503.3 million recoverable reserves. We also hold equity interests in a number of coal mines in China through our subsidiaries. Shanxi Nenghua operates Tianchi Coal Mine, which holds approximately 117.0 million tonnes of recoverable reserves; Heze Nenghua operates Zhaolou Coal Mine, which holds approximately 408.8 million tonnes of recoverable reserves; and Ordos Neng Hua operates Anyuan Coal Mine and Wenyu Coal Mine.

The map below shows the approximate locations of our coal mines and projects in China.



In Australia, we conduct our operations in Australia primarily through our subsidiaries, Yancoal Australia and Yancoal International (Holding). Yancoal Australia currently operates nine coal mines in Australia including Aустar, Yarrabee, Ashton, Moolarben, Gloucester, Donaldson, Middlemount, Cameby Downs and Premier which collectively held approximately 5.0 billion tonnes of JORC (as revised in 2012) compliant reserves as of December 31, 2014. Yancoal Australia also holds an advanced-exploration stage project, Monash. Yancoal International (Holding) currently owns the advanced-exploration stage projects Athena, Harrybrandt and Wilpeena. In addition, we had a number of exploration tenements in Australia with potential for development projects as of December 31, 2014.

Coal Business

We are primarily engaged in the production of coal, which involves the mining, washing, processing and distribution of coal. Our products consist primarily of thermal coal, semi-soft coking coal, semi-hard coking coal, PCI coal and other mixed coal products which are suitable for power generation and metallurgical production. The following table sets forth the specifications and principal applications of our coal products.

	<u>Sulfur Content</u> %	<u>Range of and Average Ash Content</u> %	<u>Calorific Value</u> (megajoule/ kilogram)	<u>Washed</u>	<u>Principal Applications</u>
The Company					
No. 1 clean coal	0.48	7.01-8, average 7.70	28.04	Yes	High quality metallurgical production
No. 2 clean coal	0.54	8.01-9, average 8.41	27.88	Yes	Metallurgical production, construction, liquid coal production
No. 3 clean coal	0.53	10.01-11, average 10.26	26.87	Yes	Electricity generation and coal chemical production
Lump coal	0.52	10.01-14, average 12.28	27.54	Yes	Construction, power generation, coal for oven application
Mixed coal	0.98	19.01-35, average 27.58	20.55	Yes	Power generation
Shanxi Nenghua					
Screened raw coal	2.17	20.01-36, average 27.46	23.71	No	Power generation
Lump coal	1.32	10.01-14, average 11.54	29.15	Yes	Power generation, construction
Heze Nenghua					
No. 2 clean coal	0.63	8.01-9, average 8.50	29.15	Yes	Metallurgical production, construction
Mixed coal	0.95	28.01-35, average 28.71	20.46	Yes	Power generation
Ordos Nenghua					
Screened raw coal	0.73	8.01-24, average 15.30	21.45	No	Power generation
Yancoal Australia					
Semi-hard coking coal	1.30	5.5	25.36	Yes	Metallurgical production
Semi-soft coking coal	0.70	6-12	16.24	Yes	Metallurgical production, construction
PCI coal	0.69	9.5-10.5	30.86	Yes	Metallurgical production
Thermal coal	0.60	10-16	24.98	No	Power generation

The following table sets forth our principal coal products by sales volume and sales income of coal for the periods indicated. For the purposes of the table below, the figures of sales income and sales volume include inter-segment sales.

	Year Ended December 31,					
	2012		2013		2014	
	Sales volume ('000 tonnes)	Sales income (1) (RMB in millions)	Sales volume ('000 tonnes)	Sales income (1) (RMB in millions)	Sales volume ('000 tonnes)	Sales income (1) (RMB in millions)
The Company	32,809	20,572.1	33,271	17,793.3	34,748	15,286.8
No. 1 clean coal	385	353.0	315	240.9	325	194.9
No. 2 clean coal	9,042	8,039.5	9,725	7,196.4	9,060	5,225.6
No. 3 clean coal	2,540	1,829.1	1,926	1,138.6	4,979	2,364.7
Lump coal	1,245	1,112.9	1,448	969.4	2,262	1,177.7
Screened raw coal	14,176	7,189.1	12,693	5,858.4	10,605	4,206.2
Mixed coal and others	5,421	2,048.6	7,164	2,389.5	7,517	2,117.6
Shanxi Nenghua	1,343	469.5	1,476	416.7	1,500	316.1
Screened raw coal	1,343	469.5	1,476	416.7	1,500	316.1
Heze Nenghua	2,292	1,662.5	2,359	1,435.6	3,110	1,634.7
No. 2 clean coal	1,183	1,234.4	1,293	1,097.5	2,021	1,316.6
Screened raw coal	—	—	—	—	21	16.2
Mixed coal and others	1,109	428.1	1,066	338.1	1,068	302.0
Ordos Neng Hua	6,827	1,619.7	6,345	1,195.1	5,793	944.4
Screened raw coal	6,827	1,619.7	6,345	1,195.1	5,793	944.4
Yancoal Australia	14,350	9,296.0	15,623	8,961.9	15,742	7,300.8
Semi-hard coking coal	506	377.4	1,361	893.6	973	509.4
Semi-soft coking coal	1,124	1,048.1	1,595	1,122.1	1,470	800.8
PCI coal	2,056	1,917.6	3,274	2,304.9	3,280	1,739.5
Thermal coal	10,664	5,952.9	9,393	4,641.2	10,019	4,251.1
Yancoal International (Holding)	2,965	994.3	5,525	1,681.5	5,158	1,482.9
Thermal coal	2,965	994.3	5,525	1,681.5	5,158	1,482.9
Externally purchased coal	32,421	21,586.5	39,396	22,960.8	57,024	31,573.7
Total	<u>93,007</u>	<u>56,200.6</u>	<u>103,995</u>	<u>54,444.8</u>	<u>123,075</u>	<u>58,539.4</u>

(1) Sales income comprises the invoiced amount of coal sold net of returns and discounts.

Sales and Marketing

A significant portion of our PRC domestic sales is made on the spot market or pursuant to strategic framework agreements, while the remainder of our coal sales is made pursuant to sales contracts generally for a term not exceeding one year. These strategic framework agreements generally specify the quantity of the coal to be purchased. Prices for strategic framework agreements are generally determined in the annual sales contracts or monthly sales contracts which we enter under the strategic framework agreements.

We sell the majority of our domestic coal products to power plants, metallurgical mills, coking manufacturers, chemical manufacturers and trading companies with whom we have established long-standing and stable relationships. The majority of the coal sales of our Australian subsidiary, Yancoal Australia, are to power plants and metallurgical mills. The following table sets forth a breakdown of our sales income, which represents the invoiced amount of products sold net of returns and discounts of coal by the industry of our customers for the periods indicated. For the purposes of the table below, the figures of sales income include inter-segment sales.

	Year Ended December 31,					
	2012		2013		2014	
	Sales income ⁽¹⁾ (RMB in millions)	% of Sales income	Sales income ⁽¹⁾ (RMB in millions)	% of Sales income	Sales income ⁽¹⁾ (RMB in millions)	% of Sales income
Power plants	8,012.7	14.2	10,432.9	19.2	8,606.5	14.7
Metallurgical mills	4,902.7	8.7	4,950.7	9.1	3,902.3	6.7
Chemical manufacturers	6,830.0	12.2	5,010.9	9.2	4,669.4	8.0
Trade	24,341.1	43.3	22,933.2	42.1	38,618.0	66.0
Others	12,114.1	21.6	11,117.1	20.4	2,743.2	4.6
Total	56,200.6	100.0	54,444.8	100.0	58,539.4	100.0

(1) Sales income comprises the invoiced amount of coal sold net of returns and discounts.

The following table sets forth a breakdown of sales income of coal by geographical region for the periods indicated. For the purposes of the table below, the figures of sales income include inter-segment sales.

	Year Ended December 31,					
	2012		2013		2014	
	Sales income ⁽¹⁾ (RMB in millions)	% of sales income	Sales income ⁽¹⁾ (RMB in millions)	% of sales income	Sales income ⁽¹⁾ (RMB in millions)	% of sales income
China	46,580.7	82.9	45,317.5	83.2	51,454.8	87.9
Eastern China	42,616.2	75.8	39,268.7	72.1	44,511.9	76.0
Southern China	76.1	0.1	139.7	0.3	192.1	0.3
Northern China	2,957.6	5.3	2,981.3	5.5	2,610.6	4.5
Other regions	930.9	1.7	2,927.8	5.4	4,140.2	7.1
Japan	1,770.5	3.2	1,225.7	2.3	1,217.3	2.1
South Korea	2,394.2	4.3	2,164.4	4.0	2,121.4	3.6
Australia	2,297.6	4.1	2,130.6	3.9	1,211.9	2.1
Others	3,157.6	5.6	3,606.6	6.6	2,534.0	4.3
Total	56,200.6	100.0	54,444.8	100.0	58,539.4	100.0

(1) Sales income comprises the invoiced amount of coal sold net of returns and discounts.

Our domestic coal sales are concentrated primarily in Eastern China, particularly in Shandong and, to a lesser extent, in Southern China. Our sales income, which represents the invoiced amount of products sold net of returns and discounts, generated from Eastern China as a percentage of total sales income was 75.8%, 72.1% and 76.0% in 2012, 2013 and 2014, respectively. The majority of our sales income is in the PRC. In 2012, 2013 and 2014, we generated 82.0%, 83.2% and 81.9%, respectively, of our sales income from the PRC.

The following table sets forth a breakdown of export sales of our Company and Yancoal Australia for the periods indicated.

	Year Ended December 31,					
	2012		2013		2014	
	<u>Sales income⁽¹⁾</u> (RMB in millions)	<u>% of sales income</u>	<u>Sales income⁽¹⁾</u> (RMB in millions)	<u>% of sales income</u>	<u>Sales income⁽¹⁾</u> (RMB in millions)	<u>% of sales income</u>
The Company						
Japan	7.4	0.1	1.1	0.1	6.4	0.1
Our Australian subsidiaries						
South Korea	2,394.2	29.9	2,164.4	25.4	2,121.4	28.0
Japan	1,770.5	22.1	1,225.7	14.4	1,217.3	16.0
China	670.4	8.4	1,516.0	17.8	1,331.9	17.6
Others	<u>3,157.6</u>	<u>39.5</u>	<u>3,606.6</u>	<u>42.3</u>	<u>2,901.2</u>	<u>38.3</u>
Total	<u>8,000.1</u>	<u>100.0</u>	<u>8,513.8</u>	<u>100.0</u>	<u>7,578.2</u>	<u>100.0</u>

(1) Sales income comprises the invoiced amount of coal sold net of returns and discounts.

Export sales, excluding the coal sales in Australia by our Australian subsidiaries, represent only a small percentage of our total coal sales income. In 2012, 2013 and 2014, we generated 14.2%, 15.6% and 12.9%, respectively, of our sales income from export sales. Our major overseas markets include South Korea and Japan. The majority of our overseas customers are located in Asia, and South Korea is our biggest market in this region. Even though we conduct all of our export sales from the PRC through export agents, we maintain close relationships with our overseas customers and end users.

In 2012, 2013 and 2014, our Australian subsidiaries' domestic sales income was 22.3%, 20.0% and 13.8%, respectively, of their total sales income and in these same years their export sales income was 77.7%, 80.0% and 86.2%, respectively, of their total sales income. Our Australian subsidiaries' export sales income represented 99.9%, 99.9% and 99.9% of our total export sales income in 2012, 2013 and 2014, respectively. Our Australian subsidiaries primarily conduct their export sales directly by entering into agreements with end user customers. Our Australian subsidiaries also export a small portion of coal through export agents with which our Australian subsidiaries have established longstanding relationships. The primary destinations for the export sales of our Australian subsidiaries are South Korea, Japan and China.

To meet our customers' demand beyond the current capacity of our domestic coal mines, and to maintain and expand our customer base to support our anticipated capacity expansion by our advanced-exploration stage coal mines, we also purchase coal from other coal mining companies and trading companies and sell it to power plants, metallurgical mills and construction material manufacturers with whom we have established stable relationships. Purchases and sales of externally purchased coal are made pursuant to sales contracts. These sales contracts generally specify major terms such as the type of the coal, quantity and quality of the coal, price, delivery and payment methods. Prices for such contracts are generally determined in accordance with the market price.

Customers

As of December 31, 2014, our major customers include Yankuang Group, Jiangsu Tianyu Energy Co., Ltd, Huadian International, Linyi Yehua Coking Ltd. and Noble Resources Limited, among which Yankuang Group was our largest customer. In 2012, 2013 and 2014, sales to our top five largest customers accounted for 19.4%, 21.4% and 18.7% of our sales income, respectively. In 2012, 2013 and 2014, sales to our largest customer accounted for 6.3%, 6.0% and 5.0%, respectively, of our sales income.

Leveraging the high quality of our products and the strength of our brand, we have established long-term relationships with our customers. We make significant efforts to establish and maintain long-term cooperative relationships with our customers, and in particular, with our strategic and key customers. We have annual evaluations of our customers to identify key customers. To maintain the relationships with our key customers, we generally provide favorable price terms and product delivery priority. Our sales and marketing department conducts routine customer visits and customer surveys to keep abreast of market developments, collect and evaluate customers' responses, maintain customer relationships and continually improve our business. In addition, we closely monitor the market information about China, South Korea, Japan and other regions, which we use for business planning and execution.

We have a flexible credit policy, and the credit terms we grant to our customers may vary from customer to customer depending on each customer's creditworthiness, historical relationship with the Company and the credit amount involved. We may allow open accounts, require acceptance bills or require cash on delivery. We rely on data from our enterprise resource planning system to determine the appropriate payment arrangement and credit terms for each customer, which generally do not exceed 90 days. We evaluate the creditworthiness of potential new customers before entering into a sales contract with them and reassess the creditworthiness of all of our customers on an annual basis. For customers without a strong credit history, we require them to settle their accounts upon delivery.

Pricing

The pricing for our coal products sold in the PRC is generally based on negotiations between the contracting parties that reflect market conditions. For our Australian operations, the pricing of our coal products is dependent on negotiations between the contracting parties, as well as prevailing market prices. There are no statutory price control schemes for coal in Australia. In both our PRC and Australian markets, to price our coal products, we consider the prevailing prices in the relevant local coal markets, the grade and quality of the coal, the rating and scale of the purchaser and our relationship with the purchaser. Our sales and marketing department monitors domestic and international market information, enabling us to keep abreast of pricing developments in our principal markets.

Transportation

Most of our major coal customers are located in eastern China and our remaining domestic customers are located in southern and northern China. We deliver coal to our customers primarily by railways, and also by highways. With our private railway network, we are able to connect to the national railway system or deliver coal directly to Zouxian Power Plant. We also deliver our coal by domestic and international shipping routes.

We also ship coal on the national railway system to ports, such as Rizhao, for delivery to customers. Rizhao Port is our main port for shipping coal. We also use the Beijing-Hangzhou Grand Canal to ship coal on barges to customers located in the area serviced by the canal, primarily Jiangsu and Zhejiang. In Shanxi, we rely on the Yangshe Railway, which intersects the Tianchi Coal Mine, and trucks to deliver coal to Hebei, Shandong, Qinhuangdao and other nearby areas. We rely on the Baoshen Railway and trucks to deliver coal from Anyuan Coal Mine and Wenyu Coal Mine to Hebei and the surrounding areas.

We plan to construct a privately operated railway to connect Zhaolou Coal Mine with the national railway system. Before completing the construction, we will continue to rely on trucks to deliver coal from Zhaolou Coal Mine to the national railway and customers.

We transport Yancoal Australia's coal products to Newcastle Port and Gladstone Port in Australia at our cost using third parties' railway networks. These coal products are then exported to South Korea, Japan and other destinations by sea. Yancoal Australia owns a 27.0% interest in Newcastle Infrastructure Group ("NCIG"), a joint venture responsible for constructing and operating the third export terminal at Newcastle Port, which is the largest coal export port in New South Wales, and has a designed annual port capacity of 63.0 million tonnes through NCIG's facility. Yancoal Australia also had an annual port capacity of 28.0 million tonnes at Newcastle Port in 2014 through a facility owned by Port Warratah Coal Services ("PWCS") pursuant to an agreement between Yancoal Australia and PWCS and is entitled to 11.9 million tonnes from 2015. In addition, Yancoal Australia owns a 5.6% interest in Wiggins Island Coal Export Terminal Holdings Pty Limited, which is the parent company of the developer of the Wiggins Island Coal Export Terminal. Yancoal Australia has been allocated an annual port capacity of 1.5 million tonnes when the phase 1 is completed in 2015. We believe these allocated port capacities will support current export sales.

Mining process

The geological characteristics of our reserves largely determine the coal mining method that we employ. We use two primary methods to mine coal: underground mining and open-pit mining.

PRC underground mining operations

Our PRC underground mining operations consist of four main steps: tunneling, coal extraction, transportation and coal preparation. The tunneling process is necessary for the construction of underground roadways, which are required for the installation of mining equipment. We conduct a majority of our tunneling using high-powered headers and use this method whenever geological conditions permit. The extraction process is undertaken by a standardized and fully mechanized longwall operation, which includes shearers that work in conjunction with conveyers to cut and transport the coal away from the longwall work face.

The shaft hoist system equipment that we use at most of our mines was imported. Coal is transported from the coal shaft either to a surface storage or directly to a coal preparation plant. In addition to the main coal shaft, our mines also have a service shaft and supplemental roadways and rail systems within the mines that provide a means of underground transportation for workers and equipment.

After raw coal is carried to the surface, it undergoes a mechanized selection process that separates coal from other mineral materials. A small portion of such selected coal is directly sold to customers as raw coal, and the remainder is transported to our coal preparation plants for further processing and classification to meet different requirements from our customers.

We employ the same mining operations in Anyuan and Wenyu Coal Mines except for the use of conveyers to transport the coal from the inclined shaft instead of shaft in our other PRC mines.

Australian open-pit mining operations

The open-pit mining process in Australia involves the removal of topsoil and overburden (earth and rock covering the coal), tunneling and extraction of coal from coal seams. The extracted coal undergoes selection and is then transported to treatment facilities for preparation. After coal is removed, we restore the affected land by replacing the overburden and topsoil.

Australian mining operations

With respect to underground mines in our Yancoal Australia mining operations, we conduct continuous tunneling, longwall operations and coal extraction by the fully mechanized caving method. Open-pit mining is used when coal is found relatively close to the surface, which is the same as our domestic open-pit mining operations.

Materials, Water and Energy Supply

PRC mining operations

The primary materials we use to conduct our coal mining and processing operations are steel to support work faces and underground tunnels, cement for the construction of underground tunnels and ground structures and water used in our production process. We procure steel primarily from Shandong Shiheng Special Steel Group Co., Ltd., Laiwu Iron and Steel Group Co., Ltd Jining Branch, Jinan Iron and Steel Group Co., Ltd., Shandong Iron and Steel Group Co., Ltd. Jinan Branch, and Jinan Baoshan Steel Processing and Distribution Company and cement primarily from Shandong Lucheng Cement Company, Ltd. and Shandong Luzhu Group Cement Company Ltd. We procure water primarily from the Yankuang Group pursuant to the Materials Supply Agreement and its supplemental agreements, and, to a lesser extent, from local water companies. The prices of steel, cement and water is set at market rates or determined through negotiations. We believe that we have well-established, cooperative relationships with our suppliers, enabling us to secure reliable supplies of materials required in our production process. We believe that a number of alternative suppliers exist for our key materials in our coal operations, accordingly, we do not foresee any difficulty in obtaining adequate supplies.

We use a significant amount of electricity in our operations. Even though we have not experienced any material disruptions in our electricity supply in the past, we acquired Hua Ju Energy to secure a stable supply of energy for Nantun, Xinglongzhuang, Baodian, Dongtan, Jining II, Jining III, Beisu and Yangcun Coal Mines and to reduce our electricity costs.

Australian mining operations

Similar to our domestic coal mining and preparation operations, the primary materials we use in our Australian mining operations are steel, cement, explosives and water. We procure such materials primarily from local suppliers with which we have established long-standing relationships, and are able to procure sufficient materials for our mining and preparation operations.

Competition

PRC mining operations

Our primary market, the PRC domestic coal market, is characterized by numerous small-scale coal suppliers. Although the PRC coal market is segmented principally by geographic regions due to the wide distribution of coal reserves, the domestic market in China is dominated by a number of large-scale coal producers. We compete principally on the basis of the availability and cost of transportation, coal quality and timely deliveries.

Our PRC competitors primarily include a number of coal mines located in Shanxi, Shaanxi and Inner Mongolia. Certain of our competitors from these regions have substantial reserves and favorable geological conditions. However, these competitors incur significant transportation costs when they supply to their end-user customers located in eastern China. In addition to coal mines located in Shanxi, Shaanxi Provinces and Inner Mongolia Autonomous Region, we also compete with local mines located in close proximity to our customers. In addition, we expect to face increasingly intense competition among coal mining enterprises due to a significant increase in the amount of coal exported to China and as the number of large-scale coal producers increase as the result of ongoing coal industry consolidation. Although we have strengths in the quality of our coal product and our sales network, we may not be able to compete effectively with Shandong Energy in this region. Our failure to compete effectively may in turn materially and adversely affect our results of operations.

Australian mining operations

We primarily compete with several large coal mining enterprises in Australia, including BHP Billiton, GlencoreXstrata, Rio Tinto, Anglo American and Peabody Energy Australia. Given that we mainly export our coal production in Australia to other Asian countries, particularly South Korea and Japan, we also compete with other mining enterprises located in China, Indonesia and Inner Mongolia, some of which are located in close proximity to our customers. Some of our competitors are large mining companies with a longer operating history, greater financial resources, stronger brand recognition and greater economies of scale as compared to our Company. However, we believe we are able to maintain our competitiveness through our cost-saving and capacity-expanding operations as well as our marketing of combined products.

Seasonality

Our coal business is not affected by seasonality.

Quality control

We have implemented a quality assurance program at each of our PRC coal mines to control quality throughout our coal operations from production to transportation. To further improve our coal preparation and control quality, we established a coal preparation management center in Shandong, in October 2013, to manage our preparation plants. In addition, our quality inspection division within our sales and marketing department conducts spot inspections on our coal production to maintain high quality standards.

Each of Nantun, Xinglongzhuang, Baodian, Dongtan, Jining II, Jining III, Beisu, Yangcun, Zhaolou and Tianchi Coal Mines has obtained the Quality/Environmental Management/Occupational Health and Safety Certificate.

Each of Nantun, Baodian, Dongtan, Jining II, Jining III Coal Mines has obtained Measurement Management System AAA certificate. We have been awarded a National Quality Management Award, a China Quality Tripod and an Asia-Pacific International Quality Gold Medal. In addition, we were awarded the Quality Excellence Award (Asian Recognition for Excellent in Quality Practice) by the Asian Network for Quality in 2012, which made us the only Chinese coal company which has ever won this prize.

Yancoal Australia has engaged Bureau Veritas, Societe Generale De Surveillance and ALS Laboratory Group to supervise and inspect the quality of the coal produced from the respective mines in Australia to ensure quality control and advise on quality improvement measures. In March 2015, we became the only company in the PRC coal industry to be recognized with the “China Quality and Credibility Commitment” designation.

Safety control

In our PRC operations, we have implemented a safety control program to achieve the targets set in our internal guidelines for safety and risk control management and to maintain compliance with the PRC Coal Industry Law and the National Mining Safety Law in China. In Australia, our operations in New South Wales comply with the Coal Mine Health and Safety Act 2002 (NSW) and Occupational Health and Safety Act 2011 (NSW), our operations in Queensland comply with the Occupational Health and Safety Act 2011 (QLD) and Coal Mining Safety and Health Act 1999 (QLD) and our operations in West Australia comply with the Coal Mine Safety and Inspection Act 1994 (WA) and Occupational Health and Safety Act 1984 (WA).

Our safety control program combines close supervision and routine inspection of mining conditions with continual implementation of safety features and procedures at our mines and safety training for our production team. In addition, in our PRC operations, the compensation of the officers and managers of each division reflects the division's safety record. Each of our mines has a safety inspection unit which is responsible for the supervision and inspection of our mining activities. We reward employees who report unsafe mining conditions to encourage accident prevention.

As a result of our safety control program, we have been able to maintain a zero fatality rate in our PRC operations since 2007 compared with the national average of 0.257 fatalities per million tonnes of coal produced in 2014, according to the State Administration of Work Safety of the PRC. In 2014, we produced approximately 46.9 million tonnes of coal in our PRC operations and did not experience any production accidents that involved serious work injuries or death. We have been continuously reviewing and evaluating our safety control and performance in Australia. With respect to our Australian operations in 2014, our lost time injury frequency rate, measured as the number of lost time injuries per million man-hours worked, was 2.7 for open-pit mines and 17.2 for underground mines. On April 15, 2014, an underground incident occurred at Austar Coal Mine and two employees died. The investigation by the Mine Safety Office of the NSW Department of Trade and Investment, Regional Infrastructure and Services ("DTIRIS") to determine the cause of the incident is currently ongoing. As of the date of this annual report, the cause of the incident has not been determined and we are working with the DTIRIS investigators.

Environmental protection

We are subject to PRC environmental protection laws and regulations which impose fees for the discharge of waste substances and require the payment of fines for serious pollution. PRC regulations also authorize government agencies to close any facility that fails to comply with orders to cease, or bring into compliance with relevant laws and regulations, operations that cause environmental damage. In addition, the operations of Yancoal Australia must comply with relevant Australian environmental protection laws and regulations. In 2014, we incurred expenses related to environmental protection of RMB50.1 million .

Railway Transportation Business

In addition to transporting coal to support our own operations, we also provide railway transportation services to our customers, including the Yankuang Group, for fees. In 2014, we transported 16.56 million tonnes of coal on our railway network, representing a decrease of 1.69 million tonnes, or 9.2%, from 18.3 million tonnes in 2013. We generated sales income of RMB373.6 million from railway transportation services in 2014, representing a decrease of RMB84.3 million, or 18.4%, from RMB457.9 million in 2013. The cost of sales of our transportation business was RMB250.2 million in 2014, representing a decrease of RMB74.6 million, or 23.0% from that of 2013.

We own 15 steam locomotives, two heavy-duty rail motors and over 200 kilometers of railway tracks constructed for coal transportation that connect most of our coal mines with Zouxian Power Plant located in Jining City, Shandong. Our railway network also connects to two major national railways, namely, Beijing-Shanghai Railway and Yanzhou-Shijiugang Railway. Our railway network provides us with substantial control over a major means of transportation for our key product, allowing us to benefit from the synergies from coal production, sales and transportation. As of December 31, 2014, our railway transportation business had 3,286 employees.

We maintain ISO 9001 quality accreditation, environmental management certification (GB/T241001-2004), GB/T28001-2011 occupational safety and health certificate and GB/T19022-2003 management certification for the operation of our railway network.

Coal Chemical Business

Our coal chemical business focuses on the production of methanol, a liquid commodity that can be produced from coal or natural gas. We operate our coal chemical business primarily through Yulin Nenghua. In 2014, we produced 650,000 tonnes of methanol and sold 660,000 tonnes of methanol. We generated sales income of RMB1,195.5 million in 2014, representing an increase of RMB39.8 million, or 3.4%, from RMB1,155.7 million in 2013. The cost of sales of coal chemical business was RMB869.3 million in 2014, representing an increase of RMB18.5 million, or 2.2% from that of 2013. Our coal chemical facilities at Tianhao Chemicals ceased production since April 2012. We have completed the construction of a 600,000-tonne methanol project in Ordos City, Inner Mongolia Autonomous Region, which became commercially operational in 2015.

Sales and marketing

Our coal chemical sales are made pursuant to sales contracts that we enter into from time to time with customers. We sell our methanol exclusively in China and predominately to chemical producers in northern and eastern China and methanol distributors. We rely on regional highways to deliver our products.

Pricing

The pricing for our methanol product is generally based on negotiation between the contracting parties, taking into consideration prevailing market prices, market conditions and the customer's creditworthiness.

Production process

Yulin Nenghua. At Yunlin Nenghua's plant, raw coal is pulverized, cleaned and then fed to a gasifier bed where it reacts with oxygen and steam. The product is synthesized into crude methanol and then purified through distillation.

Materials, water and energy supply

Coal and coke oven waste gas are the primary materials in our methanol production. Production at Yulin Nenghua is reliant on thermal coal, which it currently sources from local coal mines owned by third parties. Yulin Nenghua sources water from a local reservoir.

Quality control

We have implemented a series of quality control measures for our coal chemical operations to ensure product quality. We obtained AAA measurement management system, ISO 9001 quality accreditation and ISO 14001 environmental management certification in November 2009 and subsequently renewed ISO 9001 quality accreditation and ISO 14001 environmental management certification in November 2012 and AAA measurement management system in October 2013. In August 2012, methanol produced by Yulin Nenghua, after review by the National Standardization Management Committee, was confirmed to be of a higher standard than the international standard ASTM D1152:2006, and was granted the Usage of International Standard Certificate. We perform regular inspections and maintenance on our methanol plants.

Safety control

For our coal chemical operations, we have implemented safety control measures in compliance with the People's Republic of China Production Safety Law, the People's Republic of China Regulations on the Safe Administration of Dangerous Chemicals and other safety guidelines for chemical manufacturers. We obtained ISO 18001 occupational health and safety certification in November 2009, which was renewed in November 2012.

Competition

We compete with domestic methanol manufacturers in Shanxi and Shaanxi Provinces and the Inner Mongolia Autonomous Region. We have benefited from economies of scale as Yulin Nenghua's 600,000-tonne methanol project achieved optimal utilization of its facilities and Ordos Neng Hua's 600,000-tonne methanol plant commenced operations in 2015.

Seasonality

Our coal chemical operations are not affected by seasonality.

Electric Power and Heat Supply Business

As of the date of this annual report, we owned and operated seven power plants, which generate electricity for internal use and external sales. In 2014, we generated a total of 1,605.1 million KWh of electricity, 722.5 million KWh of which we sold to third parties. We generated sales income of RMB241.5 million in 2014, representing a decrease of RMB90.6 million, or 27.3%, from RMB332.1 million in 2013.

Hua Ju Energy operates five coal-fired power plants whose main facilities consist of energy conversion CFB boilers and extraction and condensing steam turbines. The power plants at Hua Ju Energy have an aggregate installed capacity of 132 MW. In 2012, 2013 and 2014, Hua Ju Energy generated 968.2 million KWh, 992.8 million KWh and 901.2 million KWh, respectively, and sold 831.9 million KWh, 869.1 million KWh and 303.6 million KWh, respectively, to the local power grid company.

The power plants at Yulin Nenghua and Tianhao Chemicals were established with the primary intention to satisfy the power demand of the methanol projects of these two entities; we sell a small amount of electricity to third parties. These plants had an aggregate installed capacity of 60 MW as of the date of this annual report; however, Tianhao Chemicals has stopped generating electricity since January 1, 2012 due to the high cost of fuel, and we are in the process of disposing of the power plant together with Tianhao Chemical's methanol assets. In 2014, the power plants operated by Yulin Nenghua generated 257.5 million KWh of electricity, of which 14.0 million KWh was sold to third parties.

We commenced the construction of the Zhaolou Coal Mine power plant for Zhaolou Coal Mine in March 2010. The integrated power plant has two phases with a designed capacity of 300 MW for each phase. In November 2014, phase I commenced operation. For further information on the Zhaolou Coal Mine power plants, please see "D. Property, Plant and Equipment — Methanol and Cogeneration Power Plants — Zhaolou Coal Mine Power Plants."

We commenced heat supply operations, which consist of the production and sale of heat, following our acquisition of Hua Ju Energy in 2009. In 2014, Hua Ju Energy generated 1.3 million steam tonnes of heat energy. Our coal mines consume the substantial majority of heat energy produced by Hua Ju Energy. We sold 90,000 steam tonnes of heat to third parties and generated sales income of RMB20.85 million in 2014.

Sales and marketing

We consume a major portion of the heat generated by our power plants and, to a lesser extent, sell to the Yankuang Group. In addition to our own use and our sales to the Yankuang Group, we sold 45.0% of the electric power we produced to other end-users through power grids in 2014.

Pricing

The pricing and adjustments for the on-grid tariff and the pricing of our heat products are determined in accordance with regulations set by price administration authorities.

Production process

Yulin Nenghua. We select, break, grind and feed coal to a boiler where the coal is burned to generate steam, which is converted by steam turbines into electricity.

Hua Ju Energy. We recycle by-products of our coal mining operations, such as coal gangue and coal slurry, to generate electricity. Coal gangue and coal slurry are fed to a CFB boiler by means of a conveyer belt and fuel-feeding device where they are burned to generate steam, which is converted by steam turbines into electricity. The power plants of Hua Ju Energy are cogeneration systems that are able to produce heat simultaneously with power generation. Part of the steam produced in power generation is extracted from the steam turbines and provided to our mining operations via a heat supply system.

In the production processes, we filter the exhaust gas that we produce and recycle the cinder for future use.

Zhaolou power plant. Zhaolou power plant, located in Heze City, Shandong Province, is utilized by the Zhaolou coal plant of Heze Neng Hua. After crushing the coal fuel, it is transferred to the boiler and sent to the combustion chamber for burning. The combustion process generates heat and is transferred to water in the boiler. Water in the boiler is heated and produces high temperature, and high pressure steam, which runs the turbine that generates power.

Materials, water and energy supply

Our power plants are all coal-fired power plants. The power plants of Hua Ju Energy generate electricity by recycling coal gangue and coal slurry. Yulin Nenghua currently sources thermal coal from local coal mines. Zhaolou uses mixed coal, gangue and slime generated from coal washing to generate power.

Quality control

Hua Ju Energy obtained ISO 9001 quality accreditation and ISO 14001 environmental management certification in November 2003 and has maintained its certification since then. Yulin Nenghua obtained AAA measurement management system, ISO 9001 quality accreditation and ISO 14001 environmental management certification in November 2009. Zhaolou obtained ISO 9001 quality accreditation, ISO 14001 environmental management certification and GB/T28001 occupational health and safety management certification in December 2009.

Safety control

Safety measures for our electric power and heat supply operations were designed to meet the requirement of the Electricity Law and other related laws.

Seasonality

Our electric power operations are not affected by seasonality. Our heat supply operations are affected by seasonality and experience higher demand during winter.

Regulatory Oversight of Our Group

Regulation of the PRC Coal Industry

Mining activities in the PRC are also subject to the MLR. To establish a coal mining enterprise under the Coal Industry Law of the People's Republic of China, amended in June 2013 (the "PRC Coal Industry Law"), the applicant must submit an application to the relevant department in charge of the coal industry. After obtaining approval to establish a coal mining enterprise, the applicant will be granted a mining permit by the MLR. After June 2013, applicants are not required to obtain the coal production permit and coal trading license. Coal mining companies are permitted to operate after safety inspection and relevant licenses and permits are obtained. The Mineral Resources Law of the PRC (the "Mineral Resources Law") regulates any matters relating to the planning or the exploration, exploitation and mining of mineral resources. According to the Mineral Resources Law, all mineral resources in China, including coal, are owned by the State. Any enterprise planning to engage in the exploration, development and mining of mineral resources must obtain exploration rights and mining rights before commencing the relevant activities. The transfer of exploration and exploitation rights shall be subject to governmental approval pursuant to the PRC Coal Industry Law, the Mineral Resources Law, Measures for the Administration of Transfer of Exploration Rights and Mining Rights and other relevant regulations.

The following is a summary of the principal laws, regulations, policies and administrative directives to which we are subject.

Pricing Laws

Until 2002, the production and pricing of coal was generally subject to the close control and supervision of the PRC government, which centrally managed the production and pricing of coal. To transition from a planned economy to market economy practices, the PRC government eliminated the state guidelines for coal prices on January 1, 2002 and took other measures intended to establish a pricing mechanism that would reflect market demand. In December 2012, the State Council issued a guideline to further implement the market reform for thermal coal. Pursuant to the guideline, beginning in 2013, the PRC government discontinued the compulsory thermal coal supply contracts arrangement, which required coal producers to sell thermal coal to power generation enterprises at preferential prices set by the government. In addition, prices of thermal coal will be negotiated between power generation enterprises and coal producers, instead of pursuant to government-guided prices.

Regulation of fees and taxes

The table below sets forth material taxes and fees that are imposed upon coal producers in China, as well as reserves which we are required to set aside.

Item	Base	Rate
Corporate income tax	Taxable income	25%
Corporate income tax (for Anyuan Coal Mine and Inner Mongolia Xintai)	Taxable income	15%
VAT (for coal and other products)	Sales revenue	17%
VAT (for heat supply)	Sales revenue	13%
VAT (for coal transportation services)	Revenue from service	11%
Business tax (for other services)	Revenue from service	5%
City construction tax	Amount of VAT and business tax	7%
Education surcharge	Amount of VAT and business tax	3%
Local education surcharge	Amount of VAT and business tax	2%
Water conservancy fund	Amount of VAT and business tax	1%
Resource tax	Aggregate volume of raw coal sold or used ⁽¹⁾	Shandong Province: 4% Shanxi Province: 8% Inner Mongolia: 9%
Compensation for the depletion of coal resources	Revenue from coal produced by us	1%
Price adjustment fund	Volume of raw coal produced or sales volume of merchantable coal	1. Jining City, Shandong Province: RMB8 per tonne based on volume of raw coal produced; 2. Heze City, Shandong Province: (1) RMB1.5 per tonne for 20% of the sales volume of clean coal and RMB20 per tonne for 80% of the sales volume of clean coal; (2) RMB1 per tonne for 20% of the sales volume of other types of coal and RMB15 per tonne for 80% of the sales volume of other types of coal.
Property tax (for domestic companies)	70% of the initial value of the property	1.2%

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- (1) The resource tax applicable to our coal operation in Shandong and Shanxi Provinces is calculated by multiplying the aggregate volume of raw coal sold and raw coal consumed in the production of clean coal by the applicable per tonne resource tax in the respective province.

Coal producers may be fined if they damage the environment, arable land, grasslands or forest areas. Under the Mineral Resources Law, if a mining enterprise's mining activities result in damage to arable land, grasslands or forest areas, the mining enterprise must return the land to an arable state or plant trees or grass or take other restorative measures. The Mineral Resources Law and other applicable laws and regulations also state that anyone who causes others to suffer loss in terms of production or living standards is liable for the loss and must compensate the affected persons and remedy the situation.

Additionally, all coal producers are subject to PRC environmental protection laws and regulations which currently impose fees for the discharge of waste substances, require the payment of fines for serious pollution and provide for the discretion of the PRC government to close any facility which fails to comply with orders requiring it to cease or cure operations causing environmental damage.

Foreign exchange laws

Provisions on Foreign Exchange Administration for Cross-border Guarantees and Operational Guidelines for Foreign Exchange Administration of Cross-border Guarantees (Hui Fa [2014] No. 29), promulgated by the SAFE on May 12, 2014, provide that when handling overseas lending and domestic guarantee business, without the approval of the Foreign Exchange Administration, the debtors shall not directly or indirectly transfer the funds under the guarantee back to the PRC for use through such methods as borrowing, equity investments, or securities investments in the PRC. The funds under the guarantee shall not be used for equity or debt investments, by overseas institutions or individuals directly or indirectly, in domestic institutions or individuals, including but not limited to the following circumstances:

- the debtor uses the funds under the guarantee to make, directly or indirectly, equity or debt investments in institutions incorporated within the PRC.
- the funds under the guarantee are used to acquire the equity of an overseas target company, of which over 50 percent of the assets are located within the PRC.
- the debtor uses the funds under the guarantee to make advance payments for trade in goods or trade in services, and the payment time is more than 1 year before the time of delivery of the goods or services and the amount of the advance payment exceeds USD 1 million and 30 percent of the total price of the sales and purchase agreement (for the export of large complete sets of equipment or contract services, the completed workload may be deemed as the delivery).
- the funds under the guarantee are used to repay the debt of the debtor or any other overseas company, while the original funds from the financing are transferred, directly or indirectly, back to the PRC in the form of equity or debt.

Import and export laws

According to the Foreign Trade Law, the Cargo Import and Export Ordinance and the Administrative Measures of Coal Export Quota, coal exports prior to 2013 are subject to State control and required governmental approval.

Our company has not been authorized as a PRC coal exporter. Our coal exports are conducted through three export agents, namely China National Coal Industry Import and Export Corporation, China National Minerals Import and Export Company Limited and Shanxi Coal Import and Export Group Company.

Pursuant to the Administrative Measures of Coal Export Quota, the NDRC and the MOFCOM have been responsible for determining China's national coal export quota and allocating the quota among authorized coal exporters. Upon receiving a quota approval, authorized coal exporters may apply for coal export permits to the relevant authority designated by the MOFCOM. Authorized coal exporters are also required to report their monthly quota usage to the NDRC.

The regulations provided that quotas may be adjusted in the event of:

- a major change in the international market;
- a major change in domestic coal resources;

- an imbalance in the usage of the coal export quota by an authorized coal exporter compared to its allocation of the coal export quota; and
- other circumstances which require an adjustment to the coal export quotas.

On December 31, 2012, the MOFCOM and the General Administration of Customs issued the 2013 Catalog of Goods subject to the Export Permit Management, pursuant to which coke will not be subject to export quota management.

On August 29, 2013, the General Administration of Customs issued The Announcement of Tariff Adjustment on Certain Export Commodities such as Lignite, which adjust the zero tariff for lignite to 3%, effective from August 30, 2013.

On October 10, 2014, the PRC General Administration of Customs promulgated the Announcement on Adjusting the Import Tariff Rates of Coal (Announcement of the General Administration of Customs No. 73, 2014), which provides that as of October 15, 2014, the provisional zero import tariff rate of anthracite (H.S. code: 27011100), coking coal (H.S. code: 27011210), bituminous coals other than coking coal (H.S. code: 27011290), other coal (H.S. code: 27011900) and briquettes and other fuels (H.S. code: 27012000) shall be abolished, and the most-favored-nation tariff rate of 3% (anthracite), 3% (coking coal), 6% (bituminous coals other than coking coal), 5% (other coal) and 5% (briquettes and other fuels) shall be resumed respectively.

On December 16, 2014, the MOF issued the 2015 Implementation Plan of Customs Taxation, which provides that the export custom tax rates of coal products, including anthracite, bituminous coal, coking coal, brown coal, peat coal, coal-made solid fuel and other coals shall decrease from 10% to 3%.

Domestic trading regulations

Pursuant to the Amended Measures for the Regulation of Coal Operations promulgated by the NDRC on July 30, 2014, entities are required to file their information of coal operations with local authorities within 30 business days after they obtained business license.

Environmental protection

China has promulgated a series of laws and regulations which establish national and local legal frameworks for environmental protection. These laws and regulations include standards applicable to emission controls, discharges of wastes and pollutants to the environment, generation, handling, storage, transportation, treatment and disposal of waste materials by production facilities, land rehabilitation and reforestation.

The PRC Environmental Protection Law requires that enterprises, public institutions, and other business operators that discharge pollutants shall adopt measures to prevent and control pollution and damage to environment caused by waste gas, waste water, waste residue, medical wastes, dust, malodorous gases, radioactive substances, noise, vibration, optical radiation, electromagnetic radiation, and other substances generated in their production, construction, and other activities. Pollutant discharging entities under intensified supervision shall install and use monitoring equipment in accordance with the relevant provisions of the state and the monitoring norms, ensure the normal functioning of monitoring equipment, and preserve the original monitoring records. On April 24, 2014, the Standing Committee of National People's Congress passed the Amended Environmental Protection Law, pursuant to which, effective January 1, 2015, more responsibility has been imposed on local governments and unlimited fines will be imposed on polluters. In addition, projects without environmental evaluation in accordance with relevant laws are not allowed to commence construction.

On September 10, 2013, the State Council issued the Action Plan for Prevention and Control of Atmospheric Pollution (the "Action Plan"), pursuant to which the PRC government plans to devote more efforts to prevent and control atmospheric pollution. On September 17, 2013, the State Council further issued the Rules for the Implementation for the Action Plan for Prevention and Control of Atmospheric Pollution in Beijing-Tianjin-Hebei metropolitan region, pursuant to which the PRC government aims to reduce atmospheric pollution and improve air quality.

According to the Law on Prevention and Control of Water Pollution of the PRC, and the Administrative Regulations on the Levy and Use of Discharge Fees, any new construction projects which directly or indirectly discharge pollutants to water, such as coal mines and coking plants, must conduct an environmental impact assessment. Every new production facility must be equipped with wastewater processing facilities which must be put in use together with the production facilities. Construction projects that discharge pollutants into water shall pay a pollutant discharge fee in accordance with state regulations.

The rehabilitation of mining sites is another priority of the PRC government. Under the Law of Land Administration of the PRC as amended on August 28, 2004, the Regulation on Land Reclamation effected on March 5, 2011 and the Implementation Measures on the Regulation on Land Reclamation effected on March 1, 2013, coal producers must undertake measures to restore a mining site to its original state within a prescribed time frame if their mining activities result in damage to arable land, grassland or forest. The rehabilitated land must meet rehabilitation standards, as required by law from time to time, and may only be subsequently used upon examination and approval by the land authorities.

In addition to the PRC environmental laws and regulations, China is a signatory to the 1992 United Nations Framework Convention on Climate Change and the 1998 Kyoto Protocol, which propose emission targets to reduce greenhouse gas emissions. The Kyoto Protocol came into force in 2005. At present, the Kyoto Protocol has not set any specific emission targets for certain countries, including China.

Mining safety

On November 18, 2013, the State Council promulgated Several Opinions on Promoting the Steady Development of the Coal Industry, which contains the PRC government's policies with respect to the administration of coal mining and exploration.

According to the Measures for Implementing Work Safety Permits in Coal Mine Enterprises issued by the SAWS and the SACMS, a coal mine enterprise without a work safety permit may not engage in coal production activities. Coal mining enterprises and their mines that do not satisfy the safety conditions set forth in this document, or those that violate the provisions of this document, may be punished by fines, warnings, temporary suspension of the work safety permit, mandatory remediation measures, orders to cease production and cancellation of the work safety permit. Coal mine enterprises that remain compliant with the requirements set in these documents may apply for administrative approval to extend the validity period of their Work Safety Permits.

The Special Regulations by the State Council on Preventing Work Safety Related Accidents in Coal Mines were promulgated and entered into effect on September 3, 2005. These regulations specify that coal mine enterprises are responsible for preventing coal mine work safety-related accidents. If a coal mine has not obtained, in accordance with the law, a mining right permit, work safety permit or business license and if the mine manager has not obtained, in accordance with the law a mine manager safety qualification certificate, the coal mine may not engage in production. Coal mining enterprises should establish a sound system for the detection, elimination, treatment and reporting of latent work safety-related dangers. If a major latent work safety-related danger exists in a coal mine, the enterprise should immediately suspend production and eliminate the latent danger. Coal mining enterprises should provide their personnel working underground and their special operation personnel with safety education and training in accordance with relevant state regulations. The person in charge of a coal mine and the production and operation management personnel should go into mines and act as foremen on a rotating basis in accordance with state regulations, and a file recording their entry into the mine should be maintained.

In addition, the SAWS issued three sets of measures on September 26, 2005: (i) the Measures for Determining Major Latent Work Safety Related Dangers in Coal Mines (for Trial Implementation); (ii) the Implementing Measures for the Detection and Elimination of Latent Dangers in Coal Mines and the Rectification and Closure of Such Mines (for Trial Implementation); and (iii) the Measures for the Supervision and Inspection of Coal Mine Safety Training (for Trial Implementation). On October 31, 2005, the SAWS issued the Guiding Opinions on Persons in Charge of Coal Mines and Production and Operation Management Personnel Going into Mines as Foremen. The SAWS and the MOF jointly issued the Incentive Arrangement for Report on Working Safety on May 2, 2012, which encourages reporting on material accident hazards on working safety systems and other illegal activities.

The SAWS, the SACMS and the All China Federation of Trade Unions jointly issued the Rules regarding the Working Safety Construction of Coal Mine Working Teams in June 2012, which requires coal mining enterprises to promote working safety target management and improve the salary structure to reflect the combination of working safety, production and profits. In addition, coal mining enterprises are required to improve working environments and labor protection facilities, provide employees with labor protection articles and occupational health examinations, establish occupational health files for employees and provide relevant remuneration for workers engaging in hazardous works.

Coal mining industry and resources integration

Several measures have been enacted by various PRC government and provincial authorities to promote the integration and enhancement of mineral resources to maximize domestic coal production and encourage developmental efficiency.

The General Office of the Shandong Provincial Government issued the Notice to Implement Circular Guo Fa Ban [2006] No. 108 and Notice to Effectively Implement Integration of Mineral Resources (Lu Zheng Ban Fa [2007] No. 37), on June 19, 2007, which further implement Circular Guo Fa Ban [2006] No. 108 and promote the integration of mineral resources in Shandong Province. In addition, the Shandong Provincial Government issued the Notice to Deepen Integration Works of Mineral Resources (Lu Zheng Ban Fa [2010] No. 1), on January 4, 2010, which requires further promotion of integration of mineral resources, reduces the number of mines and mining approvals, and enhances intensive production in Shandong Province.

The government authorities of Inner Mongolia issued the Notice of Printing and Distributing the Work Plan of Mergers and Reorganizations of Coal Mining Enterprises (Nei Zheng Fa [2011] No. 32) on March 15, 2011, which sets forth the guiding principles, integrative approach, applicable policies, regulations and working requirements for coal resources in the region. By the end of 2013, the notice indicates that coal mining enterprises located in Inner Mongolia Autonomous Region must achieve production of 1.2 million tonnes per annum (three million tonnes per annum may apply to certain regions upon certain conditions) or be required to merge with other enterprises. Enterprises with a production capacity of more than five million tonnes of raw coal, among others, or enterprises with at least either one underground coal mine with a singular well production capacity of more than 1.2 million tonnes or an open-pit coal mine with a singular well production capacity of more than three million tonnes, subject to certain operational safety conditions, will be given preference as entities into which other smaller entities may merge.

In addition, the government authorities of Inner Mongolia Autonomous Region issued the Notice of Working Well on the Related Issues Concerning Integration of Coal Resources (Nei Zheng Ban Fa [2011] No. 92) on October 9, 2011, which sets forth supplemental information on the determination of the status of coal mining entities and the scope of coal resources to be integrated in the region.

The National Energy Administration of the PRC issued the amended Coal Mining Industry Policy in February 2013 requesting public comment. The policy aims to further implement the reform of coal mining enterprises and market-oriented reforms.

These mining industry and resources integration regulations will affect the production capacity and rates of our mines that are located in the particular provinces or regions.

Regulation of the Australian Coal Industry

Our operations in Australia are subject to laws and regulations of general application governing mining and processing, land tenure and use, environmental requirements, including site-specific environmental licenses, permits and statutory authorizations, industrial relations, workplace health and safety, trade and export, competition, access to infrastructure, foreign investment and taxation. These regulations are implemented by various federal, state and local government departments and authorities, including at a federal level the Department of Industry and Science, and the Department of the Environment.

Environmental and planning issues

Our mining operations in Australia are regulated by federal, state and local governments with respect to environmental issues (such as water quality, air quality, dust impact, noise impact) and planning issues (such as approvals to expand existing mines or to develop new mines or to change mining interests). Australian state governments require coal companies to post deposits or give other security on the land which is being used for mining and exploration, with those deposits being returned or security released after satisfactory remediation is completed.

State and territory governments are the primary environment and planning regulators for mining operations. The particular provisions of the various state and territory environment and planning legal regimes vary depending upon the jurisdiction. Despite variation in details, each state and territory has a system involving broadly at least two major phases, including: (i) obtaining major environment/planning developmental approval addressing planning and significant environmental issues and (ii) obtaining pollution control approvals regarding pollution control issues such as emissions to the atmosphere; emissions in waters; noise impact, impact from blasting; dust impact; and the generation, handling, storage and transportation of waste and other environmental licenses related to issues such as water extraction and use and Aboriginal heritage.

The federal environmental protection regime will apply if matters of national environmental significance are likely to be significantly impacted. If so, a referral must be made to the Department of the Environment and federal regulatory approval may be required. Most coal projects require such federal approval.

Work Health and Safety | Occupational Health and Safety

The Commonwealth, states and territories agreed to harmonise their work health and safety (**WHS**) laws by enacting the same WHS laws in each Australian jurisdiction. The national WHS laws which consist of a model WHS Act (**Model WHS Act**), model Regulations, and model Codes of Practice (**WHS Laws**) were originally expected to have commenced by 1 January 2012 in all States and Territories.

The WHS Laws have commenced operation in New South Wales, Queensland, the ACT, the Northern Territory, South Australia, Tasmania and in Commonwealth jurisdictions, although it should be noted that the WHS Laws are not fully harmonized with certain jurisdictions. However, Western Australia and Victoria are yet to implement the new laws. These jurisdictions have occupational health and safety (**OHS**) laws in place.

WHS [New South Wales, Queensland]

Under the WHS Laws, a person conducting a business or undertaking must ensure, as far as is reasonably practicable:

- (a) the health and safety of its “workers” whilst they are engaged at work in the business or undertaking; and
- (b) that other persons are not put at risk from the conduct of the business or undertaking.

Workers are defined to include employees, contractors, subcontractors and volunteers.

In respect of workers employed or engaged to perform work in a mine, a person conducting a business or undertaking must take reasonably practicable steps to ensure that workers are safe from injury by conducting a risk assessment of the workplace and, having regard to the risks identified in the assessment, take all reasonably practicable steps to:

- (a) provide a safe working environment without risks to health and safety;
- (b) provide and maintain safe plant and structures, including machinery;
- (c) provide and maintain safe systems of work, including safety equipment, safe plant and work materials;
- (d) provide adequate facilities;
- (e) the safe use, handling and storage of plant, structures and substances;
- (f) appropriate information, instruction, training and supervision that is necessary to protect all persons from risks to their health and safety; and
- (g) monitoring the health of workers and conditions at the workplace for the purposes of preventing illness or injury of workers.

There is also an obligation for a person conducting a business or undertaking to consult with its workers (and other WHS duty holders) on WHS matters.

OHS [Western Australia]

Western Australia is still operating under a local OHS regime. Whilst this regime is similar to the WHS regime and requirements under WHS Laws as set out above, there are notable differences in terms of specific requirements under OHS legislation, regulations and associated penalties for non-compliance.

In relation to persons employed in a mine in Western Australia, an employer must, so far as is practicable, ensure that such persons are safe from injury by providing a safe working environment and systems of work such that employees are not exposed to hazards; safety machinery; safety equipment, plant and work materials; and appropriate information, instruction, training and supervision.

There is also a requirement for an employer to consult and cooperate with safety and health representatives (if any) and other employees at the workplace, regarding OHS matters.

Coal Industry Specific Legislation [All Relevant/Applicable States]

In recognition of the specialized nature of mining and mining activities, specific work health and safety obligations have been mandated under law and legislation that deals specifically with the coal mining industry. Mining employers, owners, directors and managers, persons in control of work places, mine managers, supervisors and employees are all subject to these duties.

Workers' Compensation [All Relevant/Applicable States]

It is mandatory for an employer to have insurance coverage with respect to the compensation of injured workers (workers' compensation insurance). Similar coverage is in effect throughout states and territories in Australia which is of a no-fault nature and which provides for benefits up to a prescribed level. The specific benefits vary by jurisdiction, but generally include the payment of weekly compensation to an injured employee, together with payment of medical, hospital and related expenses. The injured employee may have a right to sue his or her employer for further damages if a case of negligence can be established (but on the condition that the injured employee waives his or her right to the insurance coverage).

MRRT

In July 2012, a profits-based tax (MRRT) was introduced which is charged at an effective rate of 22.5% on the assessable profits (excess of annual mining revenue over annual mining expenditures with respect to mineral interests, less certain allowances) of, among others, coal mining enterprises, however, the relevant legislation was repealed in September 2014.

Carbon tax scheme

In an effort to meet Australia's emissions target as set forth in the Kyoto Protocol, previously the Australian federal government introduced legislation making a liable entity liable pay for each tonne of carbon pollution that it emits, however, the relevant legislation was repealed in July 2014.

Foreign investment

As a foreign government investor under Australian law Yancoal will be required to obtain Australian Government approval before making a direct investment in Australia (regardless of the value of the investment). A direct investment includes any acquisition of an interest of 10 per cent or more of any asset or business or any acquisition of an interest of less than 10 per cent where that acquisition amounts to a strategic stake in the target, or allows the acquirer to influence or control the target.

Foreign government investors must also obtain Australian Government approval before starting a new business in Australia, or acquiring an interest in land in Australia. An interest in land includes any interest in a prospecting, exploration, mining or production tenement.

Power generation industry

The Electric Power Law and the Electric Power Regulatory Ordinance

The Electric Power Law of the PRC (the “Electric Power Law”) sets out the regulatory framework of the power industry. The Electric Power Law encourages power plant operators to focus on environmental protection and adopt new technology to decrease waste discharge.

In 2005, the State Council promulgated the Electric Power Regulatory Ordinance. The Electric Power Regulatory Ordinance sets forth regulatory requirements for many aspects of the power industry, including, among others, the issuance of electric power business permits, the regulatory inspections of power generators and grid companies and the legal liabilities resulting from violations of the regulatory requirements.

Approvals and licenses for power plants

Applications for all new coal-fired power plants are required to be submitted to the NDRC for approval, as well as to the State Council for significant power plant projects. According to the Provisions on the Administration of Electric Power Business Licenses, applicants are also required to obtain requisite permits, including an Electric Power Business for Power Generation and approvals related to plant site, land use rights, construction and the environment.

Pricing

Since 1996, the Electric Power Law has set forth general principles for determining power tariffs. The Interim Provisions for the Administration of Grid Power Price promulgated by NDRC states that tariffs are to be formulated to provide reasonable compensation for costs and a reasonable return on investment, to share expenses fairly and to promote the construction of power projects. With the exception of grid power prices set by governmental bids or power plants that produce alternative energy, grid power prices of new power plants within the same region should be uniform. The on-grid tariffs for planned output and excess output are subject to a review and approval process involving the NDRC and the provincial price bureaus. In 2004, the NDRC, with the approval of the State Council, issued a policy to link thermal coal and power prices. This policy allows on-grid tariffs to increase if the average price of coal increases by more than 5% within a six-month period.

Safety

In accordance with the Measures for Supervising the Safe Production of Electricity, issued by the SERC, power plants are responsible for maintaining safe operations in accordance with requirements set by the regional grid in which they are located. Power plants are required to report worker fatalities or serious or extraordinary accidents to the SERC and relevant local government authorities.

Coal chemical processing industry

The PRC Coal Industry Law, encourages and supports coal mining enterprises and other enterprises to produce both coal and electricity, coking coal and coal chemicals. In July 2006, the NDRC issued the Notice of Strengthening the Administration of Coal Chemical Processing Industry and Improving the Healthy Development of the Industry (Fa Gai Chan Ye [2011] No. 635), which was aimed at strengthening the coal chemical processing industry through the promotion of transportation safety, risk prevention and management standardization. According to the Enterprise Income Tax Law (the “EIT Law”) and its implementation regulations, enterprises that produce products which are not restricted by the State and satisfy State and industry standards by using resources encouraged by industrial policies of the State are eligible for preferential tax treatment. If an enterprise uses any of the materials that are listed in the Catalogue of Income Tax Preference for Enterprises of Comprehensive Utilization of Resources as a major raw material in its product, 90% of the total income derived from such product will be treated as taxable income under the preferential tax arrangement. Coke oven gas, one of the primary raw materials at one of our methanol production facilities, is one of the materials listed in the catalogue.

The PRC government aims to promote the healthy development of coal chemical industry during the Twelfth Five-Year through the development of proprietary intellectual property rights and the construction of demonstration projects. In addition, the PRC government imposed stringent entrance standards and requirements for environmental protection for the consumption of energy, coal and water for coal chemical demonstration projects.

C. Organizational Structure

As of December 31, 2014, our Company consisted of 13 departments.

D. Property, Plant and Equipment

Real Property and Leasehold Property

As of December 31, 2014, the net book value of our property, plant and equipment was RMB44,174.6 million. The properties for which we own land use rights in China occupy an area of approximately 7.74 million square meters, while the coalfields to which we possess mining rights in Australia occupy an area of approximately 110.0 million square meters. Under PRC law, land use rights for properties in China are granted for 50 years commencing from the respective grant dates of such land use rights and are freely transferable. In addition, the land ownership rights held by Yancoal Australia are held in perpetuity pursuant to Australian law.

As of the date of this annual report, we have not obtained certain land-use rights and building ownership certificates in China. In addition, we have not completed the registration procedure with relevant real estate administrative authorities with respect to certain properties we lease in China. We do not expect that our rights to use or occupy such properties will be challenged by third parties and as of the date of this annual report, we are not aware of any administrative or legal action with respect to these properties. However, we are prohibited from the transfer, lease, mortgage, or disposal of such properties until we obtain the relevant real estate or building ownership certificates.

Coal Mines and Coal Production Facilities

Nantun, Xinglongzhuang, Baodian, Dongtan, Jining II, Jining III, Beisu and Yangcun Coal Mines are all located in the southwestern part of Shandong Province. Except for Yangcun Coal Mine, all of these mines are connected by our railway network, which directly connect to our customers or the PRC national railway or highway systems. We acquired Jining II Coal Mine in 1998 and Jining III Coal Mine in 2001. We acquired Heze Nenghua, the operator of Tianchi Coal Mine in 2006 and subsequently the mining rights of Zhaolou Coal Mine through Heze Nenghua in 2008. Our wholly owned subsidiary, Ordos Neng Hua, acquired Anyuan Coal Mine in 2010 and acquired the mining rights of Zhuanlongwan coalfield through public bidding in 2011. In addition, Ordos Neng Hua acquired 80% of the equity interest in Inner Mongolia Xintai in 2011, which has operated Wenyu Coal Mine since July 2011. In May 2012, we purchased from Yankuang Group and Beisu Company all of the assets and liabilities of Beisu Coal Mine and Yangcun Coal Mine, including mining rights, building ownership certificates, mining and related equipment and other fixed assets.

We acquired Austar Coal Mine in Australia in 2004, and we acquired the entire equity interest in Yancoal Resources (formerly Felix) through Yancoal Australia in 2009, which operates Ashton Coal Mine, Yarrabee Coal Mine and Moolarben Coal Mine. We acquired an additional 30% of the equity interest in the Ashton Coal Mine Joint Venture and disposed of 51% of the equity interest in the Minerva Coal Mine Joint Venture in 2011. On September 30, 2014, we acquired an additional 10% of the equity interest in the Ashton Coal Mine Joint Venture, which become wholly owned subsidiary of Yanzhou Australia after the acquisition. In August 2011, we acquired the entire equity interest of both Syntech Holdings Pty Ltd. and Syntech Holdings II Pty Ltd., which operate the Cameby Downs Coal Mine and have five exploration tenements that can be potentially developed. In September 2011, we acquired the entire equity interest of both Premier Coal, which operates the Premier Coal Mine and Wilga Exploration Area, and Premier Char. We completed the merger with Gloucester in June 2012, which turned Gloucester a wholly-owned subsidiary of Yancoal Australia. As of December 31, 2014, we own nine mines and four advanced-exploration stage projects in Australia.

As of the date of this annual report, we have obtained or in the process of obtaining the following material approvals, permits and licenses for our coal projects in China:

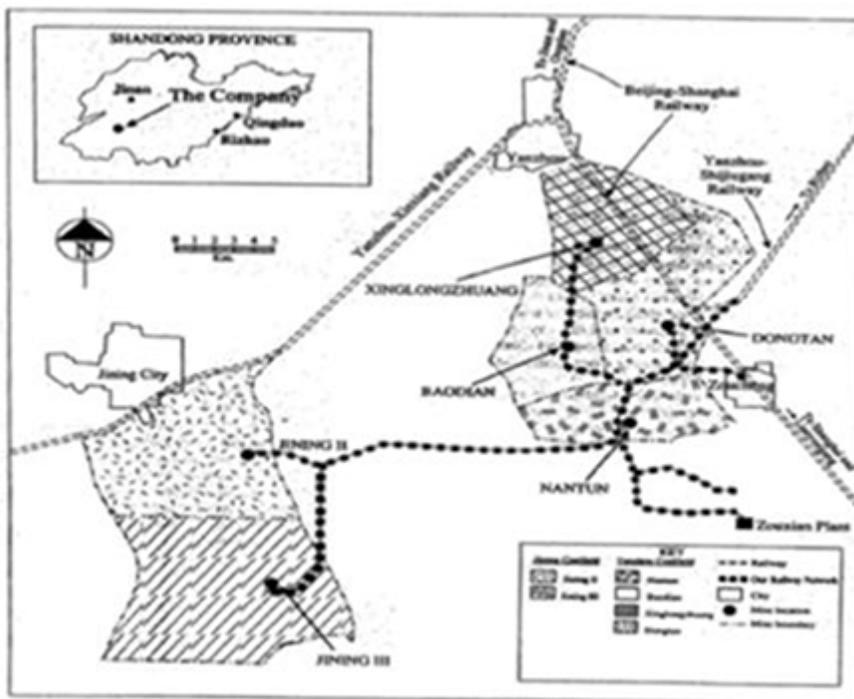
- we obtained approval and permits with respect to environmental assessment, water protection, and safety assessment on Shilawusu and Zhuanlongwan projects and are in the process of obtaining other approvals;
- Yingpanhao Project has been included into the NDRC's twelfth five-year plan for the coal mining industry in March 2012. We have obtained the resources allocation approval from the Provincial government and are in the process of obtaining project approval for our commencement of construction on this project; and
- we submitted the application for the mining permit for Wanfu Project to the MLR in January 2014.

In addition to the above, a number of material Australian regulatory approvals, permits and licenses are pending, outstanding, have not been applied for as yet or have expired, including:

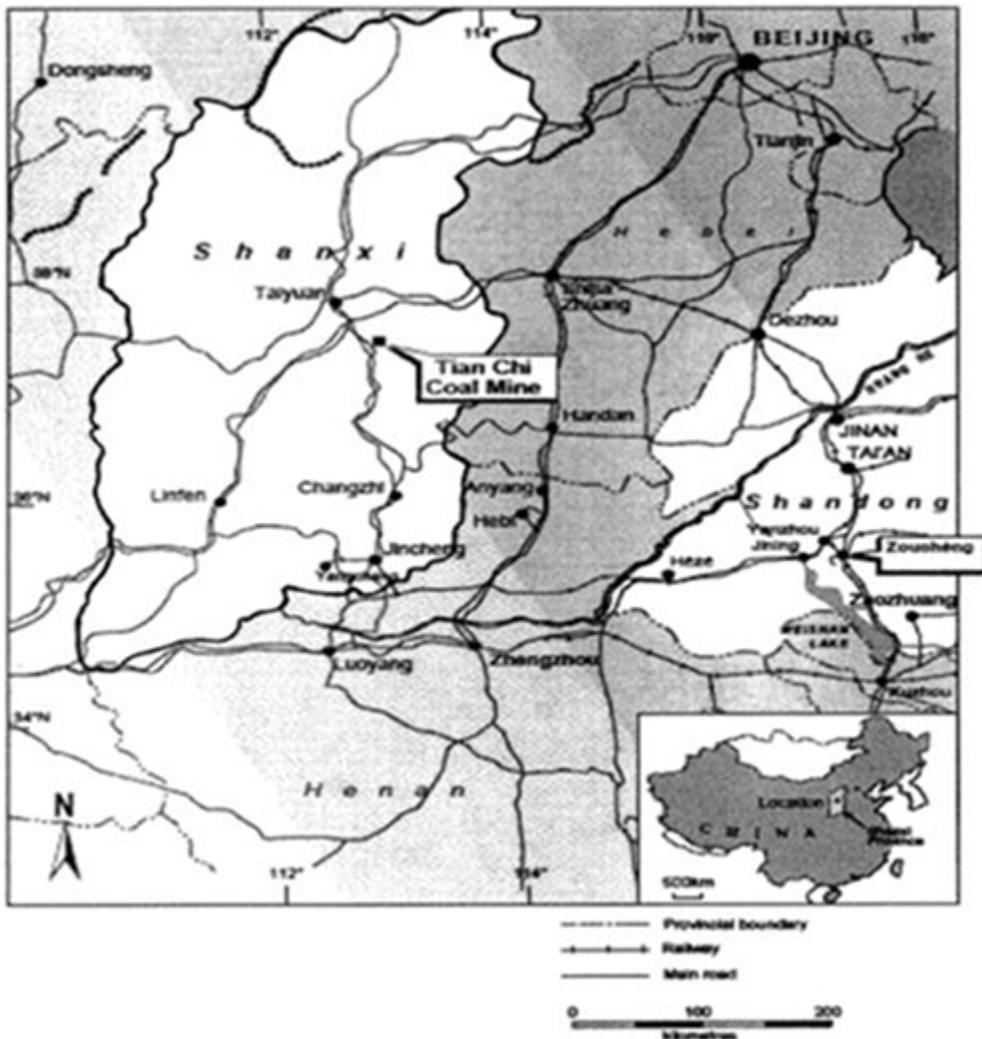
- surface mining leases for the development of proposed additional stages of the Moolarben Coal Mine have obtained planning approval from relevant authorities; and
- the NSW Land & Environment Court has granted approval for the proposed Southeast open-cut project of the Ashton Coal Mine, condition upon the acquisition of a key property from a private individual prior to the commencement of development.

We operate substantially all of our mines either directly or through our subsidiaries and we have contracted the mining operations at Anyuan, Wenyu and Cameby Downs Coal Mines to third party contractors.

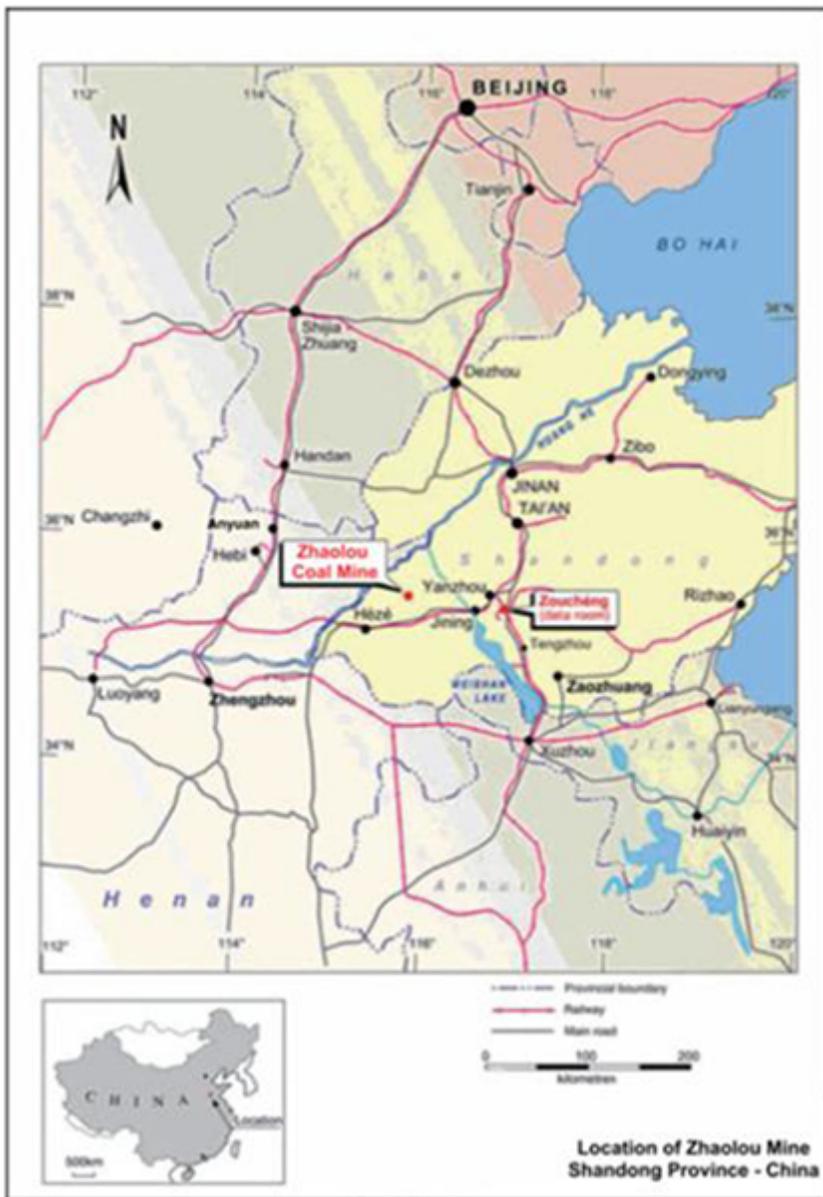
The map below shows the location of Nantun, Xinglongzhuang, Baodian, Dongtan, Jining II, Jining III Coal Mines and our railway system:



The map below shows the location of Tianchi Coal Mine:



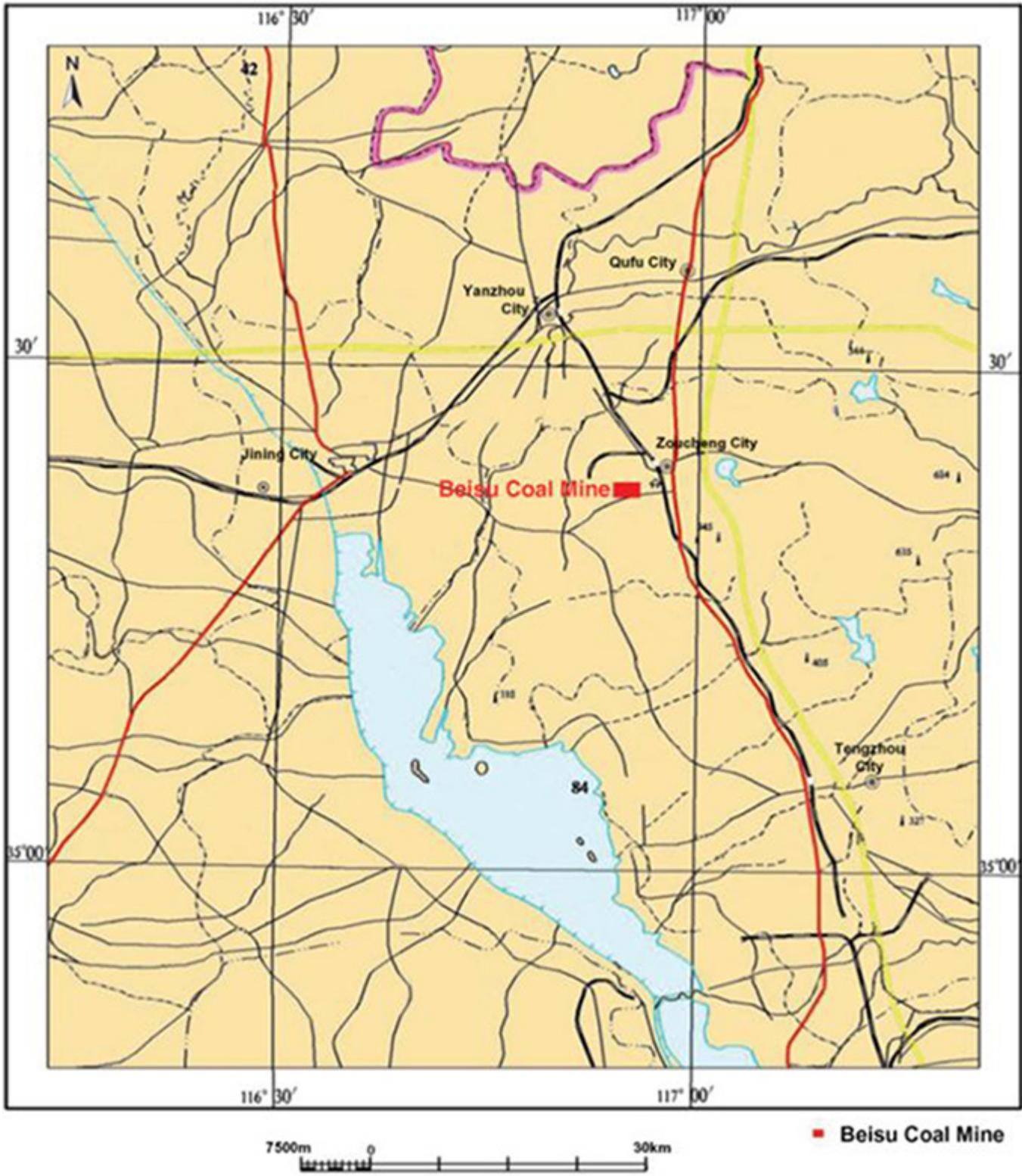
The map below shows the location of Zhaolou Coal Mine:



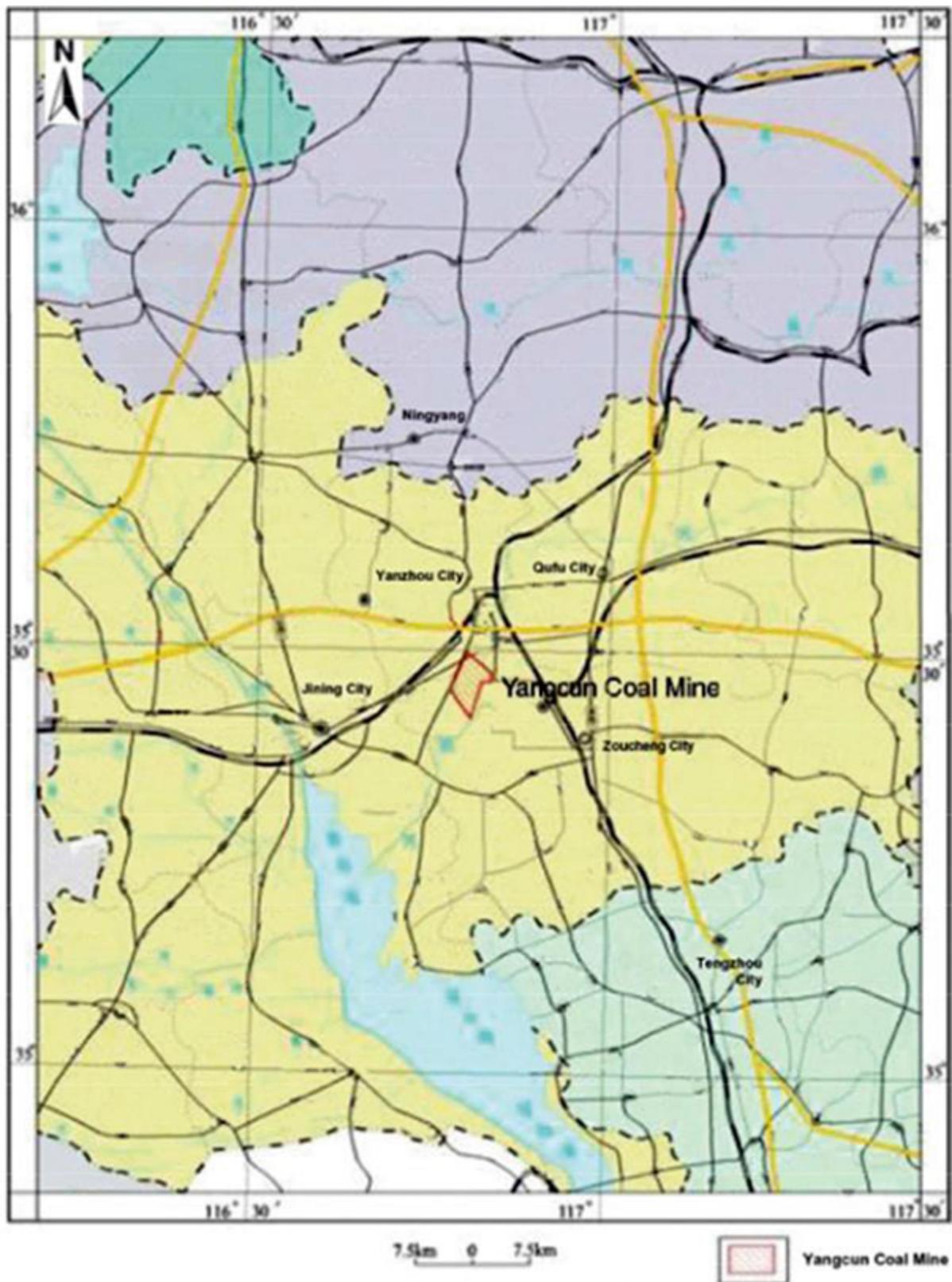
The map below shows the location of Anyuan and Wenyu Coal Mines:



The map below shows the location of Beisu Coal Mine:



The map below shows the location of Yangcun Coal Mine:



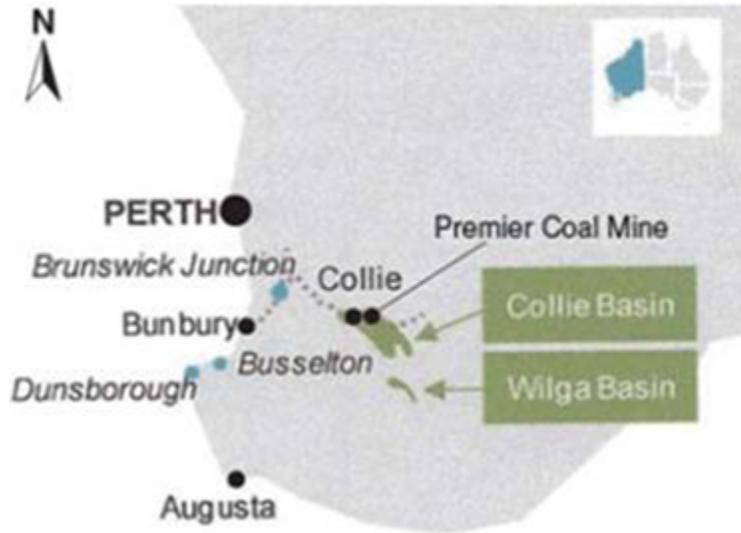
The map below shows the location of Austar, Yarrabee, Ashton and Moolarben Coal Mines as well as advanced-exploration stage projects Athena, Harrybrandt and Wilpeena.



The map below shows the location of Cameby Downs Coal Mine:



The map below shows the location of Premier Coal Mine and Wilga Project:



The map below shows the location of Gloucester, Donaldson and Middlemount Coal Mines and Monash Project:



The Six Coal Mines

The following table sets forth information about Nantun, Xinglongzhuang, Baodian, Dongtan, Jining II, Jining III Coal Mines, which are directly owned and operated by the Company.

	<u>Nantun</u>	<u>Xinglong- zhuang</u>	<u>Baodian</u>	<u>Dongtan</u>	<u>Jining II</u>	<u>Jining III</u>	<u>Total</u>
Background data:							
Commencement of construction	1966	1975	1977	1979	1989	1993	N/A
Commencement of commercial production	1973	1981	1986	1989	1997	2000	N/A
Coalfield area (<i>square kilometers</i>)	35.2	56.2	37.0	60.0	87.1	105.1	380.6
Reserve data:⁽¹⁾							
(millions tonnes as of December 31, 2014)							
Total in-place proven and probable reserves ⁽¹⁾	102.0	288.6	256.3	421.4	392.4	197.6	1,658.2
Mining recovery rate ⁽²⁾ (%)	83.4	80.0	79.2	82.1	82.0	80.6	N/A
Coal preparation plant recovery rate (%) ⁽³⁾	85.6	73.2	69.7	57.1	74.4	59.7	N/A
Depth of mine (<i>meters underground</i>)	465	399	517	780	517	551	N/A
Average thickness of main coal seam (<i>meters</i>)	5.4	8.3	8.8	8.4	4.7	4.9	N/A
Type of coal	Thermal coal	Thermal coal	Thermal coal	Thermal coal	Thermal coal	Thermal coal	N/A
Leased/owned	Owned	Owned	Owned	Owned	Owned	Owned	N/A
Assigned/unassigned ⁽⁴⁾	Assigned	Assigned	Assigned	Assigned	Assigned	Assigned	N/A
Average calorific value (Kcal/kg)	5,485	5,574	5,500	5,289	5,208	5,194	N/A
Sulfur content (%)	0.72	0.51	0.58	0.54	0.58	0.66	N/A
Production data : (million tonnes)							
Approval raw coal production capacity	3.0	6.6	6.4	7.5	4.2	6.6	34.3
Designed washing capacity	1.8	3.0	3.0	4.0	3.0	5.0	19.8
Raw coal production							
1997-2007	45.7	70.1	61.6	78.1	42.7	49.6	347.8
2008	3.5	6.6	6.0	7.0	3.9	6.1	33.1
2009	3.8	6.6	5.7	7.5	3.6	6.2	33.4
2010	3.6	6.8	6.1	7.4	4.2	6.2	34.3
2011	3.3	6.8	6.1	7.3	4.4	6.1	34.0
2012	3.2	7.0	6.1	7.6	3.7	5.5	33.1
2013	3.0	6.9	6.2	8.1	3.1	6.5	33.8
2014	2.7	6.8	5.8	8.0	4.2	5.3	32.8
Cumulative raw coal production as of December 31, 2014	68.8	117.6	103.6	131.0	69.8	91.5	582.3

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- (1) The proven and probable reserves of the above coal mines are based on the report dated February 6, 1998 prepared by International Mining Consultants Limited, a UK-based company, in accordance with the standards in Industry Guide 7.

Under Industry Guide 7, “proven reserves” are reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes, grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established. “Probable reserves” are reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling, and measurement are further apart or are otherwise less adequately spaced. The degree of assurance of “probable reserves,” although lower than that for proven reserves, is high enough to assume continuity between points of observation.

The total proven and probable reserves as of the end of a year are derived by deducting the proven and probable reserves consumed in the coal production in the same year from the proven and probable reserves as of the end of the immediately preceding year. The distinction between proven and/or probable reserve classifications cannot be readily determined or defined.

- (2) The mining recovery rate is the rate of the amount of coal recovered from a determined amount of proven and probable reserves, which is calculated by dividing the actual volume of coal recovered in a year by the volume of proven and probable reserves mined and consumed in the same year.
- (3) “Coal preparation plant recovery rate” refers to the wash plant recovery rate of raw coal used during the production of our coal products.
- (4) “Assigned” refers to coal reserves which have been committed to a particular mining complex (mine shafts, mining equipment, and plant facilities), and all coal which has been leased by the company to others. “Unassigned” refer to coal reserves which have not been committed, and which would require new mine shafts, mining equipment or plant facilities before operations could begin on the property.

Nantun Coal Mine

Nantun is located in the southern portion of our coalfield, with a coalfield area of approximately 35.2 square kilometers. Nantun began commercial production in 1973 with an approved annual raw coal production capacity of 3.0 million tonnes of coal. The main coal seam of Nantun is divided into four leaves. The thickness of the upper leaf averages 5.35 and 3.21 meters and the thickness of the lower leaf averages 0.89 and 1.03 meters. As of December 31, 2014, the total in-place proven and probable reserves on the main coal layer were approximately 102.0 million tonnes.

We primarily use the fully mechanized or comprehensive sublevel caving mining method to extract coal. As of December 31, 2014, Nantun produced coal from three work faces. Nantun’s coal preparation plant produces mainly No. 2 Clean Coal and employs movable-sieve jig machines and flotation machines. Most of the equipment used in the Nantun coal preparation plant was manufactured in the PRC.

Xinglongzhuang Coal Mine

Xinglongzhuang is located in the northern portion of our coalfield, with coalfield area of approximately 56.2 square kilometers. Xinglongzhuang began commercial production in 1981 with an approved annual raw coal production capacity of 6.6 million tonnes. The main coal seam of Xinglongzhuang is concentrated in one leaf with an average thickness of 8.3 meters. As of December 31, 2014, the total in-place proven and probable reserves on the main coal layer were approximately 288.6 million tonnes.

We primarily use the fully mechanized sublevel caving method to extract coal from the coal seam of Xinglongzhuang Coal Mine. At this coal mine, we produced coal from two work faces as of December 31, 2014. The Xinglongzhuang coal preparation plant produces No. 1 and No. 2 Clean Coal, lump coal and thermal coal. The majority of the equipment in the Xinglongzhuang coal preparation plant, including its jig machines, movable-sieve jig machines and flotation machines, was manufactured in the PRC while a small portion of the equipment was imported.

Baodian Coal Mine

Baodian is located in the central western portion of our coalfield, with coalfield area of approximately 37.0 square kilometers. Baodian began commercial production in 1986 with an approved annual raw coal production capacity of 6.4 million tonnes. Certain sections of the main coal seam of Baodian are concentrated in one leaf, with an average thickness of 8.81 meters. The remaining sections are divided into two leaves with an average thickness of 5.74 meters for the upper leaf and 3.38 meters for the lower leaf. As of December 31, 2014, the total in-place proven and probable reserves on the main coal layer were approximately 256.3 million tonnes.

We primarily use the fully mechanized sublevel caving method to extract coal. At this coal mine, we maintained two work faces as of December 31, 2014. The Baodian coal preparation plant produces No. 2 Clean Coal and lump coal. The majority of equipment in the Baodian coal preparation plant, including its slanted wheel, cyclones and flotation machines, was manufactured in the PRC.

Dongtan Coal Mine

Dongtan is located in the central eastern portion of our coalfield, with coalfield area of approximately 60.0 square kilometers. Dongtan began commercial production in 1989 with an approved annual raw coal production capacity of 7.5 million tonnes. Certain sections of the main coal seam consist of one layer with an average thickness of 8.41 meters, and the remaining sections are divided into two layers, with an average thickness of 5.38 meters for the upper layer and 3.22 meters for the lower layer. As of December 31, 2014, the main coal layer held approximately 421.4 million tonnes of in-place proven and probable reserves.

We primarily use the fully mechanized sublevel caving method to extract coal. At this mine, we maintained two work faces as of December 31, 2014. The Dongtan coal preparation plant produces No. 2 Clean Coal, lump coal and thermal coal. The principal pieces of equipment in the Dongtan coal preparation plant, including its slanted wheel, cyclones, TBS sorting machines and flotation machines, were manufactured in the PRC.

Jining II Coal Mine

Jining II is located in the northern portion of the Jining coalfield, with coalfield area of approximately 87.1 square kilometers. Jining II began commercial production in 1997 with an approved annual raw coal production capacity of 4.2 million tonnes. Certain sections of the main coal seam of Jining II are concentrated in one layer, with an average thickness of 6.78 meters. The remaining sections are divided into two layers, with an average thickness of 2.1 meters for the upper leaf and an average thickness of 4.68 meters for the lower leaf. As of December 31, 2014, the total in-place proven and probable reserves on the main coal layer were approximately 392.4 million tonnes.

We primarily use the fully mechanized sublevel caving method to extract coal. At this coal mine, we produced coal from two work faces as of December 31, 2014. The main equipment used in Jining II are movable-sieve jig machines, cyclones and flotation machines, most of which were manufactured in the PRC. The principal product of the coal preparation plant of Jining II is No. 2 Clean Coal.

Jining III Coal Mine

Jining III is located in the southern portion of the Jining coalfield and covers an area of 105.1 square kilometers. Jining III has an approved annual raw coal production capacity of 6.6 million tonnes. The main coal seam of Jining III is divided into two leaves. The thickness of the upper leaf averages 1.21 meters and the thickness of the lower leaf averages 4.91 meters. As of December 31, 2014, the total in-place proven and probable reserves on the main coal layer were approximately 197.6 million tonnes.

We primarily used the fully mechanized sublevel caving method to extract coal from three work faces in Jining III Coal Mine as of December 31, 2014. The main pieces of equipment used in Jining III are slanted wheel, cyclones, TBS sorting machines, flotation machines and movable-sieve jig machines, which were manufactured in the PRC. The principal products of the coal preparation plant of Jining III are No. 2 Clean Coal and thermal coal.

Beisu and Yangcun Coal Mines

The following table sets forth information about Beisu and Yangcun Coal Mines, which are directly owned and operated by the Company:

	Beisu	Yangcun	Total
Background data:			
Commencement of construction	1972	1981	N/A
Commencement of commercial production	1976	1988	N/A
Coalfield area (<i>square kilometers</i>)	29.3	27.5	56.8
Reserve data: (as of December 31, 2014)			
Recoverable reserves ⁽¹⁾	74.4	88.2	162.5
Mining recovery rate (%) ⁽²⁾	87.3	86.7	N/A
Coal preparation plant recovery rate (%) ⁽³⁾	N/A	N/A	N/A
Depth of mine (<i>meters underground</i>)	269.7	318.8	N/A
Average thickness of main coal seam (<i>meters</i>)	1.0	8.3	N/A
Type of coal	Thermal coal	Thermal coal	N/A
Leased/owned	Owned	Owned	N/A
Average calorific value (<i>Kcal/kg</i>)	5,244	4,974	N/A
Sulfur content (%)	3.52	1.38	N/A
Production data: (million tonnes)			
Approved raw coal production capacity	1.0	1.2	2.2
Designed coal preparation input washing capacity	—	—	—
Raw coal production			
2012	1.0	1.1	2.1
2013	1.0	1.1	2.1
2014	0.8	1.0	1.8
Cumulative raw coal production as of December 31, 2014	2.8	3.2	6.0

- (1) Based on the standards in the Solid Mineral Resource/Reserve Classification of the PRC (GB/T17766-1999) (“PRC Standards”), “recoverable reserves” in this table are the sum of basic reserves and resources. “Basic reserves” generally refers to measured and indicated economical reserves prior to deduction of design and extraction losses. “Resources” refers to the sum of a part of identified mineral resources and undiscovered resources.
- (2) The mining recovery rate is the rate of the amount of coal recovered from a determined amount of reserves, which is calculated by dividing the actual volume of coal recovered in a year by the volume of reserves mined and consumed in the same year.
- (3) “Coal preparation plant recovery rate” refers to the wash plant recovery rate of raw coal used during the production of our coal products.

Beisu Coal Mine

Beisu Coal Mine is located in the southern portion of our coalfield, and covers an area of approximately 29.3 square kilometers. We acquired the assets of Beisu Coal Mine in May 2012.

Beisu Coal Mine commenced operations in 1976 with an approved annual raw coal production capacity of 0.75 million tonnes. The annual raw coal production capacity has been increased to 1.0 million tonnes since 2006. The main coal seam of Beisu is divided into two thin-seam leaves. The thickness of the upper leaf averages 0.99 meters and the thickness of the lower leaf averages 0.9 meters. We primarily used the thin coal seam blasting method and the fully mechanized system to extract coal from two work faces in Beisu Coal Mine as of December 31, 2014. Beisu Coal Mine primarily produces thermal coal. Beisu Coal Mine has a coal preparation plant. The main equipment used in the coal preparation plant is a waste discharge system, which was manufactured in China.

Yangcun Coal Mine

Yangcun Coal Mine is located in the north portion of our coalfield, and covers an area of approximately 27.5 square kilometers. We acquired the entire assets of Yangcun Coal Mine in May 2012.

Yangcun Coal Mine commenced operations in 1988 with an approved annual raw coal production capacity of 0.6 million tonnes. The annual raw coal production capacity has been increased to 1.15 million tonnes since 2006. The main coal seam of Yangcun is divided into three leaves. The thickness of the upper leaf averages 8.34 meters and the thickness of the lower leaves average 1.17 and 1.02 meters. We primarily used the fully mechanized sublevel caving method to extract coal from the upper leaf and the fully mechanized system to extract coal from the lower leaves. As of December 31, 2014, Yangcun Coal Mine has two work faces. Yangcun Coal Mine primarily produces thermal coal. Yangcun Coal Mine does not have any coal preparation plant.

Coal Mines operated by Shanxi Nenghua and Heze Nenghua

The following table sets forth information about Tianchi Coal Mine and Zhaolou Coal Mine in China that are operated by Shanxi Nenghua and Heze Nenghua:

	<u>Tianchi</u>	<u>Zhaolou</u>	<u>Total</u>
Background data:			
Commencement of construction ⁽¹⁾	2004	2004	N/A
Commencement of commercial production ⁽¹⁾	2006	2009	N/A
Coalfield area (<i>square kilometers</i>)	18.7	143.4	162.1
Reserve data:			
<i>(millions tonnes as of December 31, 2014)</i>			
Recoverable reserves ⁽²⁾	23.3	97.7	121.2
Mining recovery rate ⁽³⁾ (%)	75.0	84.2	N/A
Coal preparation plant recovery rate (%) ⁽⁴⁾	N/A	66.1	N/A
Depth of mine (<i>meters underground</i>)	225	905	N/A
Average thickness of main coal seam (<i>meters</i>)	4.6	5.2	N/A
Type of coal	Thermal coal	1/3 coking coal	N/A
Leased/owned	Owned	Owned	N/A
Assigned/unassigned ⁽⁴⁾	Assigned	Assigned	N/A
Average calorific value (<i>Kcal/kg</i>)	5,268	5,883	N/A
Sulfur content (%)	1.8	0.7	N/A
Production data: (million tonnes)			
Approved raw coal production capacity	1.2	4.2	5.6
Designed coal preparation input washing capacity	—	3.0	3.0
Raw coal production			
2007	1.2	—	1.2
2008	1.1	—	1.1
2009	1.0	0.04	1.04
2010	1.5	1.6	3.1
2011	1.2	3.0	4.2
2012	1.4	2.7	4.1
2013	1.5	2.9	4.4
2014	1.6	3.0	4.6
Cumulative raw coal production as of December 31, 2014	10.6	13.2	23.8

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- (1) With respect to the Tianchi Coal Mine, the “commencement of construction” refers to capacity expansion and technology upgrade undertaken after our 2006 acquisition; the “commencement of commercial production” refers to the resumption of production after completion of the foregoing expansion and upgrade.
 - (2) The recoverable reserves of the above coal mines are based on the report prepared by Minarco Asia Pacific Pty Limited in May 2006 in accordance with the standards in the JORC Code, as revised in 2004.

“Recoverable reserves” generally refer to proved and probable reserves under the JORC Code as revised in 2004,. “Proved reserves” are the economically mineable part of a measured coal resource and “probable reserves” are the economically mineable part of an indicated, and in some circumstances, measured coal resource. Both “proved reserves” and “probable reserves” incorporate mining dilution and allow for mining losses and are based on an appropriate level of mine planning, mine design and scheduling.

- (3) The mining recovery rate is the rate of the amount of coal recovered from a determined amount of recoverable reserves, which is calculated by dividing the actual volume of coal recovered in a year by the volume of recoverable reserves mined and consumed in the same year.
- (4) “Coal preparation plant recovery rate” refers to the wash plant recovery rate of raw coal used during the production of our coal products.
- (5) “Assigned” refer to coal reserves which have been committed to a particular mining complex (mine shafts, mining equipment and plant facilities), and all coal which has been leased by the company to others. “Unassigned” refers to coal reserves which has not been committed, and which would require new mine shafts, mining equipment, or plant facilities before operations could begin on the property.

Tianchi Coal Mine

Tianchi Coal Mine is an underground mine located in Heshun County of Shanxi, with an area of approximately 18.7 square kilometers. Tianchi Coal Mine commenced commercial production in 2006 and the designed production capacity was increased to 1.2 million tonnes per annum in the same year. Tianchi Coal Mine is operated by inclined shaft development and primarily produces thermal coal. The average thickness of the coal seam is 4.6 meters. As of December 31, 2014, the total recoverable reserves of Tianchi Coal Mine were approximately 23.3 million tonnes.

We primarily used the high seam mechanization mining method to extract coal from one work face at Tianchi Coal Mine as of December 31, 2014. The primary piece of equipment in this system is a slanted wheel, which was manufactured in China. The operations at Tianchi Coal Mine are powered by electricity from local power grids. We ship coal products from the Tianchi Coal Mine to Hebei and surrounding areas on the Yangshhe Railway and the national railway network, as well as the highway network.

Zhaolou Coal Mine

Zhaolou Coal Mine is an underground longwall mine located in the central portion of Juye Coal Field in Shandong. Zhaolou Coal Mine covers an area of approximately 143.4 square kilometers, and is accessible by roadway and railway.

Zhaolou Coal Mine commenced commercial production in December 2009 and has a designed annual raw coal production capacity of 3.0 million tonnes. Zhaolou Coal Mine produces 1/3 coking coal. The average thickness of the main coal seam of Zhaolou Coal Mine is 5.2 meters. The total recoverable reserves of Zhaolou Coal Mine were approximately 97.7 million tonnes as of December 31, 2014, which was net of coal preparation and plant recovery losses.

We primarily used the longwall caving mining method to extract coal from two work faces at Zhaolou Coal Mine as of December 31, 2014. The coal preparation plant at Zhaolou Coal Mine commenced commercial production in September 2009. The main equipment used in the coal preparation plant was a slanted wheel, cyclone machines, TBS separators and flotation machines, which were mainly produced in China. The main product of Zhaolou’s coal preparation plant is No. 2 Clean Coal. The operations at Zhaolou Coal Mine are powered by electricity from local power grids. We ship coal products to Shandong and Hebei Provinces and surrounding areas by truck.

Coal Mines operated by Ordos Neng Hua

The following table sets forth information about Anyuan Coal Mine and Wenyu Coal Mine in China that are operated by Ordos Neng Hua:

	Anyuan	Wenyu	Total
Background data:			
Commencement of construction	—	1996	N/A
Commencement of commercial production	2004	1997	N/A
Coalfield area (<i>square kilometers</i>)	9.3	9.4	18.7
Reserve data:			
<i>(as of December 31, 2014)</i>			
Recoverable reserves ⁽¹⁾	28.3	44.2	72.5
Mining recovery rate (%) ⁽²⁾	85.4	85.5	N/A
Coal preparation plant recovery rate (%) ⁽³⁾	—	—	N/A
Depth of mine (<i>meters underground</i>)	68	59	N/A
Average thickness of main coal seam (<i>meters</i>)	2.8	3.9	N/A
Type of coal	Thermal coal	Thermal coal	N/A
Leased/owned	Owned	Owned	N/A
Average calorific value (<i>Kcal/kg</i>)	5,309	5,237	N/A
Sulfur content (%)	0.3	0.8	N/A
Production data: (million tonnes)			
Approved raw coal production capacity	1.2	3.0	4.2
Designed coal preparation input washing capacity	—	—	—
Raw coal production			
2011	2.3	2.1	4.4
2012	2.3	4.6	6.9
2013	2.2	4.1	6.3
2014	1.8	4.1	5.9
Cumulative raw coal production as of December 31, 2014	8.6	14.9	23.5

- (1) Based on the standards in the Solid Mineral Resource/Reserve Classification of the PRC (GB/T17766-1999) (“PRC Standards”), “recoverable reserves” in this table are the sum of basic reserves and resources. “Basic reserves” generally refers to measured and indicated economical reserves prior to deduction of design and extraction losses. “Resources” refers to the sum of a part of identified mineral resources and undiscovered resources.
- (2) The mining recovery rate is the rate of the amount of coal recovered from a determined amount of reserves, which is calculated by dividing the actual volume of coal recovered in a year by the volume of reserves mined and consumed in the same year.
- (3) “Coal preparation plant recovery rate” refers to the wash plant recovery rate of raw coal used during the production of our coal products.

Anyuan Coal Mine

Through Ordos Neng Hua, we wholly control Anyuan Coal Mine, which is located in Yijinhuluoqi of Ordos City in Inner Mongolia Autonomous Region, and covers an area of approximately 9.3 square kilometers.

In 2011, we increased the annual production capacity of Anyuan Coal Mine from the approved annual production capacity of 1.2 million tonnes. Anyuan Coal Mine primarily produces thermal coal. The average thickness of the main coal seam of Anyuan Coal Mine is 2.8 meters. We principally extracted coal from one work face at Anyuan Coal Mine as of December 31, 2014. Anyuan Coal Mine has a coal separation system. Anyuan Coal Mine is located in close proximity to railway and road transportation. The provincial highway and Baoshen railway are located approximately six kilometers to the west of the coalfield.

Wenyu Coal Mine

Through our subsidiary, Inner Mongolia Xintai, we operate Wenyu Coal Mine, which is located in Ordos City in Inner Mongolia Autonomous Region, and covers an area of approximately 9.4 square kilometers.

The original designed annual raw coal production capacity of Wenyu Coal Mine was 1.1 million tonnes. We completed production capacity expansion from 1.1 million tonnes to 3.0 million tonnes upon approvals from the relevant administrative authority and commenced commercial production in 2011. The approved annual raw coal production capacity of Wenyu Coal Mine is 3.0 million tonnes. The average thickness of the main seam of Wenyu Coal Mine is 1.45 meters. The type of coal is thermal coal. We principally extracted coal from two work faces at Wenyu Coal Mine as of December 31, 2014. Wenyu Coal Mine has a simplified coal separation system. Wenyu Coal Mine is located in close proximity to Baofu road, Anyuan Coal Mine and railway transportation.

Zhuanlongwan Project

Ordos Neng Hua won the bid for the mining rights of Zhuanlongwan coalfield of Dongsheg Coal Field in Inner Mongolia Autonomous Region for a consideration of RMB7,878.7 million on January 28, 2011. Ordos Neng Hua has paid the first and second installment of RMB3.1 billion and RMB2.3 billion on February 25, 2011 and November 30, 2011, respectively. Ordos Neng Hua has paid the last installment of RMB2.3 billion in 2013 after obtaining the mining permit for Zhuanlongwan coalfield.

Coal Mines operated by Yancoal Australia

The following table sets forth information about our operational coal mines in Australia, which are directly or indirectly held by Yancoal Australia:

	Austar	Yarrabee	Ashton	Moolarben	Gloucester Mine	Donaldson Mine	Middlemount (6)	Total
Background data:								
Commencement of construction ⁽¹⁾	1998	1981	2003	2009	1998	2001	2009	N/A
Commencement of commercial production ⁽¹⁾	2000	1982	2004	2010	1999	2001	2011	N/A
Coalfield area ⁽²⁾ (square kilometers)	160	220	16	120	163	106	28	813
Reserve data:								
<i>(millions of tonnes as of December 31, 2014)</i>								
Recoverable reserves ⁽³⁾	43.6	47.6	55.3	330.4	52.2	128.7	84.0	741.8
Depth of mine ⁽⁴⁾ (meters underground)	300-700	N/A	190-280	N/A	N/A	50-150	N/A	N/A
Type of coal	Semi-hard coking coal	PCI coal	Semi-soft coking coal	Thermal coal	Semi-hard coking coal	Semi-soft coking coal	Coking coal, PCI coal	N/A
Leased/owned	Owned	Owned	Owned	Owned	Owned	Owned	Owned	N/A
Assigned/unassigned ⁽⁵⁾	Assigned	Assigned	Assigned	Assigned	Assigned	Assigned	Assigned	N/A
Average calorific value (Kcal/kg)	6,196	7,300	7,100	6,650	7,550	8,200	7,300	N/A
Sulfur content (%)	1.8	0.7	0.7	0.5	1.1	0.9	0.5	N/A
Production data: (million tonnes)								
Approved raw coal production capacity	3.0	3.6	3.0	14.0	3.8	3.0	5.3	35.7
Designed coal preparation input washing capacity	3.3	2.4	6.5	16.0	3.8	3.0	5.3	40.3
Raw coal production								
2006	0.4	—	—	—	—	—	—	0.4
2007	1.6	—	—	—	—	—	—	1.6
2008	1.9	—	—	—	—	—	—	1.9
2009	1.9	—	—	—	—	—	—	1.9
2010	1.7	2.3	2.7	3.9	—	—	—	10.6
2011	1.9	3.1	1.7	5.6	—	—	—	12.3
2012	1.7	3.2	2.3	7.2	1.8	2.0	—	18.2
2013	1.6	3.7	2.4	6.7	3.5	3.2	—	21.1
2014	1.9	3.9	2.6	6.6	2.5	2.5	—	20.0
Cumulative raw coal production as of December 31, 2014	14.6	16.2	11.7	30.0	7.8	7.7	—	88.0

- (1) The Austar Coal Mine was closed in 2003 as the result of an underground fire. We acquired Austar Coal Mine in 2004 and implemented a production expansion and technology upgrade in 2005. Austar Coal Mine resumed part of its operations in October 2006. Each of the Ashton Coal Mine and Moolarben Coal Mine has an open-pit coal mine and an underground coal mine. The “commencement of commercial production” indicates the time when the open-pit mines, the earlier of the two types of mines, commenced commercial production.
- (2) The coalfield area refers to the area of current leased land for mining, excluding the area on which we own prospecting rights.
- (3) The recoverable reserves of the above coal mines are based on the report prepared by the competent persons appointed by Yancoal Australia in accordance with the standards in the JORC Code, as revised in 2012 and the total proved and probable reserves were prepared in accordance with the JORC Code, as revised in 2012. The difference in reserves data compared to those in the previous disclosures are the result of changes to the JORC Code after its revision in 2012 and, to a lesser extent, operational factors that affect the production process.
- (4) Ashton Coal Mine has both open-pit and underground coal mines. The depth of mine indicates the depth of the underground mines.
- (5) “Assigned” refers to coal reserves which have been committed to a particular mining complex (mine shafts, mining equipment and plant facilities), and all coal which has been leased by the company to others. “Unassigned” refers to coal reserves which have not been committed, and which would require new mine shafts, mining equipment, or plant facilities before operations could begin on the property.
- (6) As Middlemount Coal Mine is owned and operated by a joint venture jointly controlled by Yancoal Australia and a third party, its production data and financial performance will not be consolidated in to our reports.

Austar Coal Mine

Austar Coal Mine is an underground mine located in Hunter Valley, New South Wales, Australia and is accessible by railway. Austar Coal Mine covers an area of 160 square kilometers. Austar Coal Mine was constructed in 1998 and commenced commercial production in 2000.

In 2003, an underground fire occurred at Austar Coal Mine when it was still owned by Southland Coal Pty Limited, resulting in the closure of the mine. On December 24, 2004, we acquired the entire interest in the Austar Coal Mine for approximately A\$32.0 million from Southland Coal Pty Limited, an independent third party. After we invested approximately A\$230.3 million in the reconstruction, capacity expansion and technology upgrade of Austar Coal Mine in 2005, which included funding for equipment and machinery, the mine resumed commercial production of semi-hard coking coal in October 2006.

The average thickness of the main coal seam of Austar Coal Mine is 6.5-7.0 meters. As of December 31, 2014, the mine’s JORC (as revised in 2012)-compliant reserves were approximately 3 million tonnes. As of the same date, the mine’s marketable coal reserves, representing beneficiated or otherwise enhanced coal products where modifications resulting from mining, dilution and processing have been considered, were approximately 43.6 million tonnes.

We principally use the fully mechanized longwall top coal caving mining method to extract coal from the underground mine. The main equipment used in the coal handling preparation plant consists of coal crushing equipment, cyclones and other associated equipment which were generally manufactured in Australia. The operations at Austar Coal Mine are powered by electricity from local power grids. We transport coal products from Austar Coal Mine to Newcastle Port via railway.

Yarrabee Coal Mine

Yarrabee Coal Mine is an open-pit mine located in Bowen Basin, Queensland, Australia and is accessible by railway to the Gladstone Port. Yarrabee Coal Mine covers an area of 220 square kilometers. The construction of Yarrabee Coal Mine started in 1981 and commercial production commenced in 1982.

Through Yancoal Resources, Yancoal Australia wholly owns Yarrabee Coal Mine. Currently, the approved annual capacity of Yarrabee Coal Mine is approximately 3.6 million tonnes. Yarrabee Coal Mine mainly produces low volatility PCI coal.

The thickness of the main coal seam of Yarrabee Coal Mine is approximately 8 meters. As of December 31, 2014, the mine’s JORC (as revised in 2012)-compliant reserves were approximately 47.6 million tonnes. As of the same date, the mine’s marketable coal reserves were approximately 37.4 million tonnes. We utilize conventional truck shovel and open-pit mining methods to extract coal at Yarrabee Coal Mine.

Yarrabee Coal Mine has a coal preparation plant with an approved preparation capacity of 400 tonnes per hour, through which we are able to prepare 60% of the raw coal. We crush the remaining raw coal and sell to third parties as their quality is acceptable by the market. The main pieces of equipment used in the coal preparation plant are heavy medium cyclone machines and floating separation machines, which were generally manufactured in Australia. The operations at Yarrabee Coal Mine are powered by electricity from local power grids. We transport coal products from Yarrabee Coal Mine to Gladstone Port via railway.

Ashton Coal Mine

Ashton Coal Mine consists of an underground mine and an open-pit mine located in Hunter Valley, New South Wales, Australia and is accessible by railway to Newcastle Port. Ashton Coal Mine covers an area of approximately 16 square kilometers. The construction of the open-pit and underground mines of Ashton Coal Mine started in 2003 and commercial production commenced in 2004.

The approved annual capacity of Ashton Coal Mine is approximately 3.0 million tonnes of coal. Ashton Coal Mine mainly produces semi-soft coking coal.

The thickness of the main coal seams of the open-pit mine and the underground mine of Ashton Coal Mine ranges from 2.1 to 2.3 meters and 1.7 to 2.4 meters, respectively. As of December 31, 2014, the mine's JORC (as revised in 2012)-compliant reserves were approximately 55.3 million tonnes. As of the same date, the mine's marketable coal reserves were approximately 27.6 million tonnes, according to our internal estimates. We principally use longwall operations to extract coal from the underground coal seam of Ashton Coal Mine.

The main pieces of equipment used in the coal preparation plant of Ashton Coal Mine are heavy-medium cyclone machines and floating separation machines, which were generally manufactured in Australia. The operations at Ashton Coal Mine are powered by electricity from local power grids. We transport coal products from Ashton Coal Mine to Newcastle Port via railway.

Moolarben Coal Mine

Moolarben Coal Mine consists of an open-pit mine and an underground development project and is located near Mudgee in central western New South Wales. It is connected by railway to Newcastle Port. Moolarben Coal Mine covers an area of 120 square kilometers.

Yancoal Australia holds 80% of the equity interest in Moolarben Coal Mine through its subsidiary, Moolarben Coal Mines Pty Limited. Construction of Stage I, the open-pit mine, commenced in 2009 with commercial production starting in mid-2010. We have obtained the approval on June 16, 2014 to extend the pits approved under Stage I to access an additional 30.0 million tonnes of coal at the same production rate. On January 30, 2015, we obtained approval for the Moolarben Coal Project Stage II, comprising of one large open-pit mine (OC4) and two underground mines. Construction of Stage II is scheduled to commence in the second half of 2015. The approved annual production limit of Moolarben Coal Mine Stage I & II is 17.0 million ROM tonnes per annum, of which the annual production limit of the underground mine is 4.0 million ROM tonnes and the annual production limit of the open-pit mine is 13.0 million ROM tonnes. Moolarben Coal Mine produces thermal coal.

The average thickness of the main coal seam of the open-pit mine of Moolarben Coal Mine is 6 to 13 meters. As of December 31, 2014, the mine's JORC (as revised in 2012)-compliant reserves were approximately 330.4 million tonnes. As of the same date, the mine's marketable coal reserves were approximately 258.6 million tonnes. We use conventional truck shovel mining methods in the open-pit mine and expect to use longwall machines to extract coal in the underground mine project.

Moolarben Coal Mine has a coal handling preparation plant with a capacity of approximately 1,800 TPH, and utilizes conventional equipment including medium-heavy cyclones and flotation cells which are primarily manufactured in Australia. The operations at Moolarben Coal Mine are powered by electricity from local power grids. We transport thermal coal products from Moolarben Coal Mine to Newcastle Port via railway.

Gloucester Coal Mine

Gloucester Coal Mine is located in Gloucester basin in New South Wales, Australia and covers an area of 163 square kilometers. Gloucester Coal Mine is approximately 100 kilometers away from Newcastle Port. The construction of Gloucester Coal Mine started in 1998 and commercial production commenced in 1999.

Gloucester Coal Mine consists of two open-pit mines, Duralie and Stratford, which has an aggregate annual approved production capacity of 3.8 million tonnes and an aggregate annual approved preparation capacity of 3.8 million tonnes. We use conventional truck shovel mining methods in Duralie open-pit mine and light mining equipment in Stratford open-pit mine. As of December 31, 2014, Gloucester Coal Mine's JORC (as revised in 2012)-compliant reserves were approximately 52.2 million tonnes. As of the same date, the mine's marketable coal reserves were approximately 31.0 million tonnes.

Duralie open-pit mine and Stratford open-pit mine own one coal preparation plan with an annual designed preparation capacity of 1.8 million tonnes, which was increased to 4.3 million tonnes in June 2011. We transport our coal products from Gloucester Coal Mine via railway.

Donaldson Coal Mine

Donaldson Coal Mine is located in Newcastle coal field in New South Wales, Australia and covers an area of 106 square kilometers. Donaldson Coal Mine is approximately 25 kilometers away from Newcastle Port. The construction of Donaldson Coal Mine started in 2001 and commercial production commenced in the same year.

Donaldson Coal Mine consists of Abel and Tasman underground mines, which has an aggregate annual designed production capacity of 3.0 million tonnes. The underground coal mine, Tasman, was temporarily closed in July 2013 due to the high operational costs of the Tasman mine and the weak demand for coal products. The only underground mine, Abel, which is still under operation has an annual approved production capacity of 3 million tonnes. The average thickness of the main coal seam of the Abel mine ranges from 1.5 to 2.5 meters. As of December 31, 2014, Donaldson Coal Mine's JORC (as revised in 2012)-compliant reserves were approximately 128.7 million tonnes. As of the same date, the mine's marketable coal reserves were approximately 86.9 million tonnes.

Our coal products at Donaldson Coal Mine are prepared by a coal preparation plant owned and operated by a third party with coal preparation capacity of 3.0 million tonnes per year. We transport our coal products from Donaldson Coal Mine via railway.

Middlemount Coal Mine

Middlemount Coal Mine is located at Bowen Basin in Queensland, Australia and covers an area of 28 square kilometers. The mine is approximately 300 kilometers away from Abbot Point port. The construction of Middlemount Coal Mine started in 2009 and commercial production commenced in 2011. Through Yancoal Australia, we own approximately 50% of the equity interest in the joint venture owns and operates Middlemount Coal Mine.

As of December 31, 2014, Middlemount Coal Mine's JORC (as revised in 2012)-compliant reserves were approximately 84 million tonnes. As of the same date, the mine's marketable coal reserves were approximately 63.4 million tonnes. The average thickness of the main coal seam of the Middlemount Coal Mine ranges from 9.3 to 9.8 meters. The mine has an annual set production capacity of 5.3 million tonnes. Middlemount Coal Mine has a coal preparation plant with an annual capacity of 5.25 million tonnes. The main pieces of equipment used in the coal preparation plant are screw machines with flotation devices. We transport our coal products from Middlemount Coal Mine via railway.

Coal Mines operated by Yancoal International

The following table sets forth information about our operational coal mines in Australia, which are directly or indirectly held by Yancoal International (Holding):

	<u>Cameby Downs</u>	<u>Premier</u>	<u>Total</u>
Background data:			
Commencement of construction	2009	1996	N/A
Commencement of commercial production	2010	1996	N/A
Coalfield area ⁽¹⁾ (square kilometers)	300	171	471
Reserve data:			
<i>(millions of tonnes as of December 31, 2014)</i>			
Recoverable reserves ⁽²⁾	236.1	69.8	305.9
Depth of mine (meters underground)	Outdoor	Outdoor	N/A
Type of coal	Thermal coal	Thermal coal	Semi-soft coking coal
Leased/owned	Owned	Owned	N/A
Assigned/unassigned ⁽³⁾	Unassigned	Unassigned	N/A
Average calorific value (Kcal/kg)	6,000	4,776	N/A
Sulfur content (%)	0.5	0.6	N/A
Production data: (million tonnes)			
Approved raw coal production capacity	1.8	5.0	6.8
Designed coal preparation input washing capacity	1.8	N/A	1.8
Raw coal production			
2011	0.8	—	0.8
2012	1.9	4.2	6.1
2013	2.0	4.2	6.2
2014	2.0	3.7	5.7
Cumulative raw coal production as of December 31, 2014	6.7	12.1	18.8

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- (1) The coalfield area refers to the area of current leased land for mining, excluding the area on which we own prospecting rights.
 - (2) The recoverable reserves of the above coal mines are based on the report prepared by the competent persons appointed by Yancoal Australia and such reserves refer to total proved and probable reserves that were prepared in accordance with the standards in the JORC Code (2012). The reasons of the difference between the reserve data of the above coal mines compared to the previous disclosures are the result of changes to the JORC Code, as revised in 2012 and, to a lesser extent, operational factors that affect the production process.
 - (3) “Assigned” refers to coal reserves which have been committed to a particular mining complex (mine shafts, mining equipment and plant facilities), and all coal which has been leased by the company to others. “Unassigned” refers to coal reserves which have not been committed, and which would require new mine shafts, mining equipment, or plant facilities before operations could begin on the property.

Cameby Downs Coal Mine

Cameby Downs Coal Mine consists of an open-pit mine located near Chinchilla in Southwest Queensland. The mine covers an area of approximately 300 square kilometers. The construction of the mine commenced in 2009 and commercial production started in late 2010. Yancoal Australia owns 100% of Cameby Downs Coal Mine. Cameby Downs Mine produces thermal coal and the average thickness of Cameby Downs Coal Mine was 5.6 meters. As of December 31, 2014, Cameby Downs Coal Mine had JORC (as revised in 2012)-compliant reserves of approximately 236.1 million tonnes. As of the same date, the mine's marketable coal reserves were approximately 161.6 million tonnes.

The phase one stage of Cameby Downs Coal Mine has raw coal annual production capacity of 1.8 million tonnes and product capacity of approximately 1.4 million tonnes product coal.

Cameby Downs Coal Mine has a coal handling preparation plant with an annual capacity of approximately 220 TPH, and utilizes medium-heavy cyclones and flotation cells which are primarily manufactured in Australia. The operations at the mine are powered by electricity from the local power grid. We transport coal products from Cameby Downs Coal Mine to Brisbane Port via railway.

Premier Coal Mine

Premier Coal Mine, located in Perth, is an open-pit coal mine covering an area of approximately 130 square kilometers. The construction of the mine began in 1996 and commercial production commenced in the same year. Yancoal International (Holding) indirectly wholly owns Premier Coal Mine. The annual production capacity of Premier Coal Mine is approximately 5.0 million tonnes. Premier Coal Mine primarily produces low ash and low sulfur sub-bituminous coal. As of December 31, 2014, Premier Coal Mine had JORC-compliant reserves of approximately 69.8 million tonnes. We utilize conventional truck shovel open-pit mining methods to mine the coal from a number of seams at the mine. The coal mined at Premier Coal Mine is crushed and sold without washing. As a result, the mine's marketable coal were approximately 69.8 million tonnes as of December 31, 2014, the same amount as its JORC (as revised in 2012)-compliant reserves.

The operations at Premier Coal Mine are powered by electricity from local power grids. We entered into a long-term coal sales agreement with Verve Energy, a power generator owned by the Western Australian Government. We transport coal products from Premier Coal Mine by conveyors to power stations and by railway to other customers in Australia.

Mining and Exploration Rights

Nantun, Xinglongzhuang, Baodian, Dongtan and Jining II

According to the approvals from the State-owned Asset Supervision Department and the Coal Industry Supervision Department obtained at the establishment of the Company, and the Mining Agreement entered into between the Yankuang Group and us in 1997 and its supplemental agreement, we undertook to make ten annual payments of approximately RMB13.0 million to the Yankuang Group commencing in 1997, as compensation for the depletion of coal resources at the Nantun, Xinglongzhuang, Baodian, Dongtan and Jining II coal mines. We fulfilled this obligation in 2007 after we made the final installment payment and we are not obligated to make further payment under this arrangement.

In September 2006, the State Council approved the *Implementation Plan for the Compensation System Reform Testing in Relation to Deepening Coal Resources*, jointly promulgated by the Ministry of Finance of the PRC, Ministry of Land and Resources of the PRC and the NDRC (the "Implementation Plan"). According to the Implementation Plan, enterprises that obtain mining rights as a result of state-funded exploration must pay mining right fees based on the valuation of its reserves. Our operations in Shandong Province are subject to this mining right fee. On August 3, 2012, Jining Municipal Land and Resources Bureau issued the Notice of payment for mining rights by Yanzhou Coal Mining Company Limited [JiGuotuzi(2012) No. 212], pursuant to which we are required to pay a consideration of RMB2,476.78 million for the mining rights of Nantun, Xinglongzhuang, Baodian, Dongtan and Jining II coal mines, RMB495.4 million of which was paid before the due date of September 30, 2012. The consideration was determined based on the assessment report for the consideration of mining rights of these five coal mines issued by independent third parties appointed by Jining Municipal Land and Resources Bureau and filed with Shandong Provincial Department of Land and Resources. As of December 31, 2014, we have paid mining rights compensation fees of approximately RMB1,287.9 million.

Jining III Coal Mine

Pursuant to the Jining III Coal Mine Acquisition Agreement dated August 4, 2000 that we entered into with the Yankuang Group, the consideration for the mining right of Jining III Coal Mine was approximately RMB132.5 million, which was to be paid to the Yankuang Group in ten equal interest-free annual installments commencing in 2001. We fully paid the consideration for the mining rights of Jining III Coal Mine in 2010.

Austar Coal Mine

We obtained an exploration license for Austar Coal Mine from the New South Wales Department of Primary Industries in 2005. Pursuant to the underlying Asset Sale Agreement, we paid A\$32.0 million to the receivers of Gympie Gold for the mine after we obtained the exploration license to the new exploration site adjacent to the Austar Coal Mine in 2006.

Tianchi Coal Mine

We acquired Shanxi Nenghua for RMB748.3 million, of which RMB136.6 million was consideration for the mining rights of Tianchi Coal Mine.

Zhaolou Coal Mine

We purchased the mining rights of Zhaolou Coal Mine for a consideration of RMB747.3 million in 2008.

Anyuan Coal Mine

We acquired the entire equity interest in Anyuan Coal Mine for a consideration of approximately RMB143.5 million in November 2010. The fair market value of the mining rights for Anyuan Coal Mine was approximately RMB131.3 million as of October 31, 2010.

Wenyu Coal Mine

In July 2011, Ordos Neng Hua acquired 80% of the equity interest in Inner Mongolia Xintai, which operates Wenyu Coal Mine, for a consideration of RMB2,801.6 million. In October 2013, Ordos Heng Hua further acquired the remaining 20% of the equity interest in Inner Mongolia Xintai for a consideration of RMB680.3 million and as a result of the acquisition Inner Mongolia Xintai became a wholly owned subsidiary of Ordos Neng Hua.

Zhuanlongwan Coalfield

Ordos Neng Hua won the bid for the mining rights of Zhuanlongwan coalfield of Dongsheng Coal Field in Inner Mongolia Autonomous Region for a consideration of RMB7,878.7 million on January 28, 2011. As of the date of this annual report, Ordos Neng Hua had fully paid the total consideration.

Yangcun and Beisu Coal Mine

We acquired the entire assets of Beisu and Yangcun Coal Mines from Yancoal Group and Beisu Company in 2012 for a consideration of RMB824.1 million. According to an evaluation report issued by an independent evaluator, the fair market value of the mining rights of Beisu Coal Mine and Yangcun Coal Mine was RMB139.5 million and RMB343.2 million as of August 31, 2011.

Coal Mines Owned by Yancoal Resources

We acquired the entire equity interest in Felix, a wholly owned subsidiary of Yancoal Australia, for A\$3,333 million in 2009. The fair market value of our attributable reserves and attributable resources was A\$2,845.2 million as of December 23, 2009. The acquisition included all mining rights to the coal mines owned by Felix (now Yancoal Resources), environment protection licenses, exploration licenses and mining leases.

In 2011, through Yancoal Resources, Yancoal Australia acquired 30% of the equity interest in the Ashton Coal Mine Joint Venture originally held by Austral-Asia Coal Holdings Pty Ltd., a wholly owned subsidiary of Singapore IMC Group, for a consideration of US\$250 million. According to an evaluation report issued by an independent evaluator dated January 20, 2012, 30% of the equity interest Ashton Coal Mine Joint Venture was valued at approximately A\$230.0 million. On September 30, 2014, Yancoal Australia invested AUD17.9 million to acquire the remaining 10% equity interest of Ashton Coal Mine Joint Venture held by ICRA Ashton Pty Ltd. through its wholly owned subsidiary. After the acquisition, Ashton Mine Joint Venture became a wholly-owned subsidiary of Yancoal Australia.

Cameby Downs Coal Mine

We acquired Cameby Downs Coal Mine and Syntech's exploration tenements through the acquisition of the entire equity interest in Syntech Resources Pty Ltd. and Syntech Holdings II Pty Ltd., for a consideration of A\$208.4 million on August 1, 2011. In addition to the Cameby Downs Coal Mine, Syntech Resources Pty Ltd. and Syntech Holdings II Pty Ltd. also have five exploration tenements that might be potentially developed. According to an evaluation report issued by an independent evaluator dated February 14, 2012, the fair market value of the reserves, resources and mining rights of the five exploration tenements was A\$65.8 million as of August 1, 2011. Currently, the Syntech project is the phase I of Cameby Downs Coal Mine operation.

Premier Coal Mine and Wilga Exploration Area

We acquired the Premier Coal Mine and the Wilga Exploration Area through the acquisition of Premier Coal Limited (then called Wesfarmers Premier Coal Limited) and Premier Char Ltd. (then called Wesfarmers Char Pty Ltd.), for a consideration of A\$313.5 million in September 2011. The fair market value of the reserves, resources and mining rights of the coal mines owned by Premier Coal Limited was A\$49.9 million as of December 31, 2011, according to an evaluation report issued by an independent evaluator.

Coal Mines Owned by Gloucester

Yancoal Australia completed its merger with Gloucester in June 2012. According to an evaluation report issued by an independent evaluator, the fair market value of the reserves, resources and mining rights of the coal mines owned by Gloucester was A\$1,216.9 million as of June 30, 2012.

Potash Mineral Exploration Permits in Canada

We acquired 11 potash mineral exploration permits from Devonian Potash Inc. and eight potash mineral exploration permits from North Atlantic Potash Inc. for a total consideration of US\$260 million in September 2011. The 19 potash mineral exploration permits cover an aggregate area of approximately 5,363.84 square kilometers in Saskatchewan, Canada. According to the preliminary exploration report, we expect that the permitted area may have abundant potash resources. We intend to conduct further in-depth exploration work to produce formal estimates of potash resources in compliance with internationally recognized reporting standards.

Railway Assets

We own and operate a railway transportation network that connects our coal mines in Shandong to the national railway system and Zouxian Power Plant in Jining City of Shandong. As of the date of this annual report, our railway network spans a total length of over 200 kilometers. Our railway network provides us with substantial control over a major means of transportation for our key product, allowing us to benefit from the synergies from coal production, sales and transportation.

Methanol and Cogeneration Power Plants

Yulin Nenghua. Yulin Nenghua, located in Yunlin City of Shanxi, operates a 600,000-tonne methanol plant and a supporting power plant. The primary pieces of equipment at the methanol plant include boilers, steam turbines, air compressors and booster set, GEA air-cooler exchangers, gasifiers and gasification compressors, synthetic compressors, a methanol synthetic gas-cooled reactor, a methanol synthetic water-cooled reactor and propylene refrigeration compressors. Yulin Nenghua also operates a supporting power plant with an installed capacity of 60 MW for its methanol production.

Hua Ju Energy. Hua Ju Energy is headquartered in Zoucheng City, Shandong. Hua Ju Energy owns and operates five cogeneration power plants, each of which is able to supply electric power and heat to our coal mines in its proximity. The power plants consist of the Nantun power plant, Xinglongzhuang power plant, Baodian power plant, Dongtan power plant and Jining II power plant. The aggregate installed capacity of these six power plants is 132 MW and the annual power generation capacity and heat supply capacity are 0.9 to 1.0 billion KWh and 1.0 to 1.2 million steam tonnes, respectively. The main pieces of equipment used at Hua Ju Energy include energy conversion CFB boilers and extraction and condensing steam turbines.

Zhaolou Coal Mine Power Plants. Zhaolou Coal Mine power plants are intended to be integrated power plants for Zhaolou Coal Mine, located in Heze City of Shandong. The power plants are being constructed in two phases with designed capacity of 300 MW for each phase. We commenced construction of phase I of the power plants which utilize a power generator of 300 MW in March 2010, which commenced operation in November 2014. The main pieces of equipment used at Zhaolou Coal Mine power plants include extraction and condensing steam turbines, water hydrogen generators and CFB boilers.

ITEM 4A. UNRESOLVED STAFF COMMENTS

There are no unresolved staff comments from the Securities and Exchange Commission.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis should be read in conjunction with the information set forth in our consolidated financial statements, together with the related notes, included in this annual report.

A. Operating Results

During the period covered by this annual report, our five business segments consist of our:

- coal business;
- railway transportation business;
- coal chemical business;
- electric power business; and
- heat supply business.

Overview

Coal Business

We are one of the primary coal producers in China and Australia. We primarily engage in the mining, washing, processing and distribution of coal through railway transportation. We offer a wide variety of coal products including thermal coal, semi-hard coking coal, semi-soft coking coal and PCI coal which are sold to Eastern China, Southern China, Northern China and other regions of China and multiple other countries, including Japan, South Korea and Australia. Since 2004, we have expanded our operations to include railway transportation, production of coal chemicals, the generation of electricity and heat and the potash exploration business.

Our invoiced amount of coal sold includes returns, discounts, sales-related taxes, port fees and other fees and, in certain cases, transportation costs payable by customers. Gross sales, or sales income as used elsewhere in this annual report, of coal equals the invoiced amount of coal sold less returns and discounts. In 2014, we produced approximately 72.6 million tonnes of raw coal and sold approximately 123.1 million tonnes of coal, which included approximately 57.0 million tonnes of coal that was purchased externally from third parties for trading. In 2012, 2013 and 2014, our sales income of coal was approximately RMB56,200.6 million, RMB54,444.8 million and RMB58,539.4 million, respectively, which represented approximately 96.7%, 96.5% and 97.0%, respectively, of our total sales income. Domestic sales income of coal accounted for 82.9%, 83.2% and 87.3% and overseas sales income of coal accounted for 17.1%, 16.8% and 12.7% of our total sales income of coal during 2012, 2013 and 2014, respectively.

Railway Transportation Business

We own a railway network spanning over 200 kilometers, which we use primarily to transport coal, as well as other goods upon the request of our railway transportation customers. To facilitate our production and sales of coal, we provide railway transportation services to our coal customers and the Yankuang Group. The annual transport volume on our railway network has remained steady in recent years. In 2014, we transported a total of approximately 16.6 million tonnes of goods on our railway network, compared to approximately 18.3 million tonnes in 2013 and approximately 17.5 million tonnes in 2012.

We derive income from our railway transportation services through the delivery of (i) coal purchased from us on an ex-mine basis, an arrangement where customers separately bear the cost of transporting the coal they purchase to a designated location, and (ii) goods other than coal that we deliver on behalf of customers who engage us exclusively for our railway transportation services. In 2014, income from our railway transportation services totaled approximately RMB373.6 million.

Coal Chemical Business

Our coal chemical operations consist primarily of the production and sale of methanol. Our subsidiary, Yulin Nenghua currently engages in the production of methanol. Yulin Nenghua's methanol plant, which has a production capacity of 600,000 tonnes per annum, commenced commercial operations in August 2009. In 2012, Yulin Nenghua and Shanxi Nenghua produced a total of approximately 572,000 tonnes and sold 574,000 tonnes of methanol, generating sales income of approximately RMB1,118.0 million. In 2013, Yulin Nenghua produced a total of approximately 609,000 tonnes and sold 599,000 tonnes of methanol, generating sales income of approximately RMB1,155.7 million. In 2014, Yulin Nenghua produced a total of approximately 650,000 tonnes and sold 660,000 tonnes of methanol, generating sales income of approximately RMB1,195.5 million. In addition, Ordos Neng Hua completed the construction of a methanol project in Ordos City in the Inner Mongolia Autonomous Region, which became commercially operational in the first quarter of 2015.

Electric Power Business

We own and operate seven power plants, with total installed capacity of 492 MW, which generate electric power primarily for internal use and, to a lesser extent, external sales. The six cogeneration power plants operated by Hua Ju Energy are able to generate both electric power and heat. We ceased production at the power plant operated by Shanxi Nenghua on January 1, 2012 due to high fuel costs. We are in the process of disposing this power plant together with Tianhao Chemical's methanol assets. In 2012, we generated a total of approximately 1,155.2 million kWh of electricity and sold approximately 856.4 million kWh of electricity, generating approximately RMB323.6 million in revenue. In 2013, we generated a total of approximately 1,234.4 million kWh of electricity and sold approximately 879.1 million kWh of electricity, generating approximately RMB332.1 million in revenue. In 2014, we generated a total of approximately 1,605.1 million kWh of electricity and sold approximately 722.5 million kWh of electricity, generating approximately RMB241.5 million in revenue. In addition, Phase I of Heze Nenghua's power plant, with an installed capacity of 300 MW, commenced commercial operation in November 2014.

Heat Supply Business

In 2014, we produced approximately 1.3 million steam tonnes of heat and sold approximately 90,000 steam tonnes of heat, generating sales revenue of approximately RMB20.8 million.

Factors Affecting Our Results of Operations

Our results of operations and financial condition are affected by a number of factors, many of which are beyond our control, including those set forth below:

Conditions and regulations affecting the coal mining industry

Our coal mining operations in the PRC are subject to various PRC laws and regulations, including developmental, environmental and health and safety laws and regulations, and various national and local policies, which could facilitate our acquisition activities and the overall growth of our business and operations, industry consolidation could result in larger coal mining enterprises that compete against us.

Our mining operations in Australia are regulated by Australian federal and state governments with respect to environmental issues such as water quality, air quality, dust impact, noise impact, planning issues (such as approvals to expand existing mines, develop new mines or change mining methods), and health and safety issues. Future changes to, and our continuing compliance with, these regulations may have a material effect on our business and results of operations. See "Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business and Industry – Our coal operations are extensively regulated by the PRC and Australian government, and government regulations may limit our activities and adversely affect our business, results of operations and financial condition."

Demand for coal

Given the nature of our operations, the demand for coal will continue to have a significant effect on our results of operations. Global coal demand correlates strongly with the global economy and, as such, the sustained economic downturn and intensified environmental protection may have an adverse effect on demand for coal. Coal demand is also affected by a variety of factors beyond our control, such as the availability and prices of alternative energy sources to coal, international shipping costs and costs of conducting coal mining operations.

Acquisition and expansion

Our coal business expansion plans are primarily dependent on successfully acquiring and developing projects that can grow or diversify our existing operations. Our coal reserves, future production capacity and, consequently, our revenues and results of operations, will depend on the success of such projects. Our business and results of operations could be affected if we are unable to successfully integrate or operate our acquisitions or achieve anticipated additional revenue and earnings.

Exchange rate fluctuations

Assets, liabilities and the fair value of financial instruments and balances that we incur, create or acquire in the process of our international operations and which are denominated in currencies other than RMB, or in currencies other than the functional currencies of the relevant business units, may fluctuate substantially depending on changes in currency exchange rates. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business and Industry – Our business, results of operations and financial condition depend in part on our ability to continue acquiring or developing suitable coal reserves” and “Item 11. Quantitative and Qualitative Disclosures of Market Risk – Foreign Currency Exchange Rate Risk.”

Product mix

Our products, which include thermal coal, semi-hard coking coal, semi-soft coking coal and PCI coal, generally have different prices and gross margins. For example, our No. 1 clean coal has historically had a higher gross margin than our other products and, as such, an increased proportion of sales income generated from No. 1 clean coal would result in higher gross profits. Conversely, if the sales volume of lower gross margin coal products, such as thermal coal, increased in comparison to higher margin coal products, then we would have lower gross profits despite an increase in sales volume. In addition, the future launch of new products will also affect our product mix and, consequently, our revenues, gross margins and results of operations.

Production capacity

Our results of operations and future growth prospects are affected by our coal production capacity. Our production capacity and production volume may be affected by the macroeconomy and customer demand. We will continue to focus on increasing our production capacity by developing our existing projects and potential domestic and international acquisitions. Increasing our production capacity also increases costs, expenses and capital expenditures. The PRC government has issued a number of production limitation policies, which may affect our production output and results of operations.

Coal prices

The selling prices of our coal products are influenced by price fluctuations in the PRC domestic market and the global market. The coal prices may also be affected by factors that are out of our control, such as international demand and supply of coal, coal quality and features, method, capacity and cost of transportation, increasingly stringent environmental protection requirements and national policy on coal consumption industries. Changes in the above factors are likely to lead to changes in coal prices, which will in turn influence our business and results of operations. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business and Industry – Our business, results of operations and financial condition depend on volatile domestic and international coal markets.”

Cost of sales

Our results of operations are affected by our cost of sales, which mainly comprises wages and employee benefits, purchases of coal from third parties for trading purposes, materials, land subsidence, restoration, rehabilitation and environmental costs, depreciation and amortization expenses and business tax and surcharges associated with our coal business and railway transportation business. Key factors impacting these costs include variations in production volume, the cost of power, fuel and labor, the application of advanced mining technologies, changes in railway fees and port fees, and contractual terms of our coal products.

Transportation volume and cost

We primarily use railways, marine transportation and highways to transport coal domestically and internationally. We primarily rely on the national railway system in the PRC and railway systems operated by third parties in Australia to transport our coal. In addition, we also utilize our private railway network to transport other goods upon the request of our railway transportation customers. We also transport coal on the national railway system to ports, from which we ship coal to our customers. Our revenue and results of operations may be affected by fluctuations in the transportation volume and capacity of national and state railway systems and of our own railway assets, as well as fluctuations in the costs associated with transporting coal to our customers.

Coal resources and reserves

Coal resources and reserves data is a key element in our decision-making process. All coal reserves data are estimates, which are revised when additional information becomes available (for example, when additional coal mines commence operations or when actual coal production or extraction commences). If the amount or quality of coal mined differs from the reserve estimates, we may have to further process or wash the coal mined in order to produce coal of a saleable quality. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business and Industry — The coal reserve data in this annual report are only estimates, which may differ materially from actual reserve amounts.”

Results of Operations

The following table sets forth our income statement and the percentage of each line item to our total revenue for the periods indicated:

	2012		2013		2014	
	RMB (million)	%	RMB (million)	%	RMB (million)	%
Total revenue	58,146.2	100.0	56,401.8	100.0	60,370.8	100.0
Gross sales of coal	56,200.6	96.7	54,444.8	96.5	58,539.4	96.9
Railway transportation service income	464.1	0.8	457.9	0.8	373.6	0.6
Gross sales of electric power	323.6	0.6	332.1	0.6	241.5	0.4
Gross sales of methanol	1,118.0	1.9	1,155.7	2.0	1,195.5	1.9
Gross sale of heat supply	39.9	0.1	11.2	0.1	20.8	0.1
Transportation costs of coal	(2,104.2)	(3.6)	(2,024.2)	(3.6)	(2,291.6)	(3.8)
Cost of sales and service provided	(42,149.0)	(72.5)	(42,511.8)	(80.7)	(49,557.5)	(82.1)
Cost of electric power	(330.8)	(0.6)	(320.5)	(0.6)	(159.7)	(0.3)
Cost of methanol	(911.2)	(1.6)	(850.8)	(1.5)	(869.3)	(1.4)
Cost of heat supply	(25.1)	0.0	(6.7)	(0.1)	(11.2)	(0)
Gross profit	12,625.8	21.7	10,687.8	18.9	7,481.4	12.4
Selling, general and administrative expenses	(7,987.6)	(13.7)	(10,380.7)	(18.4)	(6,069.8)	(10.1)
Share of profit of associates	142.0	0.2	233.9	0.4	310.6	0.5
Share of loss of jointly ventures	(191.6)	0.3	(376.0)	(0.7)	(320.8)	(0.5)
Other income	2,930.4	5.0	1,020.6	1.8	2,382.2	3.9
Interest expense	(1,448.7)	(2.5)	(1,765.8)	(3.1)	(2,183.6)	(3.6)
Profit/(Loss) before income taxes	6,070.4	10.4	(580.3)	(1.0)	1,599.9	2.7
Income taxes	(36.2)	(0.1)	394.8	0.7	(1,112.8)	(1.8)
Profit/(Loss) for the year	6,034.2	10.4	(185.5)	(0.3)	487.1	0.8
Attributable to:						
Equity holders of the Company	6,065.6	10.4	777.4	1.4	766.2	1.3
Owners of perpetual capital security	—	—	—	—	36.5	0.1
Non-controlling interests	(31.4)	0.1	(962.8)	(1.7)	(315.5)	(0.5)

Year Ended December 31, 2014 Compared with Year Ended December 31, 2013

Total revenue

Our total revenue increased by RMB3,968.9 million, or 7%, from approximately RMB56,401.8 million in 2013 to approximately RMB60,370.76 million in 2014. Our gross sales of coal, which accounted for 96.7% of our total revenue in 2012, increased by RMB4,094.96 million, or 7.5%, from approximately RMB54,444.8 million in 2013 to approximately RMB58,539.4 million in 2014. The increase in gross sales of coal was primarily due to the increase in the sales volumes of our externally purchased coal products, partially offset by a decrease in the average selling price of our coal products. In 2014, our average selling price of coal products decreased by approximately RMB47.9 per tonne, from RMB523.53 to RMB475.64 per tonne, a 9.1% decrease from 2013. Our sales volume of coal products increased by 18.3% from approximately 104.0 tonnes in 2013 to 123.1 million tonnes in 2014, primarily due to the increase in the sales volumes of our externally purchased coal products to maintain our market share.

In 2014, the transportation volume of our railway assets was approximately 16.6 million tonnes, representing a decrease of approximately 1.7 million tonnes, or 9.2%, from 2013. Our railway transportation services income (income from transported volume settled on the basis of off-mine prices and special purpose railway transportation fees borne by customers) decreased by RMB 84.3 million, or 18.4%, from approximately RMB457.9 million in 2013 to approximately RMB373.6 million in 2014.

Our gross sales of methanol increased by approximately RMB39.7 million, or 3.4%, from RMB1,155.7 million in 2013 to approximately RMB1,195.6 million in 2014. The increase in gross sales of methanol was mainly attributable to an increase in sales volumes of methanol. Our gross sales of electric power decreased by approximately RMB90.6 million, or 27.3%, from approximately RMB332.1 million in 2013 to approximately RMB241.5 million in 2014. Our gross sales of heat supply increased by RMB9.6 million, or 85.8%, from approximately RMB11.2 million in 2013 to approximately RMB20.8 million in 2014, due primarily to an increase in sales volumes of heat.

Transportation costs of coal

Our coal transportation costs, including our railway transportation costs for coal products, increased by RMB267.4 million, or 13.2%, from RMB2,024.2 million in 2013 to RMB2,291.6 million in 2014, and included transportation costs for our coal sold in the PRC of RMB880.2 million and for coal sold outside the PRC of approximately RMB1,411.4 million. The increase in the transportation costs of coal was primarily due to the increase of coal products transported in the amount of 3.5 million tonnes.

We use highways and, to a lesser extent, railways, domestic and international shipping lanes to transport trading coal. We are responsible for costs incurred if coal is transported via railways. The costs of highway and shipping lanes are charged by the relevant carriers to, and borne by, our customers and are not recorded as our transportation costs. As a result, our transportation costs of coal increased in 2014 due to a general increase in railway transportation coal volume, the costs of which are borne by us compared with volumes transported using highways, which are borne by our customers.

Cost of sales and services provided

Our cost of sales and services provided include the cost of sales of coal business and railway transport services, which consist primarily of costs of materials, wages, employee benefits, depreciation and amortization, reclamation of land subsidence restoration costs, environmental cost, cost of externally purchased coal and others. Our total cost of sales and services provided increased by RMB7,045.7 million, or 16.6%, from RMB42,511.8 million in 2013 to approximately RMB49,557.5 in 2014, primarily due to the increase of RMB8,538.1 million of cost of sales of externally purchased coal, partially offset by a decrease of RMB49.9 million in materials, RMB319.3 million in employee wages and benefits and RMB140.9 million in land subsidence, restoration and rehabilitation cost, respectively, as a result of increased cost control and improved productions system through reducing material consumption and labor costs.

Cost of electric power

Our cost of our electricity business is mainly from raw material and labor cost. Our cost of electric power decreased by RMB160.8 million or 50.2% from approximately RMB320.5 million in 2013, to approximately RMB159.7 million in 2014, primarily due to a decrease in electric power sold by Hua Ju Energy. Hua Ju Energy sold approximately 303.6 million kWh of electric power in 2014 compared to 869.1 million kWh of electric power in 2013. This decrease in sales resulted from a change in sales policy, as our Company since March 2014 had only sold electricity produced by Hua Ju Energy after satisfying internal demand requirements.

Cost of methanol

Our cost of methanol is mainly from raw material, labor and depreciation costs. Our costs of methanol increased from approximately RMB850.8 million in 2013 to approximately RMB869.3 million in 2014, primarily due to an increase in the sales volumes of methanol.

Cost of heat supply

Our cost of heat supply is mainly from raw material and labor cost. Our cost of heat supply increased by RMB4.5 million or 67.5%, from approximately RMB6.7 million in 2013 to approximately RMB11.2 million in 2014, primarily due to the increase in our sales volume of heat supply.

Selling, general and administrative expenses

Our selling, general and administrative expenses decreased by RMB4,310.8 million, or 41.5%, from approximately RMB10,380.7 million in 2013 to approximately RMB6,069.9 million in 2014. This decrease was primarily because (i) the exchange loss of RMB1.686 billion in 2013 resulted in impairment provision for intangible assets of RMB2.0522 billion while during the reporting period, there were no exchange loss and impairment provision for our intangible assets; (ii) the price regulation fund decreased by RMB195.8 million in 2014 as compared with that of 2013; partially offset by the operating taxes and surcharges increased by RMB334.8 million in 2014 as compared with that of 2013 and employee wages and benefit increased by RMB128.6 million in 2014.

Share of profit of associates

Our share of profit from associates increased by RMB76.7 million, or 32.8%, from RMB233.9 million in 2013 to approximately RMB310.6 million in 2014, primarily due to the investment return on Shaanxi Chemicals of RMB95.4 million, partially offset by the decrease in the the investment return on Huadian Zouxian by RMB14.2 million compared with that of 2013.

Share of loss of joint ventures

Our share of loss of joint ventures decreased by RMB55.2 million, or 14.7%, from RMB376.0 million in 2013 to RMB320.8 million in 2014, primarily due to a decrease in the investment loss of RMB54.9 million in the joint venture operating Middlemount Coal Mine.

Other income

Our other income increased by RMB1,361.6 million, or 133.4%, from approximately RMB1,020.6 million in 2013 to approximately RMB2,382.2 million in 2014, primarily due to an increase in interest income of approximately RMB346.6 million, a foreign exchange gain of approximately RMB154.0 million and impairment provision for accrued intangible assets of RMB731.3 million reversed from the previous year in 2014.

Interest expenses

Our interest expenses increased by RMB417.8 million, from approximately RMB1,765.8 million in 2013 to approximately RMB2,183.6 million in 2014, primarily due to the increase in bank and other borrowings from 2013 to 2014.

Profit before income tax

As a result of the foregoing, the profit before income taxes increased by RMB2,180.2 million, or 375.7%, from loss of approximately RMB580.3 million in 2013 to profit of approximately RMB1,599.9 million in 2014.

Income tax expense/gain

We recorded income tax expense of approximately RMB1,112.8 million in 2014, as compared to income tax gain of approximately RMB394.8 million in 2013, primarily due to the increase in income tax expense of our Australia subsidiaries.

The effective income tax rate increased from 68.0% in 2013 to 69.6% in 2014 primarily due to loss incurred by our Australian operations, which are subject to generally higher income tax rates at a rate of 30%. The resulting income tax gain (after-tax effect of both income taxes and MRRT) of our Australian operations was RMB1,690 million and income tax expense of RMB431.4 million in 2013 and 2014, respectively. Excluding our subsidiaries, we were the major contributor to the income tax of the Group as a whole, with an income tax expense of RMB1,469 million and RMB757.1 million in 2013 and 2014, respectively. The resulting set-off resulted in a net income tax expense of RMB1,188.5 million in 2014 and RMB221 million in 2013. As a result of the foregoing, we experienced a significant fluctuation of our effective income tax rate from 2013 to 2014, as our corresponding effective tax rate was 38.0% and 74.2% in 2013 and 2014, respectively. The remaining income tax gain in 2014 is mainly related to losses incurred by other Chinese subsidiaries.

Profit/Loss for the year

As a result, we recorded profit for the year of approximately RMB487.1 million in 2014, as compared to loss for the year of approximately RMB185.5 million in 2013. In particular, net profit from our trading of externally purchased coal in 2014 was approximately RMB201.3 million. The profit attributable to equity holders of the Company decreased by RMB11.2 million, or 1.4%, from approximately RMB777.4 million in 2013 to approximately RMB766.2 million in 2014.

Year Ended December 31, 2013 Compared with Year Ended December 31, 2012

Total revenue

Our total revenue in 2013 decreased by RMB1,744.44 million, or 3.0%, from RMB58,146.2 million in 2012 to approximately RMB56,401.8 million in 2013. Our gross sales of coal, which accounted for 96.5% of our total revenue in 2011, decreased by RMB1,755.8 million or 3.1%, from approximately RMB56,200.6 million in 2012 to approximately RMB54,444.8 million in 2013. The decrease in gross sales of coal was primarily due to the decrease of the average selling price led by weak demand for coal in both domestic and overseas markets. In 2013, our average selling price of coal products decreased by approximately RMB80.7 per tonne, from RMB604.26 to RMB523.53 per tonne, a 13.4% decrease from 2012. Our sales volume of coal products increased 11.8% from approximately 93.0 million tonnes in 2012 to 104.0 million tonnes in 2013.

In 2013, the transportation volume of our railway assets was approximately 18.3 million tonnes, representing a decrease of approximately 0.7 million tonnes, or 4.2%, compared to 2012. Our railway transportation services income (income from transported volume settled on the basis of ex-mine prices and special purpose railway transportation fees borne by customers) decreased by RMB6.2 million, or 1.3%, from approximately RMB464.1 million in 2012 to approximately RMB457.9 million in 2013.

Our gross sales of methanol increased by RMB37.7 million, or 3.4%, from approximately RMB1,118.0 million in 2012 to approximately RMB1,155.7 million in 2013. The increase in gross sales of methanol was mainly attributable to an increase in sales volumes of methanol. Our gross sales of electric power increased by approximately RMB8.5 million, or 2.6%, from approximately RMB323.6 million in 2012 to approximately RMB332.1 million in 2013. Our gross sales of heat supply decreased by RMB28.7 million, or 71.9%, from approximately RMB39.9 million in 2012 to approximately RMB11.2 million in 2013, due primarily to our termination of heat supply to Jidong New Town.

Transportation costs of coal

Our coal transportation costs decreased by RMB80.0 million, or 3.8%, from approximately RMB2,104.2 million in 2012 to approximately RMB2,024.2 million in 2013, which included transportation costs for our coal sold in the PRC of approximately RMB444.3 million and for coal sold outside of the PRC of approximately RMB1, 579.9 million.

Cost of sales and services provided

Our total cost of sales and services provided increased by RMB362.8 million, or 0.9%, from approximately RMB42,149.0 million in 2012 to approximately RMB42,511.8 million in 2013, primarily due to increased sales volumes of coal. The increased sales volumes resulted in an increase of RMB1,311.5 million in purchases of coal from third parties for trading purposes and a RMB347.2 million increase in depreciation.

Cost of electric power

Our cost of electric power decreased by RMB10.3 million from approximately RMB330.8 million in 2012, to approximately RMB320.5 million in 2013, primarily due to a decrease in electric power sold by Yulin Nenghua. Yulin Nenghua sold approximately 99.8 million kWh of electric power in 2013 compared to 244.6 million kWh of electric power in 2012, the decrease of which was caused by its increased internal consumption of electricity.

Cost of methanol

Our production costs decreased by RMB911.2 million in 2012 to approximately RMB850.8 million in 2013, primarily due to the decrease in the cost of coal.

Cost of heat supply

Our cost of heat supply decreased by RMB18.4 million, from approximately RMB25.1 million in 2012, to approximately RMB6.7 million in 2013, primarily due to the decrease in our sales volume of heat supply.

Selling, general and administrative expenses

Our selling, general and administrative expenses increased by RMB2,393.1 million, or 30.0%, from approximately RMB7,987.6 million in 2012 to approximately RMB10,380.7 million in 2013. This increase was primarily attributable to the exchange losses of approximately RMB1,686.0 million we recorded in 2013 as the result of the U.S. dollar deominated and RMB denominated loans held by our Australian subsidiaries and the depreciation of Australian dollars against U.S. dollars and RMB. The increase was also due to an increase of RMB1,321.2 million in provision for assets impairment loss as compared with 2012.

Share of income of associates

Our share of income from associates increased by RMB91.9 million or 64.7%, from approximately RMB142.0 million in 2012 to RMB233.9 million in 2013, primarily due to an increase of RMB90.1 million in investment income from Huadian Zouxian as compared with 2012.

Share of loss of joint ventures

Our share of loss of joint ventures increased by RMB184.4 million, or 96.3%, from RMB191.6 million in 2012 to RMB376.0 million in 2013, primarily due to an increase in the investment loss of RMB54.9 million in the joint venture operating Middlemount Coal Mine.

Other income

Our other income decreased by RMB1,909.9 million, or 65.2%, from approximately RMB2,930.4 million in 2012 to approximately RMB1,020.6 million in 2013, primarily due to approximately RMB1,269.2 million income generated from the acquisition of Gloucester in 2012 and a foreign exchange gain of approximately RMB714.2 million in 2012.

Interest expenses

Our interest expenses increased by RMB317.1 million from approximately RMB1,448.7 million in 2012 to approximately RMB1,765.8 million in 2013, primarily due to the offering of RMB denominated short-term notes and the non-public issuance of financial instruments in 2013.

Loss before income tax

As a result of the foregoing, we recorded loss before income taxes of approximately RMB580.3 million in 2013, as compared to the profit before income taxes of approximately RMB6,070.4 million in 2012.

Income tax gain

We recorded income tax gain of approximately RMB394.8 million in 2013, as compared to income tax expenses of approximately RMB36.2 million in 2012, primarily due to the decrease in the deferred income tax caused by the loss of Yancoal Australia.

Loss for the year

As a result, we recorded profit for the year of approximately RMB185.5 million in 2013, as compared to profit for the year of approximately RMB6,034.2 million in 2012. In particular, net profit from our trading of externally purchased coal in 2013 was approximately RMB125.8 million. The profit attributable to equity holders of the Company decreased by RMB5,288.2 million, or 87.2%, from approximately RMB6,056.6 million in 2012 to approximately RMB777.4 million in 2013.

Segment Information

The following table sets forth a breakdown of our total consolidated gross revenues for each of the years indicated and the percentage contribution of each segment to our total gross revenues:

	2012		2013		2014	
	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)					
Coal mining revenue	56,419.8	97.0	54,901.0	97.3	58,997.0	97.7
Railway transportation revenue	496.6	0.9	501.2	0.9	447.8	0.7
Methanol, electricity and heat supply revenue	1,765.9	3.0	1,792.1	3.2	1,988.5	3.3
Unallocated and eliminations	(536.2)	(0.9)	(792.4)	(1.4)	(1,062.5)	(1.7)
Gross revenue	58,146.2	100.0	56,401.8	100.0	60,370.8	100.0

We are mainly engaged in the mining, washing, processing and railway distribution of coal. For the year ended December 31, 2014, we derived our revenue mainly derived from coal sales in the PRC.

Coal mining revenue

Our revenue from coal mining segment (before unallocated corporate income and eliminations) increased by RMB4,096.0 million, from approximately RMB54,901.0 million in 2013 to approximately RMB58,997.0 million in 2014, primarily due to the increase in the sales volume of coal products from approximately 104.0 million tonnes in 2013 to approximately 123.1 million tonnes in 2014, partially offset by a decrease in the average selling price of our coal products. In addition, we recorded a profit on share of associates of RMB304.9 million in our mining business in 2014 as compared to a loss of RMB330.2 million in 2013, primarily due to the share of profit recognized by Shaanxi Chemical. We recognized a loss on our share of joint ventures in mining businesses, which decreased from RMB376.0 million in 2013 to RMB320.8 million in 2014, primarily due to share of loss recognized by the joint venture operating Middlemount Coal Mine.

In 2014, we recorded a reversal of impairment loss on intangible assets of RMB731.3 million, as compared to an impairment loss on intangible assets of RMB2,052.2 million in 2013, primarily due to the improvement in current and life of mine operating costs and an increase in JORC (as revised in 2012)-compliant reserves at the Moolarben Mine.

Railway transportation

Our revenue from railway transportation business segment (before unallocated corporate income and eliminations) remained relatively stable at RMB447.8 million in 2014 as compared to RMB501.2 million in 2013.

The segment liabilities for the railway transportation business segment decreased by RMB29.9 million, from RMB170.9 million in 2013 to approximately RMB141.0 million in 2014, primarily due to a decrease in receivables due from companies within our Group in 2014 as a result of their late payments.

Methanol, electricity and heat supply business

Our revenue from methanol, electricity and heat supply business segment (before unallocated corporate income and eliminations) increased by RMB196.4 million, from RMB1,792.1 million in 2013 to RMB1,988.5 million in 2014. Our profits from associates in the methanol, electricity and heat supply business segment decreased by RMB558.4 million, from RMB564.1 million in 2013 to RMB5.7 million in 2014, as the result of a decrease in share of profit recognized by Huadian Zouxian.

Unallocated and eliminations

Our unallocated corporate income decreased by RMB270.1 million, from RMB792.4 million in 2013 to RMB1,062.5 million in 2014. Our unallocated corporate expenses increased by RMB702.4 million, from RMB1,504.1 million in 2013 to RMB1,990.3 million in 2014, primarily included bank charges, salaries and other employee benefits, miscellaneous taxes and other sundry items.

B. Liquidity and Capital Resources

Our principal sources of liquidity in 2014 were the cash generated from our operating activities, offering of RMB denominated short term notes and bonds and proceeds from bank borrowings. In 2014, we primarily utilized cash to pay our operating expenses, purchase property, machinery and equipment, finance acquisitions and pay dividends to shareholders.

Our principal sources of liquidity in 2013 were the cash generated from our operating activities, offering of RMB denominated short term notes and proceeds from bank borrowings. In 2013, we primarily utilized cash to pay our operating expenses, fund payments of interest and principal due on our indebtedness, finance acquisitions and expansion of our facilities and operations.

Our principal sources of liquidity in 2012 were proceeds from bank borrowings, the RMB-denominated corporate bonds we issued in 2012 (the “RMB Bond Offering”) and the US\$-denominated corporate bonds we issued in 2012 (the “US\$ Bond Offering”) and the cash generated from our operating activities. In 2012, we used cash primarily to finance working capital, fund payments of interest and principal due on our indebtedness, finance acquisitions and fund capital expenditures and the growth and expansion of our facilities and operations.

Taking into account our cash and cash equivalents on hand, our available credit facilities, cash generated from our future operations and the proceeds from the offering of RMB denominated short term notes and non-public issuance of financing instruments, we believe we have sufficient working capital to meet our financial requirements for at least the next 12 months from the date of this annual report. As of December 31, 2014, we had cash and cash equivalents of approximately RMB15,041.9 million.

We conduct our operations directly and through our operating subsidiaries, some of which we do not wholly own, are joint ventures or are public companies. Therefore, we may not be able in all circumstances to allocate our free cash flow as we would like among our subsidiaries. In addition, PRC law restricts the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances. PRC regulations currently permit payment of dividends by PRC companies only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, under current PRC laws, regulations and accounting standards, each subsidiary is required to allocate at least 10% of its after-tax profit based on PRC accounting standards to its statutory common reserve fund each year until the cumulative amount of these reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. As of December 31, 2014, the required deductions attributable to these statutory common reserve funds amounted to approximately RMB5,930.1 million.

Furthermore, under SAFE regulations, Renminbi is not convertible into foreign currencies for capital account items, such as loans, repatriation of investments and investments outside of China, unless the prior SAFE approval is obtained and prior registration with the SAFE is made. These restrictions have not historically had, and are not expected in the future to have, a material impact on our ability to meet our financial requirements.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year Ended December 31,		
	2012	2013	2014
		(RMB'000)	
Net cash from / (used in) operating activities	6,503.6	(2,201.1)	4,171.8
Net cash used in investing activities	(3,187.4)	(13,504.4)	(8,534.8)
Net cash from financing activities	1,145.1	13,286.9	8,692.2
Net increase / (decrease) in cash and cash equivalents	4,461.4	(2,418.5)	4,329.2
Cash and cash equivalents as of end of year	12,717.4	10,922.6	15,041.9

Cash flow from / (used in) operating activities

Net cash from operating activities represents cash generated from operations after income taxes, interest and dividend income. Cash generated from operations consisted of profit before income taxes adjusted for certain noncash items, including depreciation, certain interest expenses and income, amortization and our share of investment in an associate company and cash generated from other activities.

Net cash from operating activities was approximately RMB4,171.8 million in 2014, and included loss before income taxes of approximately RMB1,599.9 million, adjustments for non-cash items of approximately RMB4,352.8 million, and positive changes in working capital of approximately RMB1,195.6 million. Adjustments for non-cash items primarily consisted of (i) depreciation of property, plant and equipment of approximately RMB3,078.8 million; (ii) impairment loss on intangibles assets of approximately RMB8.6 million and (iii) interest expenses of approximately RMB2,183.6 million. Positive changes in working capital consisted of (i) a decrease in bills and accounts payable of approximately RMB1,571.6 million; (ii) a decrease in bills and accounts receivable of approximately RMB1,847.6 million. Negative changes in working capital consisted of (i) an increase in prepayments and other current assets of approximately RMB773.1 million and (ii) a decrease in other payables and accrued expenses of approximately RMB182.3 million.

Net cash used in operating activities was approximately RMB2,201.1 million in 2013, and included loss before income taxes of approximately RMB580.3 million, adjustments for non-cash items of approximately RMB8,737.5 million, and negative changes in working capital of approximately RMB7,641.2 million. Adjustments for non-cash items primarily consisted of (i) depreciation of property, plant and equipment of approximately RMB3,125.0 million; (ii) impairment loss on intangibles assets of approximately RMB2,052.3 million and (iii) interest expenses of approximately RMB1,765.8 million. Negative changes in working capital consisted of (i) decrease in bills and accounts payable of approximately RMB3,187.9 million; (ii) increase in bills and accounts receivable of approximately RMB1,722.0 million; (iii) increase in repayments and other current assets of approximately RMB1,378.0 million and (iv) decrease in other payables and accrued expenses of approximately RMB1,223.3 million.

Net cash from operating activities was approximately RMB6,503.6 million in 2012, and included profit before income taxes of approximately RMB6,070.4 million, adjustments for non-cash items of approximately RMB3,037.2 million, and increase changes in working capital of approximately RMB711.9 million. Adjustments for non-cash items primarily consisted of (i) depreciation of property, plant and equipment of approximately RMB2,819.4 million; (ii) interest expenses of approximately RMB1,448.7 million; and (iii) amortization of intangible assets of approximately RMB1,177.6 million. Positive changes in working capital primarily consisted of (i) an increase in bills and accounts receivables of approximately RMB93.4 million; (ii) an increase in bills and accounts payables of approximately RMB246.1 million; (iii) an increase in land subsidence, restoration, rehabilitation and environmental costs of approximately RMB484.7 million; and (iv) an increase in other payables and accruals of approximately RMB412.7 million, partially offset by an increase in prepayments and other current assets of approximately RMB186.1 million.

Cash flows used in investing activities

Net cash used in investing activities was approximately RMB8,534.8 million in 2014, and primarily consisted of (i) purchase of property, plant and equipment of approximately RMB5,800.2 million; (ii) expenditures of purchase of intangible assets of approximately RMB128.6 million; (iii) advances of associates resulting in cash outflow of RMB1,250 million; (iv) acquisition of assets and equity resulting in cash outflow of RMB58.7 million and (v) increased bank deposits and cash with specific use resulting in cash outflow of RMB909.4 million.

Net cash used in investing activities was approximately RMB13,504.4 million in 2013, and primarily consisted of (i) purchase of property, plant and equipment of approximately RMB10,221.4 million, (ii) expenditures of purchase of intangible assets of approximately RMB388.5 million; (iii) acquisition of subsidiaries resulting in cash outflow of RMB1,482.4 million; (iv) increased bank deposits and cash with specific use resulting in cash outflow of RMB1,242.3 million.

Net cash used in investing activities was approximately RMB3,187.4 million in 2012, and primarily consisted of (i) purchase of property, plant and equipment of approximately RMB6,230.4 million; (ii) expenditures of purchase of intangible assets of approximately RMB1,330.1 million, which were partially offset by a decrease in term deposits of approximately RMB6,356.3 million; (iii) investment in associates resulting in cash outflow of RMB810 million; (iv) increased investment deposit resulting in cash outflow of approximately RMB695.6 million; (v) acquisition of assets and equity resulting in cash outflow of RMB578.7 million and (vi) decreased cash with specific use resulting in cash inflow of RMB223.5 million.

Cash flows from (used in) financing activities

Net cash from financing activities was approximately RMB8,692.2 million in 2014, and primarily consisted of (i) proceeds from bank borrowings of approximately RMB8,072.8 million; (ii) proceeds from the offering of RMB9,932.2 million denominated short-term notes and non-public issuance of financing instruments, which were partially offset by the repayment of bank borrowings of approximately RMB6,193.2 million and the repayment of other borrowings of approximately RMB209.8 million; and (iii) company cash dividend resulting in cash outflow of RMB98.4 million.

Net cash from financing activities was approximately RMB13,286.9 million in 2013, and primarily consisted of proceeds from bank borrowings of approximately RMB21,103.1 million and proceeds from the offering of RMB denominated short-term notes and non-public issuance of financing instruments, which were partially offset by the repayment of bank borrowings of approximately RMB10,000.9 million and the repayment of other borrowings of approximately RMB2,057.4 million.

Net cash from financing activities was approximately RMB1,145.1 million in 2012, and primarily consisted of bank borrowings of approximately RMB12,281.5 million and the aggregate net proceeds from the RMB Bond Offering and the US\$ Bond Offering of approximately RMB11,262.9 million, which were partially offset by repayment of bank borrowings of approximately RMB17,338.1 million, dividends paid of approximately RMB2,803.5 million and repayment of other borrowings of approximately RMB2,225.7 million.

Inventories

Our inventories comprise methanol, auxiliary materials, spare parts and small tools used in the construction of mining structures and coal products in our stockpiles. The following table sets forth our inventories as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Methanol	9.5	23.0	18.0
Auxiliary materials, spare parts and small tools	507.6	495.3	393.7
Coal products	<u>1,048.5</u>	<u>1,070.9</u>	<u>1,058.9</u>
Total	<u>1,565.5</u>	<u>1,589.2</u>	<u>1,470.5</u>

Our inventories increased from approximately RMB1,565.5 million as of December 31, 2012 to RMB 1,589.2 million as of December 31, 2013, primarily due to increases in our inventory of auxiliary materials, spare parts and small tools and coal products. Our inventories decreased from approximately RMB1,589.2 million as of December 31, 2013 to RMB 1,470.5 million as of December 31, 2014 due to decrease in our inventory of auxiliary materials, spare parts and small tools.

Bills and Accounts Receivables

Bills and accounts receivables represent unconditional written orders issued by, or negotiated from, our customers for completed sales orders which allow us to collect certain specified amounts from banks or other parties. These bills are non-interest-bearing and generally have a maturity of six months. The following table sets forth our bills and accounts receivables as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Accounts receivable	928.9	1,469.7	2,029.5
Less: Impairment loss	(2.5)	(8.3)	(13.7)
	926.4	1,461.4	2,015.8
Total bills receivable	6,533.2	7,558.1	5,068.4
Total bills and accounts receivable, net	7,459.6	9,019.5	7,084.1

Our bills and accounts receivable increased from approximately RMB7,459.6 million as of December 31, 2012 to RMB9,019.5 million as of December 31, 2013. Our bills and accounts receivable decreased from approximately RMB9,019.5 million as of December 31, 2013 to RMB7,084.1 million as of December 31, 2014, primarily due to the decrease of bills we received for the payment of coal in 2014 caused by the decrease in the sales of our self-produced coal products. We allow a range of credit periods to our trade customers which take into account the credit rating of our customers. Our credit periods do not exceed 180 days.

The following table sets forth an aging analysis of our bills and accounts receivables based on the applicable invoice dates:

	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
0 - 90 days	3,423.0	8,685.1	6,625.1
91 - 180 days	3,954.4	316.7	187.4
181 - 365 days	80.8	4.7	259.9
Over 1 year	1.4	13.0	11.7
Total	7,459.6	9,019.5	7,084.1

Before accepting any new customer, we assess the potential customer's credit quality and define credit limits by customer. Limits attributed to customers are reviewed once a year. In 2012, 2013 and 2014, we did not have any significant trade receivables that were past due but not yet impaired as of the balance sheet dates above. We do not hold any collateral over these balances. The average ages of these receivables were 96 days, 49 days and 57 days for 2012, 2013 and 2014, respectively. Our management closely monitors the credit quality of accounts receivables and considers the balances that are neither past due nor impaired to be of good credit quality.

We have provided fully for all accounts receivables over three years because our experience is such that receivables that are past due beyond three years are generally not recoverable. Receivables aged over four years are considered irrecoverable by management and are written off. We wrote off our receivables of approximately RMB3.3 million in 2012. We did not write off any of our receivables in 2013 and 2014. The following table sets forth an analysis of our impairment losses on bills and accounts receivables:

	2012	2013	2014
	(RMB in millions)		
Balance at January 1	4.1	2.5	8.3
Provided for the year	0.005	21.4	12.7
Reversal	(1.6)	(15.6)	(7.3)
Balance at December 31	2.5	8.3	13.7

Our allowance for doubtful debts in 2012, 2013 and 2014 were approximately RMB2.5 million, RMB8.3 million and RMB13.7 million, respectively, for individually impaired trade receivables, which were primarily receivables from corporate customers in the PRC and considered irrecoverable by management after considering the credit quality of those individual customers, the ongoing relationship with us and the aging of these receivables. The recognized impairment represents the difference between the carrying amount of these trade receivables and the present value of the amounts. We do not hold any collateral over these balances. The confirmed impairment amount refers to the difference between the amount recognized in the carrying value of accounts receivable and the remaining of the unsecured accounts receivable held by the management.

Prepayments and Other Receivables

The following table sets forth our prepayments and other receivables as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Advances to suppliers	692.0	1,181.3	2,009.1
Prepaid relocation costs of inhabitants	1,877.9	2,193.0	2,102.1
Advance to an associate	—	—	1,250.0
Others	1,627.0	1,885.4	1,858.1
Total	4,197.0	5,259.6	7,219.3

Our prepayments and other receivables increased from approximately RMB4,197.0 million as of December 31, 2012 to RMB5,259.6 million as of December 31, 2013, primarily due to the increase of RMB848.6 million in advances to trade coal suppliers paid by our subsidiary Shandong Yanmei Rizhao Port Coal Storage and Blending Co., Ltd., which was consolidated into our financial statements in 2013. Our prepayments and other receivables increased from approximately RMB5,259.6 million as of December 31, 2013 to RMB7,219.3 million as of December 31, 2014, primarily due to increase in advances to an associate and suppliers.

As of December 31, 2012, 2013 and 2014, we had impairment losses of approximately RMB25.3 million, RMB18.3 million and RMB19.2 million, respectively, on our prepayments and other receivables. We did not write off any impairment losses on our prepayments and other receivables in 2012 and 2014. We wrote off prepayments and other receivables of approximately RMB481,000 in 2013.

We have provided fully for all receivables over three years because our experience is such that receivables that are past due beyond three years are generally not recoverable. We set aside full provisions for receivables that are past due beyond three years. Receivables are written off if aged over four years and considered irrecoverable by management after considering the credit quality of the individual party and the nature of the amount overdue.

Bills and Accounts Payables

Our bills and accounts payable are primarily related to purchases from our suppliers and payables to export agents. The following table sets forth our bills and accounts payables as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Accounts payable	2,906.6	2,400.3	1,969.6
Bills payable	3,905.1	316.4	2,067.6
Total	6,811.8	2,716.7	4,037.2

Our bills and accounts payable decreased from approximately RMB6,811.8 million as of December 31, 2012 to RMB2,716.7 million as of December 31, 2013, primarily due to the capital return to former Gloucester shareholders we recorded in 2012. Our bills and accounts payable increased from approximately RMB2,716.7 million as of December 31, 2013 to RMB4,037.2 million as of December 31, 2014, primarily because we settled a higher percentage of payment in the form of bills and account payables in 2014.

The following table sets forth an aging analysis of our bills and accounts payables based on the applicable invoice dates as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
1 - 90 days	6,384.2	2,351.8	1,979.7
91 - 180 days	224.5	92.9	1,815.9
181 - 365 days	68.6	128.7	103.3
Over 1 year	134.4	143.1	138.3
Total	6,811.8	2,716.7	4,037.2

The average credit period for accounts payable and bills payable is 90 days. We have financial risk management policies in place to ensure that all payables are settled within the applicable credit plan.

Other Payables and Accrued Expenses

The following table sets forth our other payables and accrued expenses as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Customers' deposit	1,368.7	852.2	798.4
Accrued wages	1,084.2	1,054.5	870.7
Other taxes payable	204.1	280.1	142.4
Payables in respect of purchases of property, plant and equipment and construction materials	3,662.8	1,268.4	1,629.3
Accrued freight charges	9.4	2.3	66.0
Accrued repairs and maintenance	51.2	19.2	31.6
Staff welfare payable	187.6	242.7	319.2
Withholding tax payable	7.3	0.7	28.4
Deposits received from employees	24.7	14.0	24.3
Coal price adjustment fund	52.0	—	—
Accrued land subsidence, restoration, rehabilitation and environmental costs	1.4	56.8	10.5
Payable on compensation fee of mining rights	—	—	—
Interest payable	395.8	540.9	905.5
Payable on acquisition of Haosheng's equity	—	2,519.3	2,519.3
Provision on Ashton research and development project	—	—	115.4
Others	1,964.5	1,534.0	1,275.8
Total	9,013.8	8,385.1	8,736.7

Our other payables and accrued expenses decreased from approximately RMB9,013.8 million as of December 31, 2012 to RMB8,385.1 million as of December 31, 2013, primarily due to our settlements with suppliers for purchases of property, plant and equipment and construction materials before December 31, 2013. Our other payables and accrued expenses increased from approximately RMB8,385.1 million as of December 31, 2013 to RMB8,736.7 million as of December 31, 2014, primarily due to the increase in payables for purchases of property, plant and equipment and construction materials as of December 31, 2014.

Working Capital and Liabilities

We have historically maintained sufficient working capital for our operations. Our principal source of cash in 2014 was cash generated from operating activities, bond issuance and bank borrowings.

As of December 31, 2014, we recorded net current assets of approximately RMB10,756.5 million. Our current assets increased by RMB6,561.9 million, from RMB31,524.4 million as of December 31, 2013 to RMB38,086.3 million as of December 31, 2014, primarily as a result of an increase in bank balances and cash of RMB4,119.3 million, long term receivables due within one year of RMB1,705.8 million and an increase in the prepayments and other receivables of RMB1,959.7 million. The increase was partially offset by a decrease in bills and accounts receivable of approximately RMB1,935.4 million. Our current liabilities decreased by RMB1,486.1 million, from approximately RMB28,816.0 million as of December 31, 2013 to RMB27,329.9 million as of December 31, 2014, primarily due to a decrease in borrowings due within one year of approximately RMB403.4 million, a decrease in tax payable of approximately RMB796.5 million and a decrease in contingent value rights share liabilities of approximately RMB1,408.7 million, which was partially offset by an increase in bills and accounts payable of approximately RMB1,320.5 million.

As of December 31, 2013 and 2014, we had cash and cash equivalents of approximately RMB10,922.6 million and RMB15,041.9 million, respectively. Our cash and cash equivalents primarily consist of cash on hand and demand deposits with original maturities of three months or less that are placed with banks and other financial institutions.

As of December 31, 2013 and 2014, we had outstanding bank borrowings of approximately RMB55,375.1 million and RMB61,438.1 million, respectively. The following table sets forth the maturity profile of our bank borrowings as of the dates indicated:

	As of December 31,	
	2013	2014
	(RMB in millions)	
Less than one year	11,275.0	10,871.7
One to three years	13,254.4	18,918.9
Three to five years	6,277.3	5,770.0
More than five years	24,568.3	25,877.5
Total	55,375.0	61,438.1

As of December 31, 2014, the interest rates relating to our bank borrowings ranged from 1.00% to 7.18% per annum. The interest rates for these bank borrowings are variable rates that are subject to adjustment based on the interest rate set by the PBOC or LIBOR. As of the date of this annual report, our bank borrowings were denominated in Renminbi, U.S. dollars, Australian dollars and Euro. As of December 31, 2014, our total bank loans denominated in Renminbi amounted to approximately RMB26.0 billion, our total bank loans denominated in U.S. dollars amounted to approximately US\$5.8 billion, our total bank loans denominated in Australian dollars amounted to approximately A\$41.2 million and we had nil total bank loans denominated in Euro. See Note 35 of the consolidated financial statements for more information on our borrowings. The interest expenses and exchange rate fluctuations associated with our bank borrowings may impair our future profitability.

We have, and in the future may continue to have, substantial debt. As of December 31, 2014, our long-term debt to equity ratio was 46.2%. The interest expenses associated with these debts may impair our future profitability. We may issue additional long term debts to finance short term cash flow requirements as necessary.

Capital Expenditures

Our principal capital expenditures, incurred for the purchase and construction of property, plant and equipment, decreased by RMB3,740.1 million, or 40.9%, from approximately RMB9,144.2 million in 2013 to approximately RMB5,404.1 million in 2014. The decrease was primarily due to the reduced number of new projects.

Our estimated capital expenditures for 2015 are in the amount of RMB9.7 billion. We plan to finance our capital commitments primarily through a combination of funds generated from operations, bank borrowings and the proceeds of the offerings of corporate bonds. The following table sets forth our estimated capital expenditures for 2015 and actual capital expenditures we incurred in 2014.

<u>Companies</u>	<u>Estimated capital expenditure for 2015</u> (RMB in millions)	<u>Capital expenditure incurred in 2014</u>
The Company	2,313.4	2,061.0
Shanxi Nenghua	89.2	23.8
Yulin Nenghua	36.8	33.0
Heze Nenghua	905.9	405.0
Huaju Energy	45.6	69.8
Ordos Neng Hua	2,441.2	1,051.4
Haosheng Company	2,307.9	549.1
Yancoal Australia	1,477.3	945.6
Yancoal International (Holding)	69.3	127.6
	—	137.8
Total	9,686.6	5,404.1

C. Research and Development, Patents and Licenses, Etc.

One of our core strategies is to maintain our competitiveness and increase the efficiency of our mining operations through technology and innovation. In line with our development strategy with a focus on technology innovation, we have established a multilayer system for integrating new technology into our operations consisting of various entities, including a technology committee, a professional committee, a technology center, as well as relationships with external institutions or organizations with specialized technology development capacities. We have accumulated extensive experience and expertise in coal mining and coal processing procedures, particularly with respect to the underground raw coal mining technology. For example, our independently developed longwall top caving mining method has been adopted by various international coal mining enterprises such as DBT and has been awarded the State Scientific and Technological Progress Award (Second Class) by the National Office for Science and Technology Awards of the PRC in 2009. In 2014, we completed 45 technology improvement projects, among which, 25 projects have reached an international advanced level. In addition, we obtained 25 patents and received 65 technological awards in 2014, which have enhanced our coal mining and related business operations. Our expenditures for research and development were RMB301.6 million, RMB277.2 million and RMB33.9 million in 2012, 2013 and 2014, respectively, accounting for 0.5%, 0.5% and 0.06%, respectively, of our total sales income for the same periods.

Our mining technology research and development efforts have contributed to increases in our production. Our predecessor first adopted the longwall top caving mining method in 1992. Since then, we have focused on modifying and updating this method, taking into account the distinct geological conditions of our mining operations. Due to our research and development efforts, we have:

- increased our production efficiency by utilizing improved mining extraction equipment;
- extended the length of certain longwall coal mine faces to approximately 260 to 350 meters, which reduced our tunneling, support equipment and related costs;
- reduced the number of coal pillars required to support mining areas, thereby enhancing our recovery;
- patented our advanced technology for longwall top caving mining in the PRC, Australia and South Africa. The use of our longwall caving extraction technology reduces the per-tonne production cost of our operations and improves the production efficiency;
- conducted research projects that contributed to the development and export of the technology for advanced two-pillar hydraulic roof supports for the top coal caving process; Bucyrus International, Inc., the largest coal mining equipment supplier worldwide, signed a technology license agreement to manufacture and use the longwall top caving coal mining equipment in Australia;
- cooperated with Peabody to trial and commercialize longwall top caving coal mining equipment; and
- implemented various innovative projects to improve equipment use, safety, energy conservation and environmental protection measures in our coal mining operations.

We intend to focus our future research and development efforts on improving our longwall caving extraction technology, fully mechanized caving operations and related equipment and mining methods for medium and thick coal seams.

D. Trend Information

Outlook for the Coal Market

It is expected that the world economy will tend to be differentiated in 2015. The geopolitics fluctuation has been increasing. The world energy, such as coal industry, is anticipated to remain the trend of downturn. Affected by decrease overseas demand and insufficient domestic demand, China's economy has showed a distinct continuous downturn. Furthermore, the state government takes strict measures to control smog, cut down excessive production capacity and adjust industrial structures. All these factors lead to the increasing operating difficulties of coal industry in China. As a result, we expect the coal price will continue to decrease. We intend to sell approximately 122.0 million tonnes of coal in 2015, including approximately 52.9 million tonnes of external coal.

Outlook for the PRC Methanol Market

In 2015, we expect that supply will continue to exceed demand in the domestic methanol market. The demand for methanol remains weak due to governmental control policies with respect to environmental protection and elimination of backward production capacity of certain high energy-consumption industries as well as the excess capacity in methanol industry. We intend to sell 1.4 million tonnes of methanol in 2015.

E. Off-balance Sheet Arrangements

As of December 31, 2014, other than the capital expenditure commitments and contractual obligations disclosed in this annual report, we did not have any off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations and commercial commitments as of December 31, 2014:

	Payments Due by Period				
	Total	Less than one Year	One to three years	Three to five years	More than five years
Contractual Obligations					
Unsecured bank borrowings	13,425.7	5,597.6	7,818.2	—	10.0
Secured bank borrowings	24,935.1	234.0	7,015.1	1,781.1	15,905.0
Finance leases	206.6	40.6	106.1	59.9	—
Guaranteed notes	21,040.2	4,999.6	3,749.1	2,929.0	9,362.5
Loans pledged by machineries	1,830.4	—	230.4	1,000.0	600.0
Capital commitments for the acquisition of assets	2,731.9	2,731.9	—	—	—
Mining right compensation fee	1,188.9	396.3	792.6	—	—
Amounts due to Controlling Shareholder and its subsidiaries	190.4	190.4	—	—	—
Total	65,549.2	14,190.4	19,711.5	5,770.0	25,877.5

The following table sets forth our consolidated interest-bearing borrowings as of December 31, 2013 and 2014:

	As of December 31,	
	2013	2014
	(RMB in millions)	
Unsecured bank borrowings	17,103.7	13,425.7
Secured bank borrowings	19,150.3	24,935.1
Total	36,254.0	38,360.9

Secured Bank Borrowings

As of December 31, 2014, we had secured bank loans outstanding of approximately RMB24,935.1 million (approximately US\$4,018.8 million), which primarily consisted of secured bank borrowings obtained for settling the consideration in respect of acquisition of Yancoal Resources. The borrowings are guaranteed by the Company, counter-guaranteed by the Parent Company and secured by 46.67% of Heze ordinary shares. The borrowings are secured by a portion of our term deposits. As of December 31, 2014, we had term deposits of approximately RMB53.9 million that secured bank borrowings.

We have obtained two amendments to the loan agreements from Bank of China in November 2013 to amend certain debt covenant requirements prior to December 31, 2013. The debt covenants only apply to our subsidiary, Yancoal Australia, and hence the actual covenant ratios/amounts disclosed above cannot be reconciled to the IFRS amounts presented in our financial statements.

We have obtained two amendments from Bank of China in June and October 2014 to further defer the testing of interest coverage ratio to 12 months ending June 30, 2016, which also reduced the interest cover ratio from not less than 1.5 to not less than 1.15. We will continue to monitor our indebtedness, working capital and liquidity requirements. We believe we will be able to comply with the debt covenant requirements or seek the necessary waivers or amendments if we believe we are unable to comply with such debt covenants. Therefore, we do not expect this to materially and adversely affect our liquidity.

Borrowings of RMB16,761.4 million (US\$2,740.0 million) carried interest at three-month LIBOR plus a margin of 2.80% (approximately 3.04%) and borrowings of RMB6,739.8 million (US\$1,101.5 million) carried interest at three-month LIBOR plus a margin of a range from 1.55% to 3.00%. The borrowings of approximately RMB1,400.0 million (approximately US\$225.6 million) carried interest of 6.16% per annum and is subject to adjustment based on the interest rate stipulated by PBOC. Other borrowings incurred in connection with our acquisition of Gloucester, amounting to approximately RMB34.0 million, (approximately US\$5.6 million) carried interest at 5.68%. For more information on our secured borrowings, please see Note 35 to the consolidated financial statements.

Unsecured Bank Borrowings

We had unsecured bank borrowings of RMB13,425.7 million as of December 31, 2014, including loans in the amount of RMB917.9 million (US\$150.0 million) carrying interest at six-month LIBOR plus a margin of 2.75% per annum, a loan in the amount of RMB948.6 million (US\$155.0 million), carrying interest at three-month LIBOR plus a margin of 3.25% per annum, obtained by Yancoal International, and a loan in the amount of RMB911.7 million (US\$150.0 million), carrying interest at three-month LIBOR plus a margin of 2.60% per annum. For more information about our unsecured borrowings, please see Note 35 to the consolidated financial statements to this annual report.

The Offering of RMB Denominated Short Term Notes and Non-public Issuance of Financing Instruments

See “Item 4. Information on the Company – A. History and Development of our Company – The Offering of RMB Denominated Short term notes and Non-public Issuance of Financing Instruments.”

Amounts due to Controlling Shareholder and its Subsidiaries

The amounts due to the Controlling Shareholder and its subsidiary companies do not bear any interest and are unsecured. The following table sets forth the amounts due to the Controlling Shareholder and its subsidiary companies as of December 31, 2013 and 2014.

	As of December 31,	
	2013	2014
	(RMB'000)	
Term for Repayment		
Within one year	44,737	190,408
More than one year, but not exceeding two years	—	—
Total due	44,737	190,408
Less: amounts due within one year	(44,737)	(190,408)
Amounts will due over one year	—	—

As of December 31, 2014, neither the Controlling Shareholder nor its subsidiaries had used our funds for non-operational matters.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with IFRS as issued by the IASB. Our financial statements have been prepared on a going concern basis and based on actual transactions and events, in accordance with Accounting Standards for Business Enterprises (referred to as “ASBEs”) and other related regulations issued by the MOF and accounting policies and estimates stated in Note IV to our consolidated financial statements. The preparation of these financial statements requires us to make estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately. These judgments, estimates and assumptions are based on the historical experience of our management as well as other relevant factors. Actual results may differ from these estimates. We review the foregoing judgments, estimates and assumptions regularly on a going concern basis. Revisions to accounting estimates are recognized 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.

The following are the critical estimates that we have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognized in financial statements.

Depreciation

The cost of mining structures is depreciated using the units of production method based on the estimated production volume for which the structure was designed. Management exercises its judgment in estimating the useful lives of the depreciable assets and the production volume of each mine. The estimated coal production volume of each mine is updated on a regular basis and takes into account recent production and technical information of each mine. These changes are considered changes in estimates for accounting purposes and are reflected on a prospective basis in related depreciation rates. Estimates of the production volumes are inherently imprecise and represent only approximate amounts because of the subjective judgments involved in developing such information.

Amortization of assets

Mining reserves, mining resources and rail access rights are amortized on a straight-line basis or unit of production basis over the shorter of their useful lives and the contractual period. The expensing of overburden removal costs is based on saleable coal production over the estimated economically recoverable reserves. The useful lives are estimated on the basis of the total proven and probable reserves of a coal mine. Proven and probable coal reserve estimates are updated on a regular basis and take into account each mine's recent production and technical information.

Provision for land subsidence, restoration, rehabilitation and environmental costs

The provision for land subsidence, restoration, rehabilitation and environmental costs is reviewed regularly to verify that it properly reflects the remaining obligation arising from the current and past mining activities. Provisions for land subsidence, restoration, rehabilitation and environmental costs are determined by our management based on past experience, its estimate of current and future costs and predictions for government policies.

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 determination of value in use requires us 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 of December 31, 2014, the carrying amount of goodwill was approximately RMB2,232.8 million. During the year ended December 31, 2014, no impairment loss on goodwill was recognized by the Group. Cash flow projections during the budget period for each of the above 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 market development expectations.

Estimated impairment of property, plant and equipment

When there are indications of impairment, we take into consideration the estimate 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. When actual future cash flows are less than expected, a material impairment loss may arise. In estimating future cash flows, management takes into account recent production and technical advancements. As price and cost levels change from year to year, the estimate of future cash flows also changes. Notwithstanding that management has considered all the available information in making their impairment assessment, inherent uncertainty exists as to the conditions of mines and the environment, and actual write-offs may be higher than the estimated amounts. As of December 31, 2014, the carrying amount of property, plant and equipment was approximately RMB44,174.6 million. During the year ended December 31, 2014, no property, plant and equipment was written off as expenses. We did not recognize any impairment loss on property, plant and equipment during the year ended December 31, 2014.

Most of the coal sales by Premier and Wesfarmers Char are governed by a contract signed with an independent power station. The remaining coal sales are to independent third parties which are sold at market prices. The contract with the power station was a required condition in order for the government to grant the mining rights to Premier and Wesfarmers Char. The sales price under the contract is below market price and Premier and Wesfarmers Char are unable to negotiate to revise the terms of the existing contract, including the sale price of coal. Given the current market price of coal and rising costs, the Company also expected that the power station may purchase more coal from Premier and Wesfarmers Char, which will drive down the Company's overall average sales prices. In 2012, a combined assessment of Premier and Wesfarmers Char, being a cash-generating unit, was performed, and hence in 2012, the Company recorded impairment on intangible assets (mining reserves and mining resources) of RMB417.2 million property, plant and equipment (mining structures) of RMB226.9 million and goodwill of RMB17.6 million as selling, general and administrative expenses in its statement of comprehensive income as set out in the financial statements. We used the value-in-use method to assess the impairment and the key assumptions included the future market price of the coal, sales volume, and mining costs. The changes in these key assumptions that were applied in the impairment analysis were a decrease of the average coal price from AUD76 per tonne to AUD24 per tonne, a decrease in total sales volume from 141 million tonne to 58 million tonne, an increase in average nominal operating cost from AUD48 per tonne to AUD62 per tonne and an increase in capital expenditure from AUD460 million to AUD584 million. During the year, no provision for impairment losses were made for Premier and Wesfarmers Char.

Estimated impairment of mining reserves

When there are indications of impairment, we take into consideration the estimate 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. When actual future cash flows are less than expected, a material impairment loss may arise. In estimating future cash flows, management takes into account recent production and technical advancements. As price and cost levels change from year to year, the estimate of future cash flows also changes. Notwithstanding that management has considered all the available information in making their impairment assessment, inherent uncertainty exists as to the conditions of mines and the environment, and actual write-offs may be higher than the estimated amounts.

The recoverable amount of cash generating units is assessed by management at the operating segment level. Business performance is reviewed by management on a mine by mine basis and each mine is considered to be a separate cash generating unit. The recoverable amount of each cash generating unit at December 31, 2014 was determined using the value in use method.

Value in use has been determined using a discounted cash flow model and key assumptions include coal prices, foreign exchange rates, production and capital costs, discount rate and coal reserves and resources. In determining the value assigned to each key assumption, management has used external sources of information and utilized the expertise of external and/or internal consultants and experts to validate entity specific assumptions such as coal reserves and resources.

Based on the impairment review, the recoverable amounts of coal reserves of Moolarben and Stratford & Duralie, both of which are coal mines of Yancoal Australia, were determined to be less than the carrying amounts and hence resulting an impairment loss of RMB2,052.2 million predominantly due to forecasted global economic conditions and coal sales prices. The cash flow forecast used assumed an average long term real coal prices of US\$67 – US\$148 per tonne, AUD/US\$ exchange rate declining from year end spot rate of AUD0.82 to AUD0.78 over the next five years and a post-tax discount rate of 11%. Production and capital costs were based on the estimate of forecasted geological conditions, stage of existing plant and equipment and future production levels. The recoverable amount is also dependent on the life of mines which is based on the annual coal production forecast.

Acquisitions

During the year, we acquired several subsidiaries or business as set out in Notes 46 to the consolidated financial statements included in this annual report. We determined whether acquisitions were to be accounted for as an acquisition of business or an acquisition of assets based on factors including (i) whether the acquiree has relevant input, process or output and (ii) whether the acquiree has planned principal activities or is pursuing a plan to produce output and has access to a customer base.

In addition, management also made judgments in determining whether we would register the transfer of certain operating licenses immediately upon the payment of consideration.

Recent Changes in Accounting Pronouncements

In the current year, we have applied, for the first time, a number of new standards and interpretations, amended and revised standards and interpretations (“new IFRSs”) issued by the IASB and the International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB which are effective for our fiscal year beginning January 1, 2014:

IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
IAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC-Int 21	Levies

Except as described above, the accounting policies adopted for the current year are consistent with those adopted for the Group’s financial statements for the year ended December 31, 2014.

Except as described below, the application of the above new or revised IFRSs for the current year had no material impact on the amounts reported and/or disclosures set out in the consolidated financial statements for the year.

Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets: The amendments clarify the requirements to disclose the recoverable amount of an asset (or cash generating unit) whenever an impairment loss has been recognised or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired asset (or cash generating unit) is based on fair value less costs of disposal. The Group has applied the amendments retrospectively in accordance with their transitional provisions and the disclosures about the Group’s impaired non-financial assets are set out in notes 23 and 25 to the financial statements.

G. Safe Harbor

See the section headed “Cautionary Statement Regarding Forward-Looking Statements”.

ITEM 6. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors, Supervisors and Senior Management

The following table sets forth selected information concerning our board of directors (“Board of Directors” or “Board”), Supervisory Committee (“Supervisory Committee”) and executive officers as of the date of this annual report. As of the date of this annual report, our Board of Directors consists of 10 Directors, including one chairman, four independent Directors and one employee Director. All Directors serve three-year terms beginning their respective election date until the election of their respective successor.

As more than 50% of our voting power is held by the Controlling Shareholder, we are not required to have a majority of our Board be comprised of independent Directors in reliance on the exemption provided under Section 303A of the NYSE Listing Rules.

The following table sets forth information on our Directors, supervisors and executive officers:

<u>Name</u>	<u>Age</u>	<u>Position at the Company</u>	<u>Date Term of Office Expires¹</u>
<i>Directors</i>			
LI Xiyong	51	Chairman of the Board of Directors	May 2017
YIN Mingde	52	Director, General Manager	May 2017
WU Yuxiang	53	Director and Chief Finance Officer	May 2017
ZHANG Baocai	47	Director, Deputy General Manager and Secretary of the Board of Directors	May 2017
WU Xiangqian	49	Director	May 2017
JIANG Qingquan	51	Employee Director	May 2017
<i>Independent Non-executive Directors</i>			
WANG Lijie	62	Independent Non-executive Director	May 2017
JIA Shaohua	64	Independent Non-executive Director	May 2017
WANG Xiaojun	60	Independent Non-executive Director	May 2017
XUE Youzhi	50	Independent Non-executive Director	May 2017
<i>Supervisors</i>			
SHI Xuerang	60	Chairman of the Supervisory Committee	May 2017
ZHANG Shengdong	58	Deputy Chairman of the Supervisory Committee	May 2017
GU Shisheng	54	Supervisor	May 2017
ZHEN Ailan	51	Supervisor	May 2017
GUO Jun	52	Employee Supervisor	May 2017
CHEN Zhongyi	49	Employee Supervisor	May 2017
<i>Other Management Team</i>			
SHI Chengzhong	52	Deputy General Manager	May 2017
LIU Chun	53	Deputy General Manager	May 2017
DING Guangmu	54	Deputy General Manager	May 2017
WANG Fuqi	50	Chief Engineer	May 2017
ZHAO Honggang	49	Deputy General Manager	May 2017

- (1) The expiration of the term of office is generally the date of the shareholders' meeting when a new session of the Board will be elected. Executives who retire in the interim are replaced at the next Board meeting.

Executive Directors

LI Xiyong, born in October 1963, a research fellow in applied engineering technology with an EMBA degree, is the chairman of the Company and chairman and 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 deputy general manager of Xinwen Group. In May 2010, he was appointed as the chairman and 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 secretary of the party committee of Xinwen Group. In July 2013, he was appointed as the director, general manager and 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.

YIN Mingde, born in December 1962, a senior engineer, a senior administrative officer and a certified safety engineer with a master's degree, is a Director and the general manager of the Company. Mr. Yin joined the Company's predecessor in 1980 and became deputy manager of Beisu Coal Mine in 1997. In 2000, he was appointed as the deputy director of Marketing Department under Strategic Resource Development Department of Yankuang Group. In 2002, he was appointed as the general manager of Yankuang Group Shanxi Neng Hua Co., Ltd. In 2006, he was appointed as the general manager of Yanzhou Coal Shanxi Neng Hua Co., Ltd. and the chairman and party committee secretary of Shanxi Tianhao Chemicals Co., Ltd. In 2011, he was appointed as the general manager and deputy secretary of party committee of Yanzhou Coal Ordos Neng Hua Co., Ltd. In 2012, he was appointed as the chairman, general manager and deputy secretary of party committee of Yanzhou Coal Ordos Neng Hua Co., Ltd. and the chairman of Inner Mongolia Haosheng Coal Mining Co., Ltd. In March 2014, he was appointed as the general manager of the Company. In May 2014, he was appointed as a Director of the Company. Mr. Yin graduated from East China Normal University.

WU Yuxiang, a senior accountant with a master's degree in accounting, has served as a Director and the chief financial officer of the Company since 2002. Mr. Wu joined the Company's predecessor in 1981 and was appointed as the Company's manager of the Finance Department in 1997. Mr. Wu was appointed as a Director and the chief financial officer of the Company in 2002. He is a graduate of the Party School of Shandong Provincial Communist Committee.

ZHANG Baocai, a senior accountant with an EMBA degree, is a Director, deputy general manager and the Board secretary of the Company. Mr. Zhang joined the Company's predecessor in 1989 and was appointed as the head of the Planning and Finance Department of the Company in 2002. He was appointed as a Director and the Board secretary of the Company in 2006 and a deputy general manager of the Company in 2011. He is a graduate of Nankai University.

WU Xiangqian, born in February 1966, a research fellow in applied engineering technology and a doctor of engineering, is a Director of the Company. Wu joined the predecessor Company in 1988. In 2003, he was appointed as a deputy head of Jining No.3 Coal Mine of the Company. In 2004, Mr. Wu was appointed as the deputy head and chief engineer of Jining No.3 Coal Mine. In 2006, he was appointed as the head of Jining No.3 Coal Mine. In March 2014, he was promoted as the chairman and general manager of Yanzhou Coal Ordos Neng Hua Co., Ltd. and chairman of Inner Mongolia Haosheng Coal Mining Co., Ltd. In May 2014, he was appointed as a Director of the Company. Mr. Wu graduated from Shandong University of Science and Technology.

JIANG Qingquan, born in December 1963, a senior administrative officer and engineer with a master's degree, is an employee Director of the Company. Mr. Jiang joined the Company's predecessor in 1984 and served as the office director of Safety Supervision Bureau 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 head and the deputy party committee secretary of the Railway Transportation Department in 2004. He was appointed as the general manager assistant of the Company in 2012 and the chairman of the Trade Union of the Company in March 2014. He was appointed as an employee Director of the Company in April 2014. Mr. Jiang graduated from the Qufu Normal University and the Party School of Shandong Provincial Communist Committee.

Independent Non-executive Directors

WANG Lijie, born in March 1953, is a professor and doctoral advisor. Mr. Wang is currently the director of the Institute for Energy Economics Research at China University of Mining and Technology (Beijing), the director of Coal Professional Committee of China Society of Technology Economics and the deputy director of Economic Management Professional Committee of China Coal Society. Mr. Wang is a professional technical talent in the coal industry, who enjoys government special allowances. He was the dean of School of Management of China University of Mining and Technology (Beijing), mainly engages in research work in mining, energy economics management and policy, business strategy etc. Mr. Wang is also the independent director of Beijing LongRuan Technologies Inc. and Henan Dayou Energy Co., Ltd. Mr. Wang graduated from China University of Mining and Technology (Beijing).

JIA Shaohua, born in December 1950, doctor of economics, a researcher, Mr. Jia is currently the director of Tax Education Institute of the Central University of Finance and Economics and vice president of the China Society for Finance and Tax Law, as well as the graduate advisor of the Central University of Finance and Economics, the Graduate School of Chinese Academy of Social Sciences, the Graduate School of Research Institute of MOF, who enjoys the special allowance from the State Council. Mr. Jia was the director of the Finance Department in Ningxia Autonomous Region, the deputy general manager of Hainan Commercial Group Company, the deputy director of Jiangxi and Hainan Provincial Office, SAT, the dean of Tax Leadership Academy of the SAT, and the edition-in-chief of the China Taxation Publisher etc. Mr. Jia has rich experience in accounting & tax and completed over a number of key research subjects at national and provincial level. Mr. Jia is also the independent director of Harbin Electric Corporation Jiamusi Electric Machine Co., Ltd., JA Solar Holdings Co., Ltd., Zhuhai Letong Chemical Co., Ltd. and Haima Automobile Group Co., Ltd. Mr. Jia graduated from the Graduate School of Chinese Academy of Social Sciences.

WANG Xiaojun, born in August 1954, a solicitor admitted in the PRC, Hong Kong, England and Wales, a holder of master degree in law, is a partner of Jun He Law Offices and an independent non-executive Director of the Company. He was admitted in the PRC, Hong Kong, England and Wales in 1988, 1995 and 1996, respectively. Mr. Wang has worked as a legal adviser at the Hong Kong Stock Exchange and Richards Butler. He was an independent non-executive Director of the Company from 2002 to 2008, Mr. Wang is also an independent non-executive director of China Aerospace International Holdings Limited, Livzon Pharmaceutical Group Co., Ltd. and Oriental Patron Financial Investments Ltd. Mr. Wang graduated from the Renmin University of China and the Graduate School of the Chinese Academy of Social Sciences.

XUE Youzhi, born in March 1965, is a holder of a master degree in corporate management, a doctoral degree in economics, a postdoctoral degree in business administration. Mr. Xue is currently the vice president, the professor and the doctoral advisor in the School of Business of Nankai University. Mr. Xue has rich experience in economics & management and completed over a number of national natural science fund and national social science fund projects. Mr. Xue was appointed as the vice president of the School of Business of Nankai University in 2005. Mr. Xue graduated from Jilin University and Nankai University.

Supervisors

SHI Xuerang, born in February 1955, a senior engineer with an Executive Master of Business Administration degree, is the chairman of Supervisory Committee of the Company and the deputy secretary of the party committee of Yankuang Group. From 2001 to 2003, Mr. Shi acted as the deputy general manager of Xinwen Coal Mining Group Company Limited. Mr. Shi served as the deputy general manager of Yankuang Group in 2003. Mr. Shi was appointed as a Director of the Company in 2005 and the chairman of the Supervisory Committee of the Company in May 2014. Mr. Shi graduated from Nankai University.

ZHANG Shengdong, born in March 1957, a senior accountant, is the vice chairman of the Supervisory Committee of the Company and the deputy general manager of Yankuang Group. Mr. Zhang joined the Company's predecessor in 1981 and became the director of the Finance Management Department of Yankuang Group in 1999. Mr. Zhang served as the deputy chief accountant of Yankuang Group and a supervisor of the Company in 2002. Mr. Zhang was appointed as the general manager assistant of Yankuang Group in 2008. Mr. Zhang was appointed as the deputy general manager of Yankuang Group in January 2014 and the vice chairman of the Supervisory Committee in May 2014. Mr. Zhang graduated from China University of Mining and Technology.

GU Shisheng, born in January 1964, a professor level senior administrative officer with a master's degree, is a supervisory of the Company and the chairman of the Trade 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 Trade Union of Yankuang Group in January 2014 and a supervisor of the Company in May 2014. Mr. Gu graduated from the Party School of Shandong Provincial Communist Committee.

ZHEN Ailan, born in November 1963, is a senior accountant, a senior auditor, a supervisor of the Company, the deputy chief accountant and the director of the Audit & Risk Department of Yankuang Group. Ms. Zhen joined the predecessor Company in 1980. She served as the deputy director of the Audit Division of Yankuang Group in 2002 and was appointed as the deputy director of the Audit Department of Yankuang Group in 2005. In 2012, Ms. Zhen served as the director of the Audit Department of Yankuang Group. In March 2014, she was appointed as the deputy chief accountant and the director of the Audit & Risk Department of Yankuang Group. In 2008, Ms. Zhen served as a supervisor of the Company. Ms. Zhen graduated from Dongbei University of Finance and Economics.

GUO Jun, born in January 1963, is a professor-level senior administrative officer, a senior economist, a doctor of business administration, an employee supervisor of the Company and the secretary of the Discipline Inspection Commission of Yankuang Group. Mr. Guo joined the predecessor Company in 1980 and served as the director of the economic division of the General Manager's Office in 1996. He was appointed as the deputy 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 chief 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 and served as the employee supervisor of the Company in April 2014. Mr. Guo graduated from the China Mining University (Beijing).

CHEN Zhongyi, born in December 1965, is a professor-level senior administrative officer with a bachelor's degree, an employee supervisor of the Company and the vice chairman of trade union. Mr. Chen joined the predecessor Company in 1986 and served as the director of the Mass Work Department, the secretary of the Youth League Committee and the vice chairman of trade union in 2002. He was appointed as the vice chairman of trade union in 2008 and served as the director of Parties Working Department of the Company in March 2014. In April 2014, Mr. Chen was appointed as an employee supervisor of the Company. Mr. Chen graduated from the Party School of CPC Shandong Provincial Committee.

Other Executive Officers

SHI Chengzhong, born in December 1962, a research fellow in applied engineering technology with a master's degree in mining engineering and an EMBA degree, serves as a deputy general manager of the Company. Mr. Shi joined the predecessor Company in 1983 and served as a deputy chief engineer of Yankuang Group in 2000. Mr. Shi was appointed as a deputy general manager of the Company in 2002. Mr. Shi graduated from Northeastern University and Nankai University.

LIU Chun, born in September 1961, a research fellow in applied engineering technology with an EMBA degree, serves as a deputy general manager of the Company. Mr. Liu joined the predecessor Company in 1983 and was appointed as the director of Coal Sales and Transportation Department of the Company in 2002. Mr. Liu has been promoted to be a deputy general manager of the Company in 2011. Mr. Liu graduated from Nankai University.

DING Guangmu, born in September 1960, a senior economist with an EMBA degree, serves as a deputy general manager of the Company. Mr. Ding joined the predecessor Company in 1978 and served as the director of Vehicle Management Division of Yankuang Group. In 1999, he was appointed as deputy director of Materials & Goods Supply Centre of the Company. In 2002, he was appointed as the director and deputy secretary of party committee of Materials & Goods Supply Centre of the Company. In 2013, he served as the assistant general manager of the Company. In March 2014, he was appointed as the deputy general manager of the Company. Mr. Ding graduated from Shanghai Maritime University.

WANG Fuqi, born in May 1964, a research fellow in applied engineering technology with an EMBA degree and master of engineering, serves as the chief engineer of the Company. Mr. Wang joined the predecessor Company 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 2004, he served as the chief engineer of the Company. Mr. Wang graduated from Northeastern University and Nankai University.

ZHAO Honggang, born in November 1965, a research fellow in applied engineering technology and master of engineering, serves as the deputy general manager of the Company. Mr. Zhao joined the predecessor Company in 1987 and served as the deputy chief of Dongtan Coal Mine of the Company in March 2006. In March 2009, he was appointed as the director of Electromechanical Department. In December 2013, he served as the chairman and general manager of Shandong Huaju Energy Co., Ltd. In December 2014, he was appointed as the deputy general manager of the Company. Mr. Zhao graduated from Shandong University of Science and Technology.

Retirement and Resignation of Senior Management

Mr. ZHANG Yingmin has reached his retirement age and has tendered his resignation to the Board of the Company. His resignation from the position of the general manager of the Company took effect from January 8, 2014.

Due to work allocation, the former deputy general managers of the Company, Mr. HE Ye, Mr. LAI Cunliang, Mr. TIAN Fengze and the former chief engineer of the Company, Mr. NI Xinghua have tendered their resignations to the Board, respectively. Their resignation from the positions of deputy general managers and chief engineer took effect from March 6, 2014.

Appointment of Senior Management

As considered and approved by the nineteenth meeting of the fifth session of the Board of the Company held on March 6, 2014, Mr. YIN Mingde was appointed as general manager of the Company; Mr. DING Guangmu was appointed as deputy general manager of the Company; and Mr. WANG Fuqi was appointed as chief engineer of the Company.

Election of Directors and Supervisors of the Sixth Session of Board

As approved by the 2013 annual general meeting of the Company held on May 14, 2014, Mr. LI Xiyong, Mr. ZHANG Xinwen, Mr. YIN Mingde, Mr. WU Yuxiang, Mr. ZHANG Baocai and Mr. WU Xiangqian were elected as the non-independent Directors of the sixth session of the Board of the Company. Mr. WANG Lijie, Mr. JIA Shaohua, Mr. WANG Xiaojun and Mr. XUE Youzhi were elected as the independent Directors of the sixth session of the Board of the Company. Mr. SHI Xuerang, Mr. ZHANG Shengdong, Mr. GU Shisheng and Ms. ZHEN Ailan were elected as non-employee representative supervisors of the sixth session of Supervisory Committee of the Company.

As approved by the employees representative meeting of the Company held on April 26, 2014, Mr. JIANG Qingquan was elected as an employee Director of the sixth session of the Board of the Company and Mr. GUO Jun and Mr. CHEN Zhongyi were elected as employee supervisors of the sixth session of the Supervisory Committee of the Company.

The term of office of the Directors of the sixth session of the Board and supervisors of the sixth session of the Supervisory Committee of the Company were three years commencing from the conclusion of 2013 annual general meeting and ending on the date of the conclusion of the general meeting for the election of Directors of the seventh session of the Board and and supervisors of the seventh session of the Supervisory Committee of the Company.

Election of Chairman and Vice Chairman of the Company

As approved by the first meeting of the sixth session of the Board of the Company on May 14, 2014, Mr. LI Xiyong was elected as chairman of the Company and Mr. ZHANG Xinwen was elected as vice chairman of the Company.

Election of Chairman and Vice Chairman of the Supervisory Committee of the Company

As approved by the first meeting of the sixth session of the Supervisory Committee of the Company on May 14, 2014, Mr. SHI Xuerang and Mr. ZHANG Shengdong were elected as chairman and vice chairman of the Supervisory Committee of the Company, respectively.

Appointment of Senior Management

As approved by the first meeting of the sixth session of the Board of the Company held on May 14, 2014, Mr. YIN Mingde was appointed as the general manager of the Company; Mr. SHI Chengzhong, Mr. ZHANG Baocai, Mr. LIU Chun and Mr. DING Guangmu were appointed as the deputy general manager; Mr. WU Yuxiang was appointed as the chief financial officer; Mr. ZHANG Baocai was appointed as the secretary to the Board and Mr. WANG Fuqi was appointed as the chief engineer.

As approved by the sixth meeting of the sixth session of the Board of the Company held on December 23, 2014, Mr. ZHAO Honggang was appointed as the deputy general manager of the Company

Change in members of the Sixth Session of the Board, Sixth Session of the Spervisory Committee and Senior Management

Due to work allocation, Mr. ZHANG Xinwen, the former vice chairman of the Company, has tendered his resignation to the Board and resigned from the positions of Director and vice chairman of the Company with effect from March 13, 2015.

Save as disclosed above, there was no other appointment or resignation of Directors, supervisors and senior management during the reporting period.

B. Compensation

One Director, LI Xiyong, and four supervisors, Mr. SHI Xuerang, Mr. ZHANG Shengdong, Mr. GU Shisheng and Ms. ZHEN Ailan receive salaries from our Controlling Shareholder, while the rest of our Directors, supervisors and executive officers who are our employees receive compensation in the form of salaries, housing allowances and other allowances and benefits, including pension contributions. The aggregate amount of cash remuneration paid by us to Directors, supervisors and executive officers for the years 2012, 2013 and 2014 was approximately RMB7.412 million, RMB5.324 million and RMB8.294 million (tax inclusive), respectively. The aggregate amount of remuneration paid by us to resigned Directors, supervisors and executive officers for 2014 was approximately RMB3.308 million (tax inclusive). We did not pay any discretionary bonus during the reporting period of this annual report to our directors, supervisors or executive officers. Details of each of the directors', supervisors' and senior management members' salaries and benefits provided by our Company are as follows:

	For the Year Ended December 31, 2014			
	Fees RMB'000	Salaries, allowance and other benefits in kind RMB'000	Retirement benefit plan contributions RMB'000	Total RMB'000
Independent Non-Executive Directors				
WANG Lijie	75.89	—	—	75.89
JIA Shaohua	75.89	—	—	75.89
WANG Xiaojun	130.1	—	—	130.1
XUE Youzhi	130.1	—	—	130.1
	<u>411.98</u>	<u>—</u>	<u>—</u>	<u>411.98</u>
Directors				
LI Xiyong	—	—	—	—
YIN Mingde	—	875.80	172.41	1,048.21
WU Yuxiang	—	517.56	100.76	618.32
ZHANG Baocai	—	2,074.20	102.16	2,176.36
WU Xiangqian	—	859.36	169.12	1,028.48
JIANG Qingquan	—	395.94	76.44	472.38
	<u>—</u>	<u>4,722.86</u>	<u>620.89</u>	<u>5,343.75</u>
Supervisors				
SHI Xuerang	—	—	—	—
ZHANG Shengdong	—	—	—	—
GU Shisheng	—	—	—	—
ZHEN Ailan	—	—	—	—
GUO Jun	—	794.15	156.08	950.23
CHEN Zhongyi	—	289.79	55.20	344.99
	<u>—</u>	<u>1,083.94</u>	<u>211.28</u>	<u>1,295.22</u>
Other Members of Management				
SHI Chengzhong	—	546.58	106.57	653.15
LIU Chun	—	547.00	106.65	653.65
DING Guangmu	—	373.11	71.87	444.98
WANG Fuqi	—	390.81	75.41	466.22
ZHAO Honggang	—	217.24	40.70	257.94
	<u>—</u>	<u>2,074.74</u>	<u>401.20</u>	<u>2,475.94</u>
Total	<u>411.98</u>	<u>7,881.54</u>	<u>1,233.37</u>	<u>9,526.89</u>

Details of each of the resigned directors', supervisors' and senior management members' salaries and benefits provided by our Company are as follows:

	For the Year Ended December 31, 2014			
	Fees	Salaries, allowance and other benefits in kind	Retirement benefit plan contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Directors				
ZHANG Xinwen	—	—	—	—
ZHANG Yingmin	—	226.11	42.47	268.58
DONG Yunqing	—	321.79	61.61	383.40
WANG Xianzheng	54.21	—	—	54.21
CHENG Faguang	54.21	—	—	54.21
	<u>108.42</u>	<u>547.90</u>	<u>104.08</u>	<u>760.40</u>
Supervisors				
WEI Huanmin	—	539.30	105.11	644.41
XU Bentai	—	566.06	110.45	676.51
	<u>—</u>	<u>1,105.36</u>	<u>215.56</u>	<u>1,320.92</u>
Other Members of Management				
HE Ye	—	—	—	—
LAI Cunliang	—	—	—	—
TIAN Fengze	—	557.67	108.79	666.46
NI Xinghua	—	570.32	111.31	681.63
	<u>—</u>	<u>1,127.99</u>	<u>220.10</u>	<u>1,348.09</u>
Total	<u>108.42</u>	<u>2,781.25</u>	<u>539.74</u>	<u>3,429.41</u>

C. Board Practices

Board of Directors

Directors are elected to serve three year terms. We have adopted cumulative voting for the election of a new Board of Directors.

Pursuant to our Articles of Association, the Board of Directors is accountable to shareholders in general meeting and exercises the following functions and powers:

- (i) convening shareholders' meetings and reporting on the work of the Board of Directors at general meetings;
- (ii) implementing resolutions passed by the shareholders at general meetings;
- (iii) determining our business plans and investment proposals;
- (iv) formulating our annual preliminary and final budgets;
- (v) formulating our profit distribution and loss recovery proposals;
- (vi) formulating proposals for the increase or reduction of our registered capital and the issuance of our debentures or other forms of securities;
- (vii) drawing up plans for material acquisitions, repurchases of shares of the Company, mergers, divisions, dissolutions or changes of corporate structure;
- (viii) deciding our internal management structure;
- (ix) appointing or removing our general manager and secretary of the board and appointing or removing the deputy general manager(s) and other senior officers (including the financial controller(s) of the Company) based on the recommendations of the general manager, to decide on their remuneration and matters relating to awards and penalty;
- (x) formulating our basic management system;
- (xi) formulating proposals for any amendments of the Articles of Association;

- (xii) deciding on our business involving overseas investments, acquisitions and disposals of assets, mortgages of assets and other guarantees, entrusted assets management and connected transactions within the authority conferred by the general meeting;
- (xiii) managing the disclosure of information relating to the Company;
- (xiv) making recommendations on the appointment or replacement of the Company's independent auditors to shareholders at shareholders' general meetings;
- (xv) reviewing management's performance based on the working report submitted by management;
- (xvi) approving an aggregate amount of provision for impairment of assets not more than 10% of our latest audited consolidated net asset value, clearing an amount of provision for impairment of assets not more than 5% of our latest audited consolidated net asset value, and executing and clearing any provision of impairment of assets involving connected transactions in compliance with relevant connected transaction regulations; and
- (xvii) being responsible for matters with respect to the Company's corporate governance, including (i) developing and reviewing the Company's policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on the compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors; and (v) reviewing the Company's compliance with the code of the stock exchange on which the Company's securities are listed and the disclosure in the corporate governance report.
- (xviii) exercising any other powers specified by the law, administrative regulations, departmental rules, the Articles of Association and conferred by shareholders at a general meeting.

Except for matters specified in (vi), (vii) and (xi), which require the affirmative vote of more than two-thirds of all of the Directors, resolutions in respect of the above listed matters can be approved by a simple majority of the Directors.

The Board of Directors makes decisions on the company's scope of authority and inspection and decision making procedures with respect to company matters relating to foreign investment, asset sales and purchases, mortgages, guarantee provisions, entrusted asset management and connected transactions and, if a major investment involved, should appoint experts and professionals to make an assessment and submit such assessment to the shareholders' meeting for approval.

With the approval of over two-thirds of all Directors, the Board of Directors may make decisions on the following matters:

- (1) transactions falling within the strictest of the following limits with respect to asset sales and purchases, foreign investment (including entrusted financial management and entrusted loans), financial assistance provisions, leasing of assets as lessor or lessee, restructuring of claims or debts, giving or receiving assets as a gift, entrusted or trusted asset or business management, license agreements, and research and development projects:
 - a. the total assets value (where book value and assessed value are available, whichever is higher) involved in a single transaction with amount more than 10% and below 50% of the Company's latest audited total asset value prepared in accordance with the PRC GAAP; or more than 5% and less than 25% of the Company's latest published total assets value prepared in accordance with the IFRS;
 - b. a single investment of which the completion consideration (including liabilities and expenses) accounts for more than 10% and less than 50% of the Company's latest audited net asset value prepared in accordance with the PRC GAAP; or more than 5% and less than 25% of the total market capitalization of the Company (which is calculated by the average closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of a transaction);
 - c. the latest annual income from principal operations of the subject of a single transaction which accounted for more than 10% and less than 50% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the PRC GAAP; or more than 5% and less than 25% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the IFRS; and
 - d. the latest annual net profit of the subject of a single transaction which accounted for more than 10% and less than 50% of the Company's latest audited net profit for the latest financial year prepared in accordance with the PRC GAAP; or more than 5% and less than 25% of the Company's latest audited net profit for the latest financial year prepared in accordance with the IFRS.

The above transactions that involve a public offer of securities, which requires the approval of the China Securities Regulatory Commission, shall be subject to a vote at the shareholders' general meeting;

- (2) a single loan representing more than 10% and less than 25% of the Company's most recently audited net asset value if the debt ratio to the Company's assets remains under 80% after such financing and the inter-company loans between overseas subsidiaries as long as it is compliance with relevant laws and regulations and the accumulative outstanding amount in the last 12 months is more than 25% and less than 50% of the Company's most recently audited net asset value prepared in accordance with the PRC GAAP;
- (3) mortgages or pledges of assets so long as the cumulative outstanding amount is less than 30% of the Company's most recently audited net asset value;
- (4) external guarantees that do not require the approval of the shareholders pursuant to the Articles of Association; and
- (5) connected transactions, which must be conducted in accordance with the relevant regulations of competent securities authorities and the listing rules of applicable stock exchanges.

The transactions referred to in item (1) above that involve the provision of financial assistance and entrusted financial management are calculated on an accrued basis for twelve consecutive months according to the transaction categories and applicable approval limit proportion of the Board of Directors. When the Company conducts transactions other than those involving the provision of financial assistance and entrusted financial management, relevant approval requirements of the Board of Directors regarding each transaction under the same category shall be calculated on the principle of accrued basis for twelve consecutive months. Transactions already approved by the Company in accordance with the principle of accrued basis shall not be included in the scope of accrual calculation.

Provisions of regulatory authorities that the Company is subject to within and outside the PRC that are of a stricter standard than these Articles of Association shall apply accordingly.

In addition to obligations imposed by laws, administrative regulations or the listing rules of the stock exchanges on which our Shares are listed, the Articles of Association place on each Director, supervisor, general manager, deputy general manager and any other senior officer the following duties to each shareholder, in the exercise of his or her functions and powers:

- to act honestly in our best interests;
- not to expropriate our property in any way, including (without limitation) usurpation of opportunities which benefit us; and
- not to expropriate the individual rights of shareholders, including (without limitation) rights to distributions and voting rights, save and except pursuant to our restructuring which has been submitted to the shareholders for their approval in accordance with the Articles of Association.

The Articles of Association further place on each Director, supervisor, general manager, deputy general manager and senior officer:

- a duty to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances in the discharge of his or her duties;
- a fiduciary obligation not to have interests that conflict with the Company's;
- a duty not to direct a person or entity related or connected to the Director, supervisor, general manager, deputy general manager or senior officer in certain relationships enumerated in the Articles of Association to act in a manner which such person is prohibited from doing; and
- a duty not to cause us to exceed the scope of business stipulated in our business license.

The shareholders in a general meeting may by ordinary resolution remove any Director or supervisor before the expiration of his or her term of office if such Director fails to perform any of the Director's duties. A senior officer of the Company may be removed by the Board if he or she fails to perform his or her duty.

Directors' Decision-making Risk Fund

Upon approval by our shareholders at the 2004 annual shareholders' general meeting, we established a Directors' Decision making Risk Fund ("Risk Fund") to compensate our Directors, supervisors, executive officers and other applicable personnel for personal economic losses resulting from their performance of duties in accordance with the laws, regulations or our Articles of Association or while attempting to procure legitimate benefits for our Company.

Directors, Supervisors and Management's Indemnification

Upon approval at the 2013 general meeting that was held on May 14, 2014, we continued to purchase liability insurance for our Directors, supervisors and senior officers with coverage of up to US\$15 million.

Audit Committee of the Board of Directors

Upon approval at the first meeting of the sixth session of the Board of Directors held on May 14, 2014, the Company set up our audit committee of the sixth session of the Board of Directors. The audit committee is mainly responsible for ensuring the independence of the Company's independent auditors to maintain the integrity of audits, ensuring the efficiency of audit procedures, proposing the appointment or replacement of independent auditors; reviewing the accounting policies of the Company, the disclosure of the financial information and the procedures for preparing financial reports; and reviewing the Company's internal control and risk management systems. The audit committee comprises four independent non-executive Directors, namely Mr. JIA Shaohua, Mr. WANG Lijie, Mr. WANG Xiaojun, Mr. XUE Youzhi, and one employee Director, Mr. JIANG Qingquan. Mr. JIA Shaohua serves as the chairman of the audit committee.

The details of the responsibilities of the audit committee can be found on our Company's website. We also filed the responsibilities of the audit committee with the SSE, the Hong Kong Stock Exchange and the SEC.

The members of the audit committee of our Board of Directors are:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Ownership of Shares</u>
JIA Shaohua	64	Independent non-executive Director, chairman of the audit committee	—
WANG Lijie	62	Independent non-executive Director	—
WANG Xiaojun	60	Independent non-executive Director	—
XUE Youzhi	50	Independent non-executive Director	—
JIANG Qingquan	51	Employee Director	—

In 2014 and up to March 31, 2015, the audit committee held 4 meetings: on March 18, 2014, August 21, 2014, December 12, 2014 and January 13, 2015.

As a foreign private issuer, we rely on the exemption under Section 303A.00 of the NYSE Listed Company Manual as well as affiliated director and employee director exemptions as provided under Rule 10A-3 of the Exchange Act to be in compliance with the audit committee standards set out in Section 303A.06 of the NYSE Listed Company Manual. See "Item 16D. Exemptions from the Listing Standards For Audit Committees."

Remuneration Committee

The remuneration committee of the sixth session of the Board of Directors was set up following approval from the Board of Directors at the first meeting of the sixth session of the Board of Directors held on May 14, 2014. The primary duties of our remuneration committee as set out in the committee charter include drafting and establishing a compensation policy for our directors, supervisors, and the senior officers and making recommendations on the compensation for our directors, supervisors and senior officers. Further details on the responsibilities of the remuneration committee can be found on our website. We also filed the responsibilities of the compensation committee with the SSE, the Hong Kong Stock Exchange and the SEC.

The remuneration committee is comprised of three members: two independent non-executive Directors, namely Mr. XUE Youzhi and Mr. WANG Xiaojun, and one employee Director, namely Mr. JIANG Qingquan. Mr. XUE Youzhi was elected to serve as the chairman of the remuneration committee.

The remuneration committee convened one meeting in 2014. The meeting of the remuneration committee was held on March 20, 2014, on which the following resolutions were formed: (1) reviewed and approved the Proposal regarding the Remuneration of the Directors, Supervisors and Senior Management for 2014; and (2) reviewed and approved the Remuneration Standards and Operation Assessment Methods for the Directors, Supervisors and Senior Management.

Nomination Committee

Pursuant to approval granted at the first meeting of the sixth session of the Board of Directors held on May 14, 2014, we established the nomination committee of the sixth session of the Board of Directors. The main duties of the nomination committee include (i) considering and formulating the selection criteria and procedures for directors and managers and making recommendations; (ii) extensively searching for suitable candidates of directors and managers for the Company and making recommendations to the Board of Directors; (iii) reviewing the candidates for directors and managers for recommendation to the Board of Directors regarding proposed appointments and succession of directors and managers for recommendation to the Board of Directors; and (iv) assessing the independence of independent non-executive Directors. Further details on the responsibilities of the nomination committee can be found on our website. We also filed the responsibilities of the nomination committee with the SSE, the Hong Kong Stock Exchange and the SEC.

The nomination committee is comprised of three Directors, namely Mr. LI Xiyong, Mr. WANG Xiaojun and Mr. WANG Lijie. Mr. WANG Xiaojun serves as the chairman of the nomination committee.

In 2014 and up to March 31, 2015, the nomination committee held 3 meetings on March 18, 2014, August 22, 2014, December 18, 2014.

Strategy and Development Committee

Pursuant to approval granted at the first meeting of the sixth session of the Board of Directors held on May 14, 2014, we established the strategy and development committee of the sixth session of the Board. The main duties of the strategy and development committee include: (i) conducting studies and making proposals regarding the long-term development strategy and significant investment decisions of the Company; (ii) conducting studies and making proposals regarding the annual strategic development and operating plans; (iii) supervising the implementation of the Company's strategic and operating plans; and (iv) conducting studies and making proposals regarding other significant issues impacting the development of the Company. The strategy and development committee consists of five Directors, namely Mr. LI Xiyong, Mr. YIN Mingde and Mr. XUE Youzhi. Mr. LI Xiyong serves as the chairman.

The members of strategy and development committee, Mr. Li Xiyong, Mr. Zhang Xinwen, Mr. Yin Mingde and Mr. Xue Youzhi attended a meeting of the strategy and development committee held on December 12, 2014. The resolutions formed in the meeting were as follows:

- reviewed the operating strategy of the Company for 2015-2025; and
- reviewed the plan of production and operation and the plan of capital expenditure of the Company for 2015 and agreed to submit it to the Board for approval.

Supervisory Committee

Supervisors serve a term of three years and attend board meetings. The Supervisory Committee is accountable to shareholders and exercises the following duties in accordance with the applicable laws:

- reviewing our periodic reports as prepared by the Board of Directors and providing written comments;
- reviewing our financial position;
- supervising the directors and senior officers and proposing a removal of a director or a senior officer who has contravened any law, administrative regulation, our Articles of Association or resolutions passed at a shareholders' general meeting;
- demanding any director or any senior officer who acts in a manner which is harmful to our interest to rectify such behavior;
- verifying financial information such as financial reports, business reports and profit distribution plans to be submitted by the Board of Directors to Shareholders' general meetings and authorizing, in the Company's name, publicly certified and practicing accountants to assist in the reexamination of such information should any doubt arise in respect thereof;
- proposing the convening of Shareholders' extraordinary general meetings and extraordinary board meetings. Where the board of directors fails to convene or hold the general meeting of shareholders in accordance with the provisions of the Company Law of the PRC, convening and conducting the shareholders' general meeting;
- making proposals at the Shareholders' general meetings;

- representing the Company in proceedings against a director or senior officers in accordance with relevant sections of the Company Law of the PRC;
- conducting investigations of any identified irregularities in the Company’s operations; and
- performing other functions and powers specified in our articles of association.

Our Supervisory Committee currently consists of six members, namely Mr. SHI Xuerang, Mr. ZHANG Shengdong, Mr. GU Shisheng, Mr. GUO Jun, Mr. CHEN Zhongyi and Ms. ZHEN Ailan. As approved by the first meeting of the sixth session of the Supervisory Committee of the Company on May 14, 2014, Mr. SHI Xuerang and Mr. ZHANG Shengdong were elected as chairman and vice chairman of the Supervisory Committee of the Company, respectively.

Corporate Governance

As of December 31, 2014, the Yankuang Group and its wholly owned subsidiary directly held 2.78 billion Shares, representing 56.52% of our total shares as of the same date. As the Yankuang Group directly holds more than 50% of our voting power, we are a “controlled company” under Section 303A.00 of the NYSE Listed Company Manual. As a result, we are not required to establish a Nomination Committee or Corporate Governance Committee under Sections 303A.04 and 303A.05 of the NYSE listing rules. Although we have established a Nomination Committee, we have not established a Corporate Governance Committee. For details related to our corporate governance, please refer to “Item 16G — Corporate Governance”.

Arrangement to Purchase Equity or Debt Securities and Other Arrangements

At no time during the year ended December 31, 2014 were we, our Controlling Shareholder or any of the Yankuang Group’s subsidiaries a party to any arrangement that enabled our Directors or supervisors to acquire benefits through the acquisition of any securities, including our equity or debt securities, with the exception of the A Shares issued to certain of our Directors, supervisors and senior management.

There is no arrangement or understanding between any Director and any major shareholder, customer or supplier in connection with the selection of such Director.

Service Contracts of Directors and Supervisors

Each of our Directors and supervisors has entered into a service contract with us. Under those contracts, the salaries and discretionary year-end bonuses paid to the Directors and supervisors, are proposed by the Board of Directors and approved by our shareholders at general meetings. The discretionary year-end bonuses paid to our Directors and other employees (including, but not limited to, our supervisors and senior officers) in any given year may not, in aggregate, exceed 1% of our net profit (after taxation and extraordinary losses, but before extraordinary gains) for that year.

No Director or supervisor has entered into any service contract with our Company which cannot be terminated by us within one year without payment other than statutorily mandated payments.

D. Employees

General

The table below sets forth the number of our employees by function as of the dates indicated:

	As of December 31,		
	2012	2013	2014
Coal production employees	42,991	45,262	42,396
Engineers and technicians	4,665	4,911	4,494
Management and administrative personnel	5,676	5,976	5,360
Support staff	16,049	16,897	15,943
Total	69,381	73,046	68,193

The table below sets forth a breakdown of our employees by location as of December 31, 2014:

<u>Location</u>	<u>Employees</u>	<u>% of Total</u>
PRC		
Shandong	62,638	91.85%
Shanxi	873	1.28%
Shaanxi	1,201	1.76%
Inner Mongolia	1,446	2.13%
Australia	2,027	2.97%
Canada	8	0.01%
Total	<u>68,193</u>	<u>100%</u>

As of the date of this annual report, all of our employees are employed under employment contracts which specify the employee's position, responsibilities, remuneration and permissible grounds for termination. We have a labor union that protects employees' rights, aims to assist in the achievement of our economic objectives, encourages employee participation in management decisions and assists in mediating disputes between union members and us. Each of our operating units has a labor union. We have not experienced any strikes or other labor disturbances that have interfered with our operations, and we believe that we maintain strong relationships with our employees.

Domestic Employees

The total remuneration of our domestic employees includes wages and allowances. The compensation of a domestic employee directly involved in underground mining is based on the employee's productivity, as well as the productivity of the employee's mining team. Our domestic employees and their families also receive certain social welfare benefits and logistics services indirectly through the Yankuang Group. These benefits are provided in some cases by the Yankuang Group as required by PRC laws, rules and regulations. We, in turn, pay the Yankuang Group for such benefits.

According to the Provision of Insurance Fund Administrative Services Agreement and the annual caps from 2012 to 2014, the Yankuang Group will provide free management services for the contributions that we make to an endowment insurance fund, basic medical insurance fund, supplementary medical insurance fund, unemployment insurance fund and maternity insurance fund for our employees. We paid an aggregate of approximately RMB1,187.8 million to the above listed insurance funds in 2014.

Each of our domestic employees, including our directors, supervisors, executive officers and senior management currently pays a percentage of his or her salary as an additional pension contribution. Upon retirement, our domestic employees are entitled to pension payments under the pension plan. In 2012 and 2013, we paid pension contributions for our directors, supervisors, executive officers and senior management of approximately RMB1,241,000 and RMB1,020,000, respectively. In 2014, we paid pension contributions for current directors, supervisors and senior management for approximately RMB1,233,000 and resigned directors, supervisors and senior management of approximately RMB540,000.

All domestic employees who are unable to work due to illness or disability are entitled to certain benefits during the period of their absence from work. In addition, the PRC government requires us to provide casualty and life insurance for each domestic employee who works underground in mining sites through work injury funds. We contribute an amount to the work injury fund equivalent to 2% of each employee's total remuneration the prior year.

Medical insurance plan

In accordance with the relevant regulations of the Shandong Provincial Government, since 2002, we have established a basic medical insurance plan for domestic employees, which comprises basic medical insurance and supplementary medical insurance plans.

We set aside 6% and 4% of the total wages of each employee to a basic medical insurance fund and supplementary medical insurance, respectively. Production personnel's supplementary medical insurance was recorded in our statement of income as "Wages and Employee Benefits" under "Cost of Sale and Service Provided," while management and administrative personnel's supplementary medical insurance was recorded under "Selling, General and Administrative Expenses."

Housing plan

Under the Labor and Service Supply Agreement, the Yankuang Group is partly responsible for providing housing accommodations to our domestic employees. We and the Yankuang Group share the incidental expenses relating to the provision of housing accommodation on a pro rata basis based upon our respective number of employees and other negotiations. Such expenses amounted to approximately RMB137.2 million, RMB80.0 million and RMB137.2 million for 2012, 2013 and 2014, respectively.

Since 2002, we have paid each of our domestic employees a housing allowance, which is calculated based on a fixed percentage of each domestic employee's wage, to assist domestic employees in their purchase of residential housing. In 2012, 2013 and 2014, we paid an aggregate of approximately RMB522.0 million, RMB619.0 million and RMB423.3 million, respectively, for our domestic employees' housing allowances.

Australian Employees

Pursuant to applicable Australian laws and regulations, we provide our Australian employees a base salary and also make contributions to our Australian employees' benefits fund. Upon retirement, our Australian employees are entitled to receive payments from the benefits fund. In addition, we maintain commercial medical insurance policies for our Australian employees to cover their medical and additional expenses.

E. Share Ownership

No Director, supervisor or member of senior management owns more than 1% of our outstanding shares. We have not entered into any arrangement that enables any of our Directors, supervisors or other executive officers to purchase securities issued by us or other institutions. See "Item 6. Directors, Supervisors, Senior Management and Employees — A. Directors, Supervisors and Senior Management".

We have not had and have no plan to grant options for our Shares or other equity-linked securities to our employees. We have not had and have no plan to implement any share bonus scheme for employees.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

As of December 31, 2014, the Yankuang Group and its wholly owned subsidiary owned 2.78 billion shares of the Company, representing 56.52% of our share capital. As a majority shareholder, the Yankuang Group is able to make most of the decisions reserved for shareholders.

The following table sets forth certain information regarding ownership of our capital stock as of December 31, 2014 by all persons who are known by us to own beneficially more than 5% of our capital stock.

<u>Shareholder</u>	<u>Shares Owned</u>	<u>Percentage (%)</u>
Yankuang Group ⁽¹⁾⁽²⁾	2,600,000,000	52.86
HKSCC Nominee Limited ⁽³⁾⁽⁴⁾	1,949,403,499	39.63

- (1) Ordinary Shares in the form of legal person shares.
- (2) Yankuang Group is 100% held by SASAC of the Shandong Provincial Government.
- (3) Ordinary Shares in the form of H Shares.
- (4) As the nominee of the clearing and settlement agent for our H Shares, HKSCC Nominee Limited is the record holder of our H Shares.

The following table sets forth the substantial shareholders' interests and short positions in our shares as of December 31, 2014.

<u>Name of substantial shareholders</u>	<u>Class of shares</u>	<u>Capacity</u>	<u>Number of shares held (shares)</u>	<u>Nature of interest</u>	<u>Percentage in the H Share capital of the Company</u>	<u>Percentage in total share capital of the Company</u>
Yankuang Group ⁽¹⁾	H share	Interest of controlled corporations	180,000,000	Long positions	9.19%	3.66%
BlackRock, Inc.	H share	Interest of controlled corporations	121,441,511	Long positions	6.20%	2.47%
Templeton Asset Management Ltd.	H share	Investment manager	36,188,000	Short positions	1.85%	0.74%
			255,382,101	Long positions	13.04%	5.19%
		Beneficial owner	45,555,897	Long positions	2.33%	0.93%
JP Morgan Chase & Co.	H share	Investment manager	24,250,037	Short positions	1.23%	0.49%
		Custodian corporation/approved lending agent	2,000	Long positions	0.00%	0.00%
BNP Paribas Investment Partners SA	H share	Investment manager	70,404,747	Long positions	3.59%	1.43%
			117,641,207	Long positions	6.00%	2.39%

- (1) Yankuang Group's wholly-owned subsidiary incorporated in Hong Kong holds such H shares in the capacity of beneficial owner.
- (2) The percentage figures above have been rounded off to the nearest second decimal place.
- (3) Information disclosed hereby is based on the information available on the website of Hong Kong Stock Exchange at www.hkex.com.hk.

Except as described in the table above, we are not aware of any holder of more than 5% of any class of our shares. Our major shareholders do not have voting rights different from those of other shareholders. All of our ordinary shareholders enjoy equal voting rights for each share that they hold.

To our knowledge, other than the Yankuang Group, which directly and indirectly owned 56.52% of our shares as of December 31, 2014, we are not owned or controlled, directly or indirectly, by any other corporation, government, or other natural or legal person or persons, jointly or severally. We are not aware of any arrangement which may at a subsequent date result in a change of control over us.

B. Related Party Transactions

Our connected transactions (as defined under the Hong Kong Listing Rules) were mainly made with the Controlling Shareholder (including its subsidiaries) for the provision of materials and services, giving rise to the continuing connected transactions (as defined under the Hong Kong Listing Rules) described below, and asset purchase transactions.

Continuing Connected Transactions

Upon our restructuring for listing, the Controlling Shareholder, the Yankuang Group, injected its major assets and business relating to coal production and operations into the Company, while the Yankuang Group continues to provide products, materials, services and logistics support services to the Company through its remaining businesses and utilizing its remaining assets. In addition, Yankuang Group Finance Company Limited (“Yankuang Finance”), a joint venture established by the Yankuang Group, China Credit Trust Co., Ltd. and the Company, started to provide financial services after its commencement of operation in November 2010. As both the Yankuang Group and the Company are located in Zoucheng City of Shandong Province, we are able to obtain a steady supply of materials, ancillary support services, financial and other services from the Yankuang Group, which may minimize the operational risks, financing costs and financing risks and in turn have a positive impact on our results of operations. In addition, the Yankuang Group purchases products and materials from us at market price, which may secure part of our sales market. Therefore, the continuing connected transactions are necessary and will continue.

At the 2011 annual general meeting held on June 22, 2012, five continuing connected transaction agreements, namely, the “Provision of Material Agreement”, “Provision of Labor and Services Agreement”, “Provision of Insurance Fund Administrative Services Agreement”, “Provision of Products, Materials and Equipment Lease Agreement” and “Provision of Electricity and Heat Agreement”, together with the annual caps for such transactions for the years of 2012 to 2014 had been approved. At the 2013 annual general meeting held on May 14, 2014, the Company approved the amendments to the annual cap for the transactions under “Provision of Products, Materials and Equipment Leasing Agreement” for 2014. The main ways to determine transaction price include state price, market price and reasonable pricing. State price has priority when available; Market price is applied when the state price is not available; Reasonable pricing (reasonable cost plus reasonable profits) is applied when neither state price nor market price is available. The charge for supplies can be settled in one lump sum or by instalments. The continuing connected 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.

At the twentieth meeting of the fifth session of the Board held on March 21, 2014, the Company considered and approved the “Financial Services Agreement” and “Provision of Specific Labor and Services Agreement”. The parties of “Financial Services Agreement” agreed on the terms of the continuing connected transactions including the deposits, borrowings, settlement and the annual cap for the transaction for 2014. The rates for the fees to be charged by Yankuang Finance for the financial services to be provided to the Group shall be no more than those charged by the major commercial banks in the PRC for the provision of comparable financial services to the Group. Risk control measures were formulated to ensure the safety of the funds by regulations. Pursuant to the “Provision of Specific Labor and Services Agreement”, the Group has agreed to provide professional services including coal washing and processing services and operation of coal mines services to Yankuang Group and the annual cap for the transactions for 2014. The fees to be charged by the Group for such services to be provided to the Yankuang Group shall be subject to the market price or state prescribed pricing.

The continuing connected transactions between our Company and the Controlling Shareholder for 2013 and 2014 included the following:

Continuing Connected Transaction of Supply of Products and Services under the Materials Supply Agreement, Supply of Labor and Services Agreement, Coal Products and Materials Supply Agreement and Electricity and Heat Energy Supply Agreement

The following table sets forth the amounts of goods and services sold and purchased between our Company and Yankuang Group pursuant to the Materials Supply Agreement, the Supply of Labor and Services Agreement, the Coal Products and Materials Supply Agreement and the Electricity and Heat Energy Supply Agreement for 2013 and 2014.

	For the Year Ended December 31,			
	2013		2014	
	Amount (RMB'000)	% of operating income	Amount (RMB'000)	% of operating income
Sales of goods and rendering of services by the Group to the Controlling Shareholder	3,406,644	5.80	3,044,394	4.76
Sales of goods and rendering of services by the Controlling Shareholder to the Group	2,502,843	4.26	2,997,963	4.69

Note: The listed figures are under CASs.

The table below shows the effect on profits from sales of coal by the Group to the Controlling Shareholder in 2014:

	Sales income (RMB'000)	Operation cost (RMB'000)	Gross profit (RMB'000)
Coal sold to the Controlling Shareholder	2,287,541	1,819,203	468,338

Note: The listed figures are under CASs.

Continuing Connected Transaction of Insurance Fund

Pursuant to the Provision of Insurance Fund Administrative Services Agreement, the Controlling Shareholder shall provide free management and handling services for the Group's endowment insurance fund, basic medical insurance fund, supplementary medical insurance fund, unemployment insurance fund and maternity insurance fund (the "Insurance Fund"). The actual amount of the Insurance Fund paid by the Group for the year ended December 31, 2014 was RMB1,187.8 million.

Continuing Connected Transaction under the Financial Services Agreement

Pursuant to the "Financial Services Agreement", as of December 31, 2014, the balance of deposit and loan of the Group in Yankuang Finance was RMB927.3 million and RMB337.7 million, respectively. In 2014, the Group paid financial service charge of RMB100,000 to Yankuang Finance.

Details of the annual transaction cap for 2014 and the actual transaction amounts in 2014 for the above continuing connected transactions are shown in the following table.

Type of connected transaction	Agreement	Annual transaction cap for the year 2014 (RMB'000)	Value of transaction for the year 2014 (RMB'000)
Material and facilities provided by Yankuang Group	Provision of Materials Supply Agreement	1,312,750	1,286,869
Labor and services provided by Yankuang Group	Provision of Labor and Services Agreement	2,659,943	1,711,095
Pension fund management and payment services provided by Yankuang Group (free of charge) for the Group's staff	Provision of Insurance Fund Administrative Services Agreement	1,907,200	1,187,804
Sale of products, material and equipment lease provided to Yankuang Group	Provision of Products Material and Equipment Leasing Agreement	5,315,900	2,925,894
Power and heat provided to Yankuang Group	Provision of Electricity and Heat Agreement	268,800	114,163
Professional services including coal washing and processing services and operation of coal mines services provided to Yankuang Group	Provision of Specific Labor and Services Agreement	102,800	4,337
Financial services provided by Yankuang Group	Provision for Financial Services Agreement		
– deposit balance		930,000	927,255
– comprehensive credit facility services		1,000,000	337,715
– settlement services fees		7,450	100

The table below sets forth the continuing connected transactions that we conducted with Yankuang Group or its subsidiaries during the periods indicated:

	Year Ended December 31,		
	2012 (RMB'000)	2013	2014
Sales Income			
Sales of coal	3,162,122	2,839,839	2,287,541
Sales of auxiliary materials	425,957	328,732	510,432
Sales of heat and electricity	167,295	111,675	114,163
Sales of methanol	47,909	126,398	127,921
Services of coal mines operation	—	—	4,337
Total	3,803,283	3,406,644	3,044,394
Expenditure			
Utilities and facilities	35,906	19,406	29,777
Purchases of supply materials and equipment	1,552,758	1,196,372	1,286,869
Repair and maintenance services	327,600	266,849	238,110
Social welfare and support services	802,540	483,783	822,793
Road transportation services	67,654	14,119	19,567
Construction services	689,787	522,314	600,847
Total	3,476,245	2,502,843	2,997,963

Opinions of the Independent Non-executive Directors

The Company's independent non-executive Directors have reviewed our continuing connected transactions with the Controlling Shareholder for the year 2014 and confirm that all such connected transactions have been: (i) entered into by us in our ordinary and usual course of business; (ii) conducted either on normal commercial terms, or where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to 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. The independent directors also confirmed that transaction amount of each of the above continuing connected transactions did not exceed their respective annual caps for 2014 as approved by independent shareholders and the board of directors.

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 the approval of the Board; (2) are in accordance with the pricing policies of the Company; (3) have been entered into in accordance with the relevant agreement governing the transactions; and (4) have not exceeded the relevant annual caps.

Amendments to Continuing Connected Transactions Agreements

At the second extraordinary general meeting of the Company held on December 12, 2014, five continuing connected transaction agreements, namely, the "Provision of Material Supply Agreement", "Mutual Provision of Labor and Services Agreement", "Provision of Insurance Fund Administrative Services Agreement", "Provision of Products, Materials and Equipment Leasing Agreement" and "Provision of Electricity and Heat Agreement", together with the annual caps for such transactions for the years of 2015 to 2017 had been approved. The main ways to determine transaction price include state price, market price and actual cost pricing. State price has priority when available; Market price is applied when the state price is not available; actual cost pricing is applied when neither state price nor market price is available. The charge for transaction can be settled in one lump sum or by instalments. The continuing connected 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.

At the seventh meeting of the sixth session of the Board held on March 27, 2015, the Company considered and approved that: (i) the Company and Yankuang Group Finance Co., Ltd. entered into "Financial Services Agreement" and determined the annual cap for such transaction for the period from April 1, 2015 to March 31, 2016, applying state-prescribed price as the main pricing way. (ii) the Company and Shandong Yankuang Security Service Co., Ltd. signed "Coal Train Escort Services Agreement", determining the annual cap for such transaction for the period from February 1, 2015 to March 31, 2016 and applying reasonable cost plus reasonable profits as the main ways to determine transaction price.

Debt and Debt Obligations Between the Controlling Shareholder and Our Company

The table below sets forth our balances due from/to the Controlling Shareholder.

<u>Related Parties</u>	<u>Receivable from related parties</u>			<u>Payable to related parties</u>		
	<u>Balance at the beginning</u> <u>(RMB '000)</u>	<u>Amount occurred</u>	<u>Closing balance</u>	<u>Balance at the beginning</u>	<u>Amount occurred</u>	<u>Closing balance</u>
Yankuang Group	556,159	9,317,572	1,457,183	1,111,496	4,743,412	1,565,289

Amounts due to the Controlling Shareholder and Its Subsidiaries

For the details of the amounts due to the Controlling Shareholder and its subsidiaries, please refer to “Item 5 — Operating and Financial Review and Prospects — F. Contractual Obligations — Amounts due to the Controlling Shareholder and Its Subsidiaries.” As of December 31, 2014, the Controlling Shareholder or its subsidiaries had not used our funds for nonoperational matters.

Transactions / Balances with Other State-owned Entities in the PRC

We operate in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government (“state-owned entities”). In addition, our Controlling Shareholder is also a state-owned entity. Apart from the transactions with the Controlling Shareholder and its subsidiaries and other disclosure disclosed above, we also conduct business with other state-owned entities. Our Directors consider those state-owned entities as independent third parties so far as our business transactions with them are concerned.

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

	<u>Year Ended December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u> <u>(RMB'000)</u>
Trade sales	10,503,203	5,986,611	4,518,295
Trade purchases	4,500,994	5,078,834	1,357,757

Material balances with other state-owned entities are as follows:

	<u>As of December 31,</u>	
	<u>2013</u>	<u>2014</u> <u>(RMB'000)</u>
Amounts due from other state-owned entities	804,906	440,387
Amounts due to other state-owned entities	328,474	201,797

In addition, we have entered into various transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institutions that are state-owned entities in the ordinary course of business. In view of the nature of those banking transactions, our Directors are of the opinion that separate disclosures are not be necessary.

Except as disclosed above, our Directors are of the opinion that transactions with other state-owned entities are not significant to our operations.

Interest of Management in Certain Transactions

None of the Directors or supervisors or executive officers had, either directly or indirectly, any material interest in any significant material contract to which we were a party during the year ended December 31, 2014.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Financial Statements

You should read “Item 18. Financial Statements” for information regarding our audited consolidated financial statements and other financial information.

Significant Legal Proceedings and Arbitration

The Dispute Arbitration in relation to the Performance of the Contract Execution between Shanxi Nenghua and Shanxi Jinhui Coke Chemical Co., Ltd.

In February 2005, Shanxi Nenghua entered into an asset swap contract and a material supply contract with Shanxi Jinhui Coke Chemical Co., Ltd. (“Shanxi Jinhui”), according to which, Shanxi Jinhui shall compensate Tianhao Chemical, the subsidiary of Shanxi Nenghua, its actual losses if Shanxi Jinhui fail to provide the land for lease, gas, water, electricity supply and rail transportation for the establishment and production of Tianhao Chemical. In addition, Shanxi Jinhui shall compensate Shanxi Nenghua not less than its total investment in Tianhao Chemical as well as the interest on bank loans over the same period, if Tianhao Chemical is unable to operate continually caused by Shanxi Jinhui’s default.

Shanxi Jinhui failed to fulfill its contractual obligations to provide gas, coarse coal and land supply and unilaterally suspended the gas supply. As a result, Tianhao Chemical was unable to operate continually and subsequently ceased production of methanol in April 2012. In September 2013, Shanxi Nenghua submitted the arbitration application to the Beijing Arbitration Commission for a total compensation of RMB 798.8 million in accordance with the contracts.

In October 2013, Shanxi Nenghua submitted an application for property preservation to the People’s Court of Xinghualing District, Taiyuan City, Shanxi Province, according to which, 39% of equity interest of Shanxi Jinhui Longtai Coal Co., Ltd. held by Shanxi Jinhui has been frozen and blocked. As of the date of this annual report, the case has not yet been decided.

Litigation on Coal Sales Contract between Zhongxin Daxie Fuel Co., Ltd. and the Company

The Company was named as the defendant in a civil litigation brought by Zhongxin Daxie Fuel Co., Ltd. (“Zhongxin Daxie”) at the Shandong Provincial Higher People’s Court in September 2013, for breach of contract. Zhongxin Daxie sued for termination of the coal sales contract it entered with us, return of payments for goods and a compensation of RMB163.6 million as we failed to perform the duty of delivering goods pursuant to the coal sales contract.

We have delivered coal products to the third party designated by Zhongxin Daxie after execution of the contract and Zhongxin Daxie has settled the payment with the Company. All obligations have been fulfilled in accordance with the contract.

It was the first instance judgment of the Shandong Provincial Higher People’s Court that Zhongxin Daxie’s claim was rejected and the litigation fee of RMB0.9 million shall be borne by Zhongxin Daxie. On June 30, 2014, we received the Notice of Appearance on Appeal from the Supreme People’s Court of the People’s Republic of China (the “Supreme People’s Court”), the Supreme People’s Court has decided to accept Zhongxin Daxie’s appeal of judgment of the first instance judgment of the litigation.

As of the date of this annual report, the case has not yet been decided. Based on the information we currently have, we cannot estimate the outcome of this and no contingent liability has been provided for in our consolidated financial statements.

Investigation on the incident at Austar Coal Mine

On April 15, 2014, an underground incident occurred at Austar Coal Mine and two employees died. The investigation by the Mine Safety Office of the DTIRIS to determine the cause of the incident is ongoing. As of the date of this annual report, the cause of the incident has not been determined and we are working with DTIRIS investigators to that end.

We were not involved in any other significant litigation or arbitration during the reporting period other than as disclosed above or elsewhere in this annual report.

Dividend Policy

Pursuant to approval granted at the 2013 annual general meeting held on May 14, 2014, the Company amended the terms of the Articles of Association relating to profit distribution.

According to our Articles of Association, we shall maintain the continuance and stability of our profit distribution policy. Pursuant to our Articles of Association, our after-tax profit shall be allocated in the following order: (1) compensation of losses (if our statutory common reserve fund is not sufficient to compensate our losses from the previous year, we will utilize our after tax profit to compensate our losses before making any provision for the statutory common reserve fund) (2) allocation to the statutory common reserve fund; (3) allocation to the discretionary common reserve fund upon approval by a resolution of a shareholders' general meeting; and (4) dividend payments for ordinary shares.

The calculation of profit after tax of our Company for an accounting year was based on the financial statements prepared in accordance with the CASs, IFRS or overseas accounting standard under which the shares were traded. We will choose the lowest profit after tax under the above accounting policies when paying the dividend. The dividends shall be paid in the form of cash, shares or a combination of cash and shares. In the event that conditions for distribution of cash dividend are met, cash dividend shall be distributed prior to share dividend. Final dividends shall be paid once a year. The shareholders shall by way of an ordinary resolution authorize the Board to declare and pay final dividends. We may distribute interim cash dividends upon obtaining approval from the board of directors and the shareholders at general meeting. There should at least be a six-month accounting period interval when we distribute cash dividends. On the premise of securing our 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, our cash dividends shall account for approximately 35% of our Company's net profit after statutory reserve for that particular year, unless we have scheduled significant investments or significant cash requirements. On the premises that our operations are in good condition and that the Board considers the distribution of share dividends is beneficial to the overall interest of all shareholders of our Company due to a mismatch between our Company's stock price and its scale of share capital and in other necessary circumstances, we may distribute dividends in the form of shares.

The Company's dividend distribution plan was approved at the 2013 annual general meeting on May 14, 2014 to distribute cash dividends of RMB0.02 per share (tax inclusive) for 2013. As of the date of this annual report, the 2013 dividends have been distributed to the Shareholders.

B. Significant Changes

We have not experienced any significant changes since the date of the consolidated financial statements in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

The following tables set forth a summary of the issuance of our Shares:

	H Shares			A Shares	
	Initial offering	Second offering	Third offering	Initial offering	Second offering
Time of issuance	March 1998	May 2001	July 2004	June 1998	January 2001
Issue amount	850,000,000	170,000,000	204,000,000	80,000,000	100,000,000

As of December 31, 2014, our share capital structure was as follows:

Type	Number of shares	Percentage to total shares
Listed shares with restricted trading condition	20,000	0.0004%
A Shares held by our Directors, supervisors and executive officers	20,000	0.0004%
Listed shares without trading moratorium	4,918,380,000	99.9996%
A Shares	2,959,980,000	60.1818%
H Shares	1,958,400,000	39.8178%
Total	4,918,400,000	100.0000%

As of December 31, 2014, we had 20,000 listed Shares that were subject to trading restrictions, all of which are held by our Directors, supervisors and executive officers.

Capitalization of Capital Reserve and Our Capital Structure:

Our total Shares and shareholding structure remained the same in 2014.

The table below sets forth certain market information relating to the H Shares, ADSs and A Shares for the periods indicated:

	Price per H Share (HK\$)		Price per ADS (US\$)		Price per A Share (RMB)	
	High	Low	High	Low	High	Low
Annual highs and lows						
2009	17.34	4.00	22.32	5.11	26.15	8.40
2010	25.25	14.00	32.26	18.29	33.65	14.88
2011	32.95	13.72	41.89	17.49	39.50	20.38
2012	20.15	9.92	25.81	12.64	26.54	15.08
2013	14.48	5.13	18.57	6.68	20.18	5.91
2014	7.29	4.91	9.31	6.32	14.00	5.91
Quarterly highs and lows						
2012						
First quarter	20.15	15.72	25.81	20.56	26.54	20.61
Second quarter	17.48	11.60	22.32	14.68	25.66	18.38
Third quarter	13.78	9.92	17.57	12.64	19.76	16.91
Fourth quarter	13.16	11.00	17.11	14.16	19.30	15.08
2013						
First quarter	14.48	10.32	18.57	9.23	20.18	14.47
Second quarter	10.56	5.46	13.77	7.05	17.25	9.01
Third quarter	8.37	5.13	10.74	6.68	11.59	8.76
Fourth quarter	8.74	7.04	11.26	9.08	11.56	8.66
2014						
First quarter	7.12	4.91	8.60	6.32	8.88	5.91
Second quarter	6.68	5.66	8.36	7.26	8.03	5.93
Third quarter	7.08	5.70	9.13	7.31	9.14	6.58
Fourth quarter	7.29	6.03	9.31	7.75	14.00	8.05
Monthly highs and lows						
2014						
October	6.61	6.03	8.42	7.75	9.40	8.05
November	7.29	6.18	9.31	7.96	10.63	8.70
December	7.27	6.25	9.27	7.97	14.00	10.15
2015						
January	7.07	6.18	9.04	7.88	15.45	13.02
February	6.46	6.12	8.24	7.83	13.75	12.38
March	6.63	6.08	8.36	7.76	15.62	12.32
April (through April 10, 2015)	9.10	6.65	12.23	8.55	16.75	15.59

As of December 31, 2014, a total of 1,958.4 million H Shares were outstanding, of which approximately 69,521,810 H Shares or 3.5% of the outstanding H Shares, were held in the form of 6,952,181 ADSs. The outstanding ADSs were held collectively by 97 holders of record as of December 31, 2014.

Repurchase, Sale or Redemption of H shares

The shareholders at the 2014 first A shareholders' meeting and the 2014 first H shareholders' meeting, and the 2013 Annual General Meeting, each of which was held on May 15, 2013, resolved and granted the Board of Directors a general mandate to (i) repurchase H Shares up to 10% of the outstanding H Shares as of the date of the resolutions' passage; and (ii) issue additional H shares up to 20% of the outstanding H Shares as of the date of the resolutions' passage. During the mandate period, the Board of Directors may exercise the mandate based on our interests and market conditions, subject to the approvals of the relevant regulatory authorities and in compliance with laws, regulations and the Articles of Association. As of the date of this annual report, the general mandate to repurchase H Shares or issue additional H Shares has not been exercised.

B. Plan of Distribution

Not applicable.

C. Markets

Our A Shares are listed on the Shanghai Stock Exchange under the approval of the China Securities Regulatory Commission. The principal trading market for the H Shares is the Hong Kong Stock Exchange. The ADSs have been issued by The Bank of New York Mellon, acting as Depositary Bank, and are listed on the New York Stock Exchange under the symbol “YZC”. For market price information on the exchanges on which our securities are listed, see “– A. Offer and Listing Details”.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Since the effective date of our Articles of Association, the PRC government and other regulatory authorities have promulgated various rules, regulations and opinions which include the Securities Laws of the PRC, the General Meeting Opinions, and the Guide for Articles of Association of Listed Companies. As a listed company, we are required to incorporate these rules, regulations and opinions into our Articles of Association as appropriate.

Selected Summary of our Articles of Association

A copy of the English translation of our Articles of Association was filed with the Commission as an exhibit to our registration statement on Form F-1 under the Securities Act in connection with the global offering of our H Shares and related American Depositary Shares in 1997. The following table sets forth the dates our Articles of Association were amended or filed with the Commission, or both:

<u>Date of Amendment to the Articles of Association</u>	<u>Filing</u>
April 22, 2002	Appendix to 2001 20-F
June 25, 2004	Appendix to 2003 20-F
July 8, 2004	Appendix to 2004 20-F
June 28, 2005	Appendix to 2005 20-F
August 22, 2005	
June 28, 2006	Appendix to 2006 20-F
November 10, 2006	
June 15, 2007	Appendix to 2007 20-F
January 30, 2008	Appendix to 2008 20-F
December 23, 2008	
June 26, 2009	Appendix to 2010 20-F
June 25, 2010	
February 18, 2011	
May 20, 2011	
April 23, 2012	Appendix to 2012 20-F/A
May 15, 2013	Appendix to 2013 20-F
May 14, 2014	Appendix to 2014 20-F

Objects and Purposes

We are a joint stock limited company established in accordance with the “Company Law”, “State Council’s Special Regulations Regarding the Issue of Shares Overseas and the Listing of Shares Overseas by Companies Limited by Share” and other relevant laws and administrative regulations of the State. We were established by way of promotion with the approval of the former State Commission for Restructuring the Economic System on September 24, 1997, as evidenced by approval document Ti Gai Sheng (1997) No. 154 of 1997. We were registered with and have obtained a business license from Shandong Provincial Administration Bureau of Industry and Commerce on September 25, 1997. Our business license number is: 370000400001016.

Our scope of business includes: selection and sale of coal (among others, the export of coal should be made through companies with coal export rights according to existing state regulations); transportation of goods through self-owned railways within the mining areas; transportation of goods through highways; operation of ports; manufacture, sale, lease and repair of relevant mining equipment; production and sale of other mining materials; sale and lease of electronic equipment and sale of parts; sale of metallic materials, electronic products, construction materials, timber, rubber products and methanol; provision of mining, science and technological services; property development within the mining areas, property leasing and provision of services such as dining and accommodation; production and sale of coal residual stones as construction materials; sale of coking coal and iron ore; import and export of goods and technology; warehousing; and automotive repairs.

Board of Directors

The Board of Directors is accountable to shareholders and exercises the powers granted to it by the Articles of Association.

Directors who are not employee representatives are elected or removed at shareholders’ general meetings. Employee directors are elected in staff representative meetings or by other democratic methods. All Directors are elected for a term of three years, which can be renewed by re-election at the expiry of the term, unless a Director is removed for cause during his term.

We have established a system of independent Directors and currently have four independent Directors. Independent Directors do not hold any positions in the Company other than their role as directors and do not maintain with us or our substantial shareholders a connection which may hamper their independent and objective judgment. In addition to the powers granted to Directors by the Company Law and other relevant laws, regulations and the Articles of Association, independent Directors have the following powers:

- (i) a majority of the independent Directors must agree to the engagement of substantial connected transactions, as determined in accordance with the standards promulgated from time to time by the regulatory organizations of the place where the Company’s shares are listed, and the appointment of accounting firm(s) before submitting such decisions to the Board of Directors;
- (ii) a majority of the independent Directors may call an extraordinary general meeting for the Board of Directors, propose a board meeting, and publicly collect proxy votes from shareholders before shareholders’ general meetings; and
- (iii) with the consent of a majority of the independent Directors, the independent Directors may independently engage external auditors and consultants to provide audit and consultation for specific Company matters, with the Company bearing the associated costs.

If the above recommendations are not accepted or the above powers cannot be exercised ordinarily, the Company shall disclose the circumstances accordingly.

Where a Director, supervisor or senior officer of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (other than his contract of service with the Company), he shall declare the nature and extent of his interests to the Board of Directors at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal therefore is otherwise subject to the approval of the board of directors. Unless the interested director, supervisor or senior officer discloses his interests in accordance with the preceding subparagraph of this Article and the contract, transaction or arrangement is approved by the board of directors at a meeting in which the interested director, supervisor or senior officer is not counted as part of the quorum and refrains from voting, a contract, transaction or arrangement in which that Director, supervisor or senior officer is materially interested is voidable at the instance of the Company except as against a bona fide party thereto who did not have notice of the breach of duty by the interested director, supervisor or senior officer.

Similarly, our Articles provide that when passing a resolution in relation to a connected transaction, or where any Director or any of its associates (as defined under the Listing Rules of the Stock Exchange of Hong Kong) is connected with such resolution, such connected director must recuse himself from the Board meeting, not have any voting rights in respect thereof, not exercise any voting right on behalf of other directors and not be counted as part of the quorum of the Board of Directors’ meeting. Such board meeting can be convened where not less than half of the disinterested directors of the Company attend the meeting and any such resolutions shall be passed by at least half of the disinterested directors of the Company. If less than three non-connected Directors attend the Board of Directors’ meeting, the connected transaction shall be submitted as a resolution at a shareholders’ general meeting of the Company.

Pursuant to our Articles of Association, with the approval of over two-thirds of all Directors, the Board of Directors may exercise its borrowing powers subject to the following guidelines:

- (1) a single loan of more than 10% and less than 25% of the Company's latest audited net asset value so long as the debt ratio to the Company's assets remains under 80% after such financing; and
- (2) mortgages or pledges of assets the cumulative outstanding amount of which is less than 30% of the Company's latest audited net asset value.

Remuneration of Directors are determined by resolution of the shareholders. The Articles of Association do not impose a mandatory retirement age or share ownership qualification on Directors.

Description of the Shares and Shareholder Rights

As of December 31, 2014, our share capital structure consists of 4,918,400,000 ordinary shares, comprising

- (1) 2,960,000,000 domestic shares, which represent 60.18% of our share capital, of which:
 - a. 2,600,000,000 shares, which represent 52.86% of our share capital, were directly held by the promoter, Yankuang Group Corporation Limited, and
 - b. 360,000,000 shares, which represent 7.32% of our share capital, were held by other shareholders; and
- (2) 1,958,400,000 foreign H shares, which represent 39.82% of our share capital, were held by the H Shares shareholders, among which:
 - a. 180,000,000 shares, which represent 3.66% of our share capital, were indirectly held by the promoter, Yankuang Group Corporation Limited through its wholly-owned subsidiary in Hong Kong, and
 - b. 1,778,400,000 shares, which represent 36.16% of our share capital, were held by other shareholders.

Holders of our ordinary Shares are entitled to share in the Company's profits, dividends and other distributions in proportion to the number of Shares held and are not liable for making any further contribution other than the subscription amount. Our ordinary shareholders enjoy the following rights:

- (i) the right to receive dividends and other distributions in proportion to the number of shares held;
- (ii) the right to demand the convening of a shareholders' meeting, convene a shareholders' meeting, attend or appoint a proxy to attend shareholders' meetings and to vote thereat;
- (iii) the right of supervisory management over our business operations and the right to present proposals or to raise queries;
- (iv) the right to transfer, grant or pledge shares so held in accordance with laws, administrative regulations and provisions of our Articles of Association;
- (v) the right to obtain relevant information in accordance with the provisions of our Articles of Association;
- (vi) in the event of our termination or liquidation, the right to participate in the distribution of our surplus assets in accordance with the number of shares held;
- (vii) for shareholders who disagree with the resolutions for the merger and separation of the Company made in a general meeting, the right to demand the Company to purchase their shares; and
- (viii) other rights conferred by laws, administrative regulations and our Articles of Association.

Voting Rights

Shareholders (including proxies), when voting at a shareholders' general meeting, may exercise such voting rights as are attached to the number of voting shares which they hold. Each Share represents one vote. Shares held by the Company do not have voting rights and these shares will not count as the total number of shares entitled to vote. Resolutions at shareholders' general meetings shall be divided into ordinary resolutions and special resolutions. An ordinary resolution must be passed by votes representing more than half of the voting rights represented by the shareholders (including proxies) present at the meeting. A special resolution must be passed by votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting.

Other than the obligations provided by the laws, administrative legislations and the listing rules of the stock exchange on which the Company's shares are listed, our Controlling Shareholder (as defined in the Articles) shall not exercise its voting rights to approve the following matters which will be prejudicial to the interests of all or some of the other shareholders.

- (i) to relieve a director or supervisor of his duty to act honestly in the best interests of the Company;

- (ii) to approve the expropriation by a Director or supervisor (for his own benefit or for the benefit of another person) of the Company's assets in any way, including (without limitation) opportunities which are beneficial to the Company; and
- (iii) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (without limitation) rights to distributions and voting rights (save pursuant to a restructuring which has been submitted for approval by the shareholders in a general meeting in accordance with these Articles of Association).

Sources of Shareholders' Rights

The rights and obligations of holders of H Shares and other provisions relating to shareholder protection are principally provided in the Articles of Association and the PRC Company Law. The Articles of Association incorporate mandatory provisions in accordance with the Mandatory Provisions for the Articles of Association of Companies Listed Overseas promulgated by the State Council Securities Commission and the State Restructuring Commission on August 27, 1994 (the "Mandatory Provisions"). We are further subject to management ordinances applicable to the listed companies in Hong Kong SAR and the United States, as our H Shares are listed on the Hong Kong Stock Exchange and the New York Stock Exchange (in the form of ADSs).

In addition, for so long as the H Shares are listed on the Hong Kong Stock Exchange, we are subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKSE Rules"), the Securities and Futures Ordinance of Hong Kong (the "SFO") and the Hong Kong Code on Takeovers and Mergers and Share Repurchases. The Listing Agreement between us and the Hong Kong Stock Exchange further provides that we may not permit amendments to certain sections of the Articles of Association subject to the Mandatory Provisions. These sections include provisions relating to (i) varying the rights of existing classes of shares; (ii) voting rights; (iii) the power to purchase our own shares; (iv) rights of minority shareholders; and (v) procedures upon liquidation. In addition, certain amendments to the Articles of Association require the approval and assent of relevant PRC authorities.

Mergers and Acquisitions

In the event of the merger or division of our Company, a plan must be presented by our Board of Directors and approved in accordance with the procedures stipulated in our Articles of Association. Shareholders who object to the plan of merger or division will have the right to demand us or the shareholders who consent to the plan of merger or division to acquire their shares at fair market price. A resolution proposing a merger or division by our company constitutes a special document, which will be available for inspection by our shareholders.

Redemption Provisions

In accordance with the procedures set out in the Articles of Association and upon obtaining approval from relevant government authorities, we may repurchase our issued Shares under the following circumstances:

- (i) canceling Shares to reduce our capital;
- (ii) merger with another company that holds Shares of our Company;
- (iii) granting employee incentive Shares;
- (iv) purchasing the shares of dissenting shareholders; and
- (v) other circumstances permitted by relevant laws and administrative regulations.

Apart from the above, the Company is not allowed to engage in trading of its own shares.

We may repurchase shares in one of the following ways, with the approval of the relevant government authorities:

- (i) by making a general offer to repurchase shares of all our shareholders on a pro rata basis;
- (ii) by repurchasing shares through a public dealing on a stock exchange;
- (iii) by repurchasing shares outside of the stock exchange by means of an off-market agreement; or
- (iv) by other means as authorized by the competent securities authorities under the State Council.

Variation of Rights

The rights attached to any class of shares may not be varied or abrogated except with the approval of a special resolution by all shareholders at a general meeting, along with a special resolution of the holders of the affected class of shares at a separate meeting in accordance with the Articles of Association.

Shareholders' Meetings and Notices

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Shareholders' general meetings shall be convened by the Board of Directors. Annual general meetings are held once every year and within six months from the end of the preceding financial year. The Board of Directors is required to convene an extraordinary general meeting within two months of the occurrence of any one of the following events:

- (i) where the number of Directors is less than the number stipulated in the Company Law or two-thirds of the number specified in our Articles of Association or is less than eight (8);
- (ii) where our unrecovered losses amount to one-third of the total amount of our share capital;
- (iii) where shareholder(s) singly or jointly holding 10% or more of our issued and outstanding voting shares request(s) in writing for the convening of an extraordinary general meeting. Within 10 days of receiving such proposal, the Board shall provide its written decision as to whether it agrees to convene such general meeting in accordance with the laws, administrative regulations and the Articles of Association.;
- (iv) whenever the Board of Directors deems necessary or the supervisory committee so requests;
- (v) other cases as provided in laws, administrative regulations and the Articles of Association; or
- (vi) whenever more than a half of the independent Directors so request.

When we convene a shareholders' general meeting, written notice of the meeting shall be given 45 days before the date of the meeting (when calculating the 45 day period, the date on which the meeting is held shall not be included) to notify all of the shareholders whose names appear in the share register of the matters to be considered and the date and place of the meeting, along with the matters to be resolved in the meeting. Shareholders who intend to attend the meeting shall deliver to us their written reply concerning their attendance at such meeting 20 days before the date of the meeting. When we convene an annual general meeting, a shareholder singly or shareholders jointly holding 5% or more of the voting shares of the Company may propose new motions in writing, and we shall include in the agenda those motions which are within the authority of the shareholders' general meeting.

When we convene a shareholders' general meeting, the Board of Directors, the supervisory committee and shareholder(s) individually and jointly holding more than 3% of our shares have the right to propose resolutions to the Company. Shareholder(s) individually and jointly holding more than 3% of our shares may propose special resolutions in writing to the convenor 10 days before the shareholders' general meeting is convened. The convenor shall issue a supplementary notice of the general meeting within two days after receiving the resolutions to announce the contents of the resolutions. Apart from the above, no amendment to the resolutions as set out in the notice of general meeting or proposal of new resolutions shall be made after the convenor has issued the notice of general meeting. The resolutions not set out in the notice of general meeting or that fail to comply with the Articles of Association shall be not voted and resolved in the shareholders' general meeting.

Limitations on Voting and Shareholding

Holders of H Shares and Domestic Shares, with minor exceptions, are entitled to the same economic and voting rights. Consistent with PRC law, the Articles of Association provide that the H Shares can only be traded by investors of Taiwan, Hong Kong, Macau and any country other than the PRC, while A Shares may be traded only by PRC investors and qualified foreign institutional investors. State-owned legal person shares can not be traded unless the approval from the relevant government authorities.

Ownership Threshold

There are no ownership thresholds above which shareholder ownership is required to be disclosed.

Changes in Registered Capital

Pursuant to the Article of Association, any increase or reduction in share capital must be resolved by a special resolution at a shareholders general meeting.

Recent Amendments to the Articles of Association

During the reporting period of this annual report, we made a number of amendments to our Articles of Association. As approved at the 2013 annual general meeting held on May 14, 2014, according to the regulatory requirements and based on current circumstances, our Company amended its Articles of Association. We also made corresponding amendments to related provisions in the Rules of Procedures for Shareholder's General Meeting, the Rules of Procedures for the Board and the Rules of Procedures for Supervisory Committee based on the amendments to the Articles.

C. Material Contracts

See “Item 7B. Related Party Transactions — Continuing Connected Transactions — Continuing Connected Transaction under the Financial Services Agreement.”

At the second extraordinary general meeting of our Company held on December 12, 2014, five continuing connected transaction agreements between the Company and Yankuang Group, namely, the “Provision of Material Supply Agreement”, “Mutual Provision of Labor and Services Agreement”, “Provision of Insurance Fund Administrative Services Agreement”, “Provision of Products, Materials and Equipment Leasing Agreement” and “Provision of Electricity and Heat Agreement”, together with the annual caps for such transactions for the years of 2015 to 2017 had been approved. See “Item 7B. Related Party Transactions — Continuing Connected Transactions — Amendments to Continuing Connected Transactions Agreements.”

At the seventh meeting of the sixth session of the Board held on 27 March 2015, our Company considered and approved that: (i) the Company and Yankuang Finance entered into “Financial Services Agreement” and determined the annual cap for such transaction for the period from April 1, 2015 to March 31, 2016; (ii) the Company and Shandong Yankuang Security Service Co., Ltd. entered into “Coal Train Escort Services Agreement”, determining the annual cap for such transaction for the period from February 1, 2015 to March 31, 2016. See “Item 7B. Related Party Transactions — Continuing Connected Transactions — Continuing Connected Transaction under the Financial Services Agreement.”

D. Exchange Controls

Our Articles of Association require that we pay dividends and other distributions to holders of Foreign-Invested Shares in accordance with relevant foreign exchange control regulations. If there is no applicable regulation, the exchange rate that we use to convert dividends and distributions to foreign currencies will be the average exchange rate of Renminbi to the relevant foreign currency announced by the Bank of China five business days prior to the announcement of the dividend or distribution.

The Renminbi currently is not a freely convertible currency. The SAFE, under the authority of the PBOC, controls the conversion of Renminbi into foreign currency. Under existing foreign exchange regulations, unless otherwise approved by the SAFE or exempted by relevant regulations, PRC enterprises must price and sell their goods and services in the PRC in Renminbi.

Since August 1, 2008, all foreign exchange income generated from current account transactions of PRC enterprises (including foreign-invested enterprises) may be retained by enterprises themselves or be sold to the financial institutions operating the foreign exchange settlement or sale business in accordance with relevant regulations. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares (for example foreign exchange income received by our Company from the sale of shares overseas) is also not required to be sold to financial institutions operating the foreign exchange settlement or sale business, but may be deposited in foreign exchange accounts at the financial institutions operating foreign exchange businesses.

PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items may, without the approval of SAFE, effect payment from their foreign exchange accounts at financial institutions operating foreign exchange businesses, with valid receipts and proof. Upon a board approval, foreign-invested and PRC enterprises that need foreign currency to distribute profits to their shareholders, such as our Company, may make distributions from their foreign exchange accounts or convert RMB into foreign currencies at foreign exchange businesses.

The conversion of foreign exchange with respect to capital account items, like direct investment and capital contribution, is subject to registration formalities at the foreign exchange administrative department of the State Council.

We have established a limited independent foreign currency account since 2001. The primary source of our foreign currency is revenues denominated in U.S. dollars from coal sales. We use foreign currency primarily to settle equipment and machinery purchases and pay cash dividends on our H Shares (in HK dollars). We have not experienced any shortage of foreign currency. In addition, we can exchange Renminbi for additional foreign currency from designated banks for current account transactions by presenting relevant documents to evidence foreign currency requirements in accordance with relevant regulations.

E. Taxation

The following summary of certain tax provisions does not address all of the tax considerations that may be relevant to each investor and is based on the tax laws, notices and treaties of the relevant jurisdictions as of the date of this annual report, all of which are subject to amendments or changes in interpretation, possibly with retroactive effect. This discussion does not deal with all possible tax consequences relating to an investment in the H Shares or ADSs. In particular, the tax consequences under state, local and other laws are not discussed. This discussion does not constitute legal or tax advice. Accordingly, potential investors are strongly urged to consult their own tax adviser to determine the tax consequences of their investment.

The People's Republic of China

The following discussion summarizes the material PRC tax provisions relating to the ownership and disposition of H Shares or ADSs held by investors as capital assets.

Taxation on Dividends

Individual investors. Under the Individual Income Tax Law of the PRC of 1993, as amended on June 30, 2011, and other applicable tax laws and regulations, dividends paid by Chinese companies to individuals are generally subject to a PRC withholding tax of 20%. Foreign persons are generally subject to a 20% withholding tax on the dividends received from Chinese companies, unless they are subject to tax relief under applicable taxation arrangement. The SAT issued the Notice on the Issues Concerning the Collection and Administration of Individual Income Tax Following the Repeal of Circular 45, under which both Hong Kong residents and Macau residents will generally be subject to a dividend withholding tax of 10% pursuant to the arrangement for the avoidance of double taxation signed between the PRC and Hong Kong.

Enterprises. According to the EIT Law and the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which are Overseas Non-resident Enterprises (Guoshuihan [2008] No. 897) promulgated on November 6, 2008, where a Chinese resident enterprise pays dividends for the year of 2008 or any year thereafter to its H shareholders that are overseas non-resident enterprises, it shall withhold the enterprise income tax thereon at the uniform rate of 10%. After receiving dividends, a non-resident enterprise shareholder may submit an application to the competent tax authority to claim any treatment under a relevant tax agreement (arrangement).

Tax Treaties

Non-PRC shareholders who are residents or citizens of countries that have entered into treaties to avoid double-taxation with China may be entitled to a reduction in the withholding tax imposed on the payment of dividends. China currently has such treaties with a number of countries, including:

- the United States;
- Australia;
- Canada;
- France;
- Germany;
- Japan;
- Malaysia;
- the Netherlands;
- Singapore; and
- the United Kingdom.

Under each one of these treaties, the withholding tax imposed by China's tax authorities is generally reduced. For example, under the treaty between China and the United States, China may tax dividends paid by us to an eligible U.S. holder up to a maximum of 10% of the gross amount of the dividend. For the purposes of this discussion, an eligible U.S. holder is a person who, by reason of domicile, residence, place or head office, place of incorporation or any other criterion of similar nature is subject to taxation in the United States.

Taxation on Capital Gains

According to the EIT Law, capital gains realized by foreign enterprises which have no establishment or residence in China or whose capital gains from China do not relate to their establishment or residence in China are generally subject to capital gains tax at the rate of 10%.

According to the Interim Measures for Administration of Withholding at Source of Income Tax of Non-resident Enterprises, which was promulgated by the SAT on January 9, 2009, when two non-resident enterprises enter into an equity assignment transaction to transfer the equity of a Chinese enterprise outside the territory of China, the assigning non-resident enterprise shall pay taxes to the competent tax authority in the place where the Chinese enterprise whose equity has been transferred is located. In addition, the Chinese enterprise whose equity is being assigned shall assist the tax authority in the collection of applicable taxes for the transaction.

With respect to individual holders of H Shares, the Provisions for Implementing the Individual Income Tax Law of China, as amended, provides that the levy of individual income tax on the gains realized on the sale of shares will be regulated and separate rules will be drafted by the financial division of the State Council and subject to the approval from the State Council. However, to date, no such implementing measures have been promulgated by the MOF, and no individual income tax on gains realized on sales of shares has been levied. On June 20, 1994, February 9, 1996 and March 30, 1998, the MOF and the SAT issued notices providing that gains realized by individuals were temporarily exempt from individual income tax. If such exemption becomes inapplicable or is not renewed, a non-PRC enterprise shareholder might be subject to a 20% tax on capital gains under the Individual Income Tax Law of the PRC and its amendments.

Additional PRC Tax Considerations

Under the Provisional Regulations of the PRC Concerning the Stamp Duty, Chinese stamp duty is not imposed on the transfer of shares, such as the H Shares or ADSs, of Chinese publicly traded companies by non-Chinese investors that take place outside of China.

United States Federal Income Taxation

The following summary describes the principal U.S. federal income tax consequences of purchasing, owning and disposing of the H Shares or ADSs. This summary only applies to U.S. holders, as defined below, who hold the H Shares or ADSs as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986 as amended (the "Code"). This discussion does not address all of the U.S. federal income tax consequences relating to the ownership and disposition of the H Shares or ADSs, and does not take into account U.S. holders who may be subject to special rules including:

- tax-exempt entities;
- banks, financial institutions, and insurance companies;
- real estate investment trusts, regulated investment companies and grantor trusts;
- dealers or traders in securities, commodities or currencies;
- U.S. holders liable for alternative minimum tax;
- U.S. holders that own, actually or constructively, 10% or more of our voting stock;
- persons that receive the H Shares or ADSs as compensation for services;
- U.S. holders that hold the H Shares or ADSs as part of a straddle or a hedging or a conversion transaction;
- "dual resident" corporations;
- persons that generally mark their securities to market for US federal income tax purposes;
- U.S. citizens or tax residents who are residents of the People's Republic of China;
- U.S. citizens or tax residents who are subject to Hong Kong profits tax;
- certain U.S. expatriates; or
- U.S. holders whose functional currency is not the U.S. dollar.

Moreover, this description does not address United States federal estate, gift or alternative minimum taxes, the U.S. federal unearned Medicare contribution tax or any state or local tax consequences of the purchase, ownership and disposition of the H Shares or ADSs. Each U.S. holder should consult its tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning and disposing of H Shares and ADSs.

This discussion is based on the Code, its legislative history, final, temporary and proposed U.S. Treasury regulations promulgated thereunder, published rulings and court decisions as in effect on the date hereof, all of which are subject to change, or changes in interpretation, possibly with retroactive effect. In addition, this discussion is based in part upon representations of the depository and the assumption that each obligation in the deposit agreement and any related agreements will be performed according to its terms.

You are a “U.S. holder” if you are a beneficial owner of H Shares or ADSs and for U.S. federal income tax purposes are:

- an individual citizen or resident of the United States;
- a corporation, or other entity treated as a corporation, created or organized under the laws of the United States or any political subdivision thereof;
- an estate the income of which is subject to United States federal income tax without regard to its source; or
- a trust:
 - subject to the primary supervision of a United States court and one or more U.S. persons, (within the meaning of the Code) have the authority to control all substantial decision of the trust; or
 - that has elected to be treated as a United States person under applicable U.S. Treasury regulations.

If a partnership (including any entity treated as a partnership for U.S. federal tax purposes) holds the H Shares or ADSs, the tax treatment of the partnership and a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. If an investor is a partner in a partnership that holds H Shares or ADSs, such investor should consult its tax advisor.

In general, if you hold ADSs, you will be treated as the owner of the H Shares represented by the ADSs. Exchanges of H shares for ADSs, and ADSs for H shares, generally, will not be subject to United States federal income tax.

INVESTORS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSIDERATIONS APPLICABLE TO THEM RELATING TO THE OWNERSHIP AND DISPOSITION OF THE H SHARES OR ADSs, INCLUDING THE APPLICABILITY OF U.S. FEDERAL, STATE AND LOCAL TAX LAWS OR NON-U.S. TAX LAWS, ANY CHANGES IN APPLICABLE TAX LAWS AND ANY PENDING OR PROPOSED LEGISLATION OR REGULATIONS.

Distributions on the H Shares or ADSs

Subject to the discussions below under “ — Passive Foreign Investment Company,” the gross amount of any distribution (without reduction for any PRC tax withheld) we make on the H Shares or ADSs will be includible in income as dividend income when the distribution is actually or constructively received by you. Because we do not calculate earnings and profits in accordance with U.S. tax principles, all distributions by us to U.S. holders will generally be treated as dividends. Any dividend will not be eligible for the dividends-received deduction allowed to certain U.S. corporations in respect of dividends received from U.S. corporations. The amount of any distribution of property other than cash will be the fair market value of such property on the date of such distribution.

The U.S. dollar amount of dividends received by certain non-corporate U.S. holders will be subject to taxation at a maximum rate of 20% if the dividends are “qualified dividends.” Dividends paid on H Shares or ADSs will be treated as qualified dividends if (a) certain holding period requirements are satisfied, (b) either (i) we are eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service, or IRS, has approved for the purposes of the qualified dividend rules, or (ii) the dividends are with respect to ADSs readily tradable on a U.S. securities market, and (c) provided that we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company, or PFIC. The Agreement Between the Government of the United States of America and the Government of the People’s Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income (the “Treaty”) has been approved for the purposes of the qualified dividend rules. We should be considered a qualified foreign corporation with respect to the ADSs because our ADSs are listed on the New York Stock Exchange. Relevant U.S. holders should consult their tax advisors regarding whether such dividends will qualify for the reduced tax rate provided by the “qualified dividend” rules.

If we make a distribution paid in HK dollars, you will be considered to receive the U.S. dollar value of the distribution determined at the spot HK dollar/U.S. dollar exchange rate on the date such distribution is received actually or constructively by you, regardless of whether you convert the distribution into U.S. dollars. Any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in your income to the date you convert the distribution into U.S. dollars will be treated as U.S. source ordinary income or loss. If dividends received in HK dollars are converted into U.S. dollars on the day they are received, the U.S. holder generally will not be required to recognize foreign currency gain or loss in respect of the dividend income.

Dividends received by a U.S. holder generally will constitute income from sources outside the United States for U.S. foreign tax credit limitation purposes and will be categorized as “passive income” or, in the case of certain U.S. holders, as “general category income” for U.S. foreign tax credit purposes. We may be required to withhold PRC income tax on dividends paid to U.S. holders on the H Shares or ADSs. Subject to various limitations, any PRC tax withheld from distributions in accordance with the Treaty may be deductible or creditable against your U.S. federal income tax liability.

You may not be able to claim a foreign tax credit (and instead may qualify to claim a deduction) for non-U.S. taxes imposed on dividends paid on the H Shares or ADSs if you (i) have held the H Shares or ADSs for less than a specified minimum period during which you are not protected from risk of loss with respect to such shares, or (ii) are obligated to make payments related to the dividends (for example, pursuant to a short sale). The rules relating to the U.S. foreign tax credit are complex, and U.S. holders may be subject to various limitations on the amount of foreign tax credits that are available. In addition, if the dividends are qualified dividends (as discussed above), the amount of the dividend taken into account for purposes of calculating a U.S. holder’s foreign tax credit limitation will generally be limited to the gross amount of the taxable dividend multiplied by the reduced tax rate applicable to qualified dividend income and divided by the highest tax rate normally applicable to dividends. U.S. holders should consult their own tax advisors regarding the effect of these rules in their particular circumstance.

Sale, Exchange or Other Disposition

Subject to the discussions below under “ — Passive Foreign Investment Company,” upon a sale, exchange or other disposition of the H Shares or ADSs, you will generally recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realized and your tax basis, determined in U.S. dollars, in such H Shares or ADSs. Generally, gain or loss recognized upon the sale or other disposition of H Shares or ADSs will be capital gain or loss, will be long-term capital gain or loss if the U.S. holder’s holding period for such H Shares or ADSs exceeds one year and will be income or loss from sources within the United States for foreign tax credit purposes. For non-corporate U.S. holders, the U.S. income tax rate applicable to net long-term capital gains currently will not exceed 20%. The deductibility of capital losses is subject to significant limitations.

With respect to the sale or exchange of H Shares or ADSs, the amount realized generally will be the U.S. dollar value of the payment received determined on (i) the date of receipt of payment in the case of a cash basis U.S. holder and (ii) the date of disposition in the case of an accrual basis U.S. holder. If H Shares or ADSs are traded on an “established securities market”, a cash basis taxpayer or, if it so elects, an accrual basis taxpayer, will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale. A U.S. holder will have a tax basis in the foreign currency received equal to the U.S. dollar amount realized. Any currency exchange gain or loss realized on a subsequent conversion of the foreign currency into U.S. dollars for a different amount generally will be treated as ordinary income or loss from sources within the United States. However, if such foreign currency is converted into U.S. dollars on the date received by the U.S. holder, a cash basis or electing accrual basis U.S. holder should not recognize any gain or loss on such conversion.

Any gain or loss will generally be treated as U.S. source gain or loss for foreign tax credit limitation purposes under the Code. Under the Treaty, if any PRC tax was to be imposed on any gain from the disposition of H Shares or ADSs, U.S. holders may be able to credit such taxes against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code since such gain generally would be “resourced” under Article 22(3) of the Treaty as foreign source income for U.S. foreign tax credit purposes. U.S. holders are urged to consult their tax advisors regarding the interaction of the foreign tax credit rules and Treaty “resourcing” rule.

Passive Foreign Investment Company

A non-U.S. corporation is a PFIC for any taxable year in which, after applying relevant look-through rules with respect to the income and assets of subsidiaries:

- 75% or more of its gross income consists of passive income, such as dividends, interest, rents, royalties, and gains from the sale of assets that give rise to such income; or
- 50% or more of the average quarterly value of its gross assets consists of assets that produce, or are held for the production of, passive income.

“Passive income” for this purpose includes, for example, dividends, interest, royalties, rents and gains from commodities and securities transactions. Passive income does not include rents and royalties derived from the active conduct of a trade or business. If the stock of a non-U.S. corporation is publicly traded for the taxable year, the asset test is applied using the fair market value of the assets for purposes of measuring such corporation’s assets. If we own at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of the other corporation’s assets and receiving our proportionate share of the other corporation’s income for purposes of the PFIC income and asset tests.

Based on the current and anticipated composition of our assets and income and current expectations regarding the price of the H Shares and ADSs, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to our 2014 taxable year and we do not intend to become or anticipate becoming a PFIC for any future taxable year. However, the determination of PFIC status is a factual determination that must be made annually at the close of each taxable year and therefore, there can be no certainty as to our status in this regard for the current or any future taxable years. Changes in the nature of our income or assets or a decrease in the trading price of the H Shares or ADSs may cause us to be considered a PFIC in the current or any subsequent year. If we were a PFIC in any year during a U.S. holder’s holding period for the H Shares or ADSs, we would ordinarily continue to be treated as a PFIC for each subsequent year during which the U.S. holder owned the shares.

If we were a PFIC in any taxable year that you held the H Shares or ADSs, you generally would be subject to special rules with respect to “excess distributions” made by us on the H Shares or ADSs and with respect to gain from your disposition of the H Shares or ADSs. An “excess distribution” generally is defined as the excess of the distributions you receive with respect to the H Shares or ADSs in any taxable year over 125% of the average annual distributions you have received from us during the shorter of the three preceding years, or your holding period for the H Shares or ADSs. Generally, you would be required to allocate any excess distribution or gain from the disposition of the H Shares or ADSs ratably over your holding period for the H Shares or ADSs. The portion of the excess distribution or gain allocated to a prior taxable year, other than a year prior to the first year in which we became a PFIC, would be taxed at the highest U.S. federal income tax rate in effect for such taxable year, and you would be subject to an interest charge on the resulting tax liability, determined as if the tax liability had been due with respect to such particular taxable years. The portion of the excess distribution or gain that is not allocated to prior taxable years, together with the portion allocated to the years prior to the first year in which we became a PFIC, would be included in your gross income for the taxable year of the excess distribution or disposition and taxed as ordinary income.

These adverse tax consequences may be mitigated if the U.S. holder is eligible and does elect to annually mark-to-market the H Shares or ADSs. If a U.S. holder makes a mark-to-market election, such holder will generally include as ordinary income the excess, if any, of the fair market value of the H Shares or ADSs at the end of each taxable year over their adjusted basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of the H Shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included in income as a result of the mark-to-market election). Any gain recognized on the sale or other disposition of the H Shares or ADSs will be treated as ordinary income. The mark-to-market election is available only for “marketable stock,” which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter on a qualified exchange or other market, as defined in the applicable Treasury regulations. ADSs should qualify as “marketable stock” because the ADSs are listed on the New York Stock Exchange.

A U.S. holder’s adjusted tax basis in the H Shares or ADSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If a U.S. holder makes a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the H Shares or ADSs are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. U.S. Holders are urged to consult their tax advisors about the availability of the mark-to-market election, and whether making the election would be advisable in their particular circumstances. However, the stock of any of our subsidiaries that were PFICs would not be eligible for the mark-to-market election.

Alternatively, a timely election to treat us as a qualified electing fund would avoid the foregoing rules with respect to excess distributions and dispositions. You should be aware, however, that if we become a PFIC, we do not intend to satisfy the record keeping requirements that would permit you to make a qualified electing fund election.

If we were regarded as a PFIC, a U.S. holder of H Shares or ADSs generally would be required to file an information return on IRS Form 8621 for any year in which the holder received a direct or indirect distribution with respect to the H Shares or ADSs, recognized gain on a direct or indirect disposition of the H Shares or ADSs, or made an election with respect to the H Shares or ADSs, reporting distributions received and gains realized with respect to the H Shares or ADSs. In addition, if we were regarded as a PFIC, a U.S. holder would be required to file an annual information return (also on IRS Form 8621) relating to the holder’s ownership of the shares or ADSs. This requirement would be in addition to other reporting requirements applicable to ownership in a PFIC.

U.S. holders should consult their tax advisers concerning the U.S. federal income tax consequences of holding the H Shares or ADSs if we were considered to be a PFIC.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to dividends in respect of the H Shares or ADSs or the proceeds of the sale, exchange, or redemption of the H Shares or ADSs paid within the United States, and in some cases, outside of the United States, other than to various exempt recipients, including corporations. In addition, you may, under some circumstances, be subject to “backup withholding” with respect to dividends paid on the H Shares or ADSs or the proceeds of any sale, exchange or transfer of the H Shares or ADSs, unless you:

- are a corporation or fall within various other exempt categories, and, when required, demonstrate this fact;
- provide a correct taxpayer identification number on a properly completed IRS Form W-9 or a substitute form, certifying that you are exempt from backup withholding and otherwise comply with applicable requirements of the backup withholding rules; or
- provide a properly completed IRS Form W-8, certifying your status as a non U.S. holder.

Any amount withheld under the backup withholding rules generally will be creditable against your U.S. federal income tax liability provided that you furnish the required information to the IRS in a timely manner. Investors should consult their own tax advisors as to their qualifications for an exemption from backup withholding and the procedures for obtaining this exemption.

Certain U.S. holders must report information relating to stock of a non-U.S. person owned by the U.S. holder, subject to certain exceptions (including an exception for stock held in custodial accounts maintained by a U.S. financial institution). U.S. holders are urged to consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the H Shares or ADSs.

Hong Kong Taxation

The following discussion summarizes the relevant Hong Kong tax rules relating to the ownership of H shares or ADSs held by you.

Dividends

Under current Hong Kong Inland Revenue Department practice, no profits tax is payable by the recipient in respect of dividends paid by us.

Taxation of Capital Gains

Gains derived from the sale of capital assets are specifically exempt from profits tax. Thus, no profits tax is imposed on capital gains arising from the sale of property (such as H shares) acquired and held as investment assets. However, whether or not there has been a sale of a capital asset depends upon the particular circumstances of a case. For example, if a person carries on a business in Hong Kong of trading and dealing in securities and derives trading gains from that business in Hong Kong, that person could be subject to profits tax on any assessable gains. Assessable gains include gains derived from purchases and sales of H shares effected on the Hong Kong Stock Exchange, as these are considered to be derived from Hong Kong from that person’s business. Profits tax is currently charged at the rate of 16.5% for corporations and at the rate of 15% for individuals.

No profits tax liability will arise on capital or trading gains arising from the sale of ADSs where the purchase and sale is effected outside Hong Kong (e.g., on the NYSE).

Stamp Duty

Stamp duty is payable by each of the seller and the purchaser for every sold note and every bought note created for every sale and purchase of the H shares. Stamp duty is levied at the total rate of 0.2% of the higher of the consideration for the sale and purchase or the value of the H shares transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on an instrument of transfer of H shares. If one of the parties to a sale is a non-resident of Hong Kong and does not pay the required stamp duty, the amount of unpaid stamp duty will be assessed on the instrument of transfer (if any), and the transferee will be liable for payment of such unpaid amount.

If the withdrawal of H shares when ADSs are surrendered or the issuance of ADSs when H shares are deposited results in a change of beneficial ownership in the H shares under Hong Kong law, stamp duty at the rate cited above will apply. The issuance of ADSs for deposited H shares issued directly to the depositary, or for the account of the depositary, should not result in any stamp duty liability. Holders of the ADSs are not liable for stamp duty on transfers of ADSs outside of Hong Kong so long as the transfers do not result in a change of beneficial interest in the H shares under Hong Kong law.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

In accordance with the Exchange Act, we must file reports, including this annual report, and other information with the Commission. The reports and other information we have filed under the Exchange Act and the registration statement on Form F-1 and exhibits thereto we have previously filed with the Commission may be inspected and copied by the public at the public reference facilities maintained by the Commission at 100 F Street NE, Washington D.C. 20549, U.S.A. and will also be available for inspection and copying at the regional offices of the Commission located at Seven World Trade Center, 13th Floor, New York, New York 10048, U.S.A. and at Northwest Atrium Center, 500 Madison Street (Suite 1400), Chicago, Illinois 60661, U.S.A. Copies of such material may also be obtained from the Public Reference Section of the Commission at 100 F Street NE, Washington D.C. 20549, U.S.A. at prescribed rates. Our annual reports and other information filed with the Commission are also available at the Commission's website at www.sec.gov. Such reports and other information may also be inspected at the office of the New York Stock Exchange, 11 Wall Street, New York, New York 10005, U.S.A.

I. Subsidiaries

As of December 31, 2014, we owned the following significant subsidiaries:

Name of subsidiary	Country of incorporation/ registration	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by us		Proportion of voting power held	Principal activities
			Directly	Indirectly		
Moolarben Coal Mines Pty Limited	Australia	A\$1	—	100%	100%	Coal business development
White Mining (NSW) Pty Limited	Australia	A\$10	—	100%	100%	Coal mining and sales
Yancoal Australia Limited	Australia	A\$656,700,717	78%	—	78%	Investment holding
Yanzhou Coal Ordos Neng Hua Company Limited (兗州煤業鄂爾多斯能化有限公司)	PRC	RMB8,100,000,000	100%	—	100%	Coal resources exploration in Inner Mongolia and construction of 600,000 tonne methanol project
Yancoal Resources Limited	Australia	A\$446,409,065	—	100%	100%	Coal mining, sales and exploration
Austar Coal Mine Pty Limited	Australia	A\$64,000,000	—	100%	100%	Coal mining and sales
Yanmei Heze Neng Hua Company Limited (兗煤濟寧能化有限公司)	PRC	RMB3,000,000,000	98.33%	—	98.33%	Coal mining and sales
Inner Mongolia Haosheng Coal Mining Co., Ltd (內蒙古昊盛煤業有限公司)	PRC	RMB800,000,000	74.82%	—	74.82%	Coal wholesale management and others
Gloucester Coal Ltd	Australia	A\$719,750,808	—	100%	100%	Coal resource exploration development
Stratford Coal Marketing Pty Ltd	Australia	A\$10	—	100%	100%	Coal sales
Stratford Coal Pty Ltd	Australia	A\$10	—	100%	100%	Coal mining
Duralie Coal Pty Ltd	Australia	A\$665	—	100%	100%	Coal mining
Donaldson Coal Pty Ltd	Australia	A\$6,688,782	—	100%	100%	Coal mining and sales
Shandong Yanmei Shipping Co., Ltd. (山東兗煤航運有限公司)	PRC	RMB5,500,000	92%	—	92%	Transportation via rivers and lakes and the sales of coal and construction materials
Yancoal Australia Sales Pty Ltd	Australia	A\$100	—	100%	100%	Coal sales
Achton Coal Mines Limited	Australia	A\$5	—	100%	100%	Coal sales
Wesfarmers Premier Coal Limited	Australia	A\$8,779,250	—	100%	100%	Coal mining and sales

For details of our shareholding in other direct and indirect subsidiaries, please see “Item 4 Information on the Company — C. Organizational Structure”.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Market risk represents the potential for loss due to adverse changes in the fair value of financial instruments. As a global concern, we are exposed to adverse developments in commodity prices, interest rates, foreign currency exchange rates, equity prices and inflation. These exposures may change over time as our business develops and could have a material impact on our financial results.

Commodity Price Risk

Price fluctuations may directly affect our operating and financial performance. We have historically experienced substantial price fluctuations and believe these fluctuations will continue. We primarily face risk relating to coal price fluctuations, and to a lesser extent methanol price fluctuations. For the years ended December 31, 2012, 2013 and 2014, the average selling price of our coal products in the PRC was RMB604.3, RMB523.5 and RMB475.6 per tonne, respectively. The periodic fluctuation in coal prices was caused by factors such as general economic conditions, supply and demand and the level of global inventories. The average selling price of our coal and methanol products fluctuated in the past three years and it may continue to fluctuate as a result of pricing guidelines announced by the government authorities from time to time, temporary price controls, general economic conditions, supply and demand and the level of global inventories, which may, in turn, adversely affect our results of operations and financial condition.

Interest Rate Risk

We are exposed to interest rate risk in relation to variable-rate bank balances, term deposits, restricted cash held with banks and variable rate borrowings. Our interest rate risk primarily arises due to fluctuations in the PBOC benchmark interest rate in relation to our RMB-denominated borrowings and fluctuations in LIBOR in relation to our U.S. dollar-denominated borrowings. Upward fluctuations in interest rates increase the cost of new debt and the interest cost of outstanding variable rate liabilities. Interest rate fluctuations can also lead to significant fluctuations in the fair values of our debt obligations.

The Company monitors its interest rate exposure and has entered into contracts with three banks to hedge a proportion of borrowings issued at variable interest rates through the use of floating-to-fixed interest rate swap contracts. As of December 31, 2014, all of our interest rate swap contracts was expired, and we did not enter into any new interest rate swap contracts.

We have prepared a sensitivity analysis to assess the impact of interest rate fluctuations on our 2014 operating results, 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, including the interest rate fluctuations of the PBOC rate and LIBOR discussed above. Based on this analysis, we estimate that an increase in interest rates of 1% would have decreased our reported net income attributable to our equity holders for 2014 by approximately RMB108.0 million.

Foreign Currency Exchange Rate Risk

We mainly face foreign currency exchange rate risks relating to RMB fluctuations and risks stemming from exchange rate fluctuations between the Australian dollar and U.S. dollar. China has adopted a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand with reference to a basket of currencies. Exchange rate fluctuations may adversely affect the value of our net assets, earnings and any declared dividends when translated or converted into U.S. dollars or Hong Kong dollars.

RMB fluctuations mainly affect our (i) income from coal exports, which must be converted into RMB since our coal exports are denominated in U.S. dollars; (ii) conversion of foreign currency deposits and loans; and (iii) costs of imported equipment and fittings.

The sales and costs of each entity in our Company are generally denominated in the functional currency of the relevant entity, except for Yancoal Australia. Accordingly, we are not exposed to significant foreign currency risk attributable to operations. However, our results, including the results of Yancoal Australia have been significantly affected by volatility in exchange rates affecting the fair value of our foreign currency-denominated bank borrowings, giving rise to substantial exchange gains and losses. The table below sets forth the foreign currency-denominated assets and liabilities of the Company and its Subsidiaries that are in currencies other than the functional currency of the entity that carries such assets or liabilities on its balance sheet as of December 31, 2014.

As of December 31, 2014, the outstanding notional amount to sell U.S. dollars and buy Australian dollars was approximately RMB432.3 million and RMB1,027.3 million, respectively, all maturing within one year with forward rates ranging from US\$1.00 = A\$0.8106 to US\$1.00 = A\$0.8381 and floor price and ceiling price of US\$1.00 = A\$0.87 and US\$1.00 = A\$0.9670, respectively.

As at December 31, 2014, the outstanding notional amount to sell US dollars buy RMB was approximately RMB397.5 million, maturing within one year with forward rates ranging from 5.0922 to 6.2334.

We also entered into contracts with three banks to hedge a proportion of borrowings issued at variable interest rates through the use of floating-to-fixed interest rate swap contracts. As at December 31, 2014, interest rate hedging contract was expired and we did not sign any new contracts with the bank. For the year ended December 31, 2014, the ineffective hedging portion of the changes in fair values of the forward foreign exchange contracts of approximately RMB1.3 billion was recognized as selling, general and administrative expenses in the consolidated income statement. The effective hedging portion was recognized as current portion of derivatives financial instruments in the consolidated balance sheet.

The fair values of the forward foreign exchange contracts are estimated based on the discounted cash flows between the contract forward rate and spot forward rate. The fair values of the interest rate swap contracts are estimated based on the discounted cash flows between the contract floating rate and the contract fixed rate.

In addition, our Australian subsidiaries' USD bank loan repayments in a six-month period are designated to hedge the forecast USD sales during the same period.

Equity Price Risk

In addition to financial instruments, we are exposed to equity price risk because we hold investments in listed equity securities. We currently do not have any arrangements to hedge the price risk exposure of our investment in equity securities. We have conducted a sensitivity analysis and determined that our exposure to equity price risk stemming from our investment in listed equity securities is not significant.

Inflation Risk

The recent global economic slowdown and turmoil in the global financial markets that began in the second half of 2008 have had a negative impact on the PRC economy, including increases in the inflation rate as measured by the consumer price index. According to the National Bureau of Statistics of the PRC, the change in the Consumer Price Index in China was 2.6%, 2.6% and 2.0% in 2012, 2013 and 2014, respectively. Inflation generally results in an increase of fuel prices, which is a component of our cost of sales. An increase in the price of fuel could lead to a corresponding increase in the cost of our coal production and have a material adverse effect on our business and results of operations.

Liquidity Risk

We are exposed to liquidity risks related to meeting our financial obligations as they fall due. To mitigate this risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations. Our management also monitors the utilization of bank borrowings and ensures compliance with loan covenants to ensure that we are able to meet our short-term and long-term liquidity requirements.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

The following table summarizes the fees and charges that a holder of our ADSs may have to pay, directly or indirectly, in connection with the ownership of our American Depositary Receipts.

Persons depositing or withdrawing shares must pay:	For:
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	<ul style="list-style-type: none">• Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
\$0.02 (or less) per ADSs (or portion of ADSs)	<ul style="list-style-type: none">• Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates• Cash distribution
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	<ul style="list-style-type: none">• Distribution of securities to holders of deposited securities that are distributed by the depository to ADS registered holders
Registration or transfer fees	<ul style="list-style-type: none">• Transfer and registration of shares on our share register to or from the name of the depository or its agent when you deposit or withdraw shares
Expenses of the depository	<ul style="list-style-type: none">• Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)• Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depository or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	<ul style="list-style-type: none">• As necessary
Any charges incurred by the depository or its agents for servicing the deposited securities	<ul style="list-style-type: none">• As necessary

The Bank of New York Mellon, as depository, has agreed to waive certain standard fees related to the administration of our ADR program and investor relationship programs. From January 1, 2014 to December 31 2014, the total amount of the fees that were waived was US\$132,990.07.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

As of December 31, 2014, we were not in default, in arrears or otherwise delinquent in the payment of principal or interest of any indebtedness or dividends.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our general manager and chief financial officer, our management evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, as amended) as of December 31, 2014. Based on the evaluation described below, our general manager and chief financial officer concluded that, as of that date, our disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control framework was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (1992). Based on this assessment, management concluded that our internal control over financial reporting was effective to provide reasonable assurance that the desired control objectives were achieved as of December 31, 2014.

The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by Grant Thornton, our independent registered public accounting firm, as stated in their report which is included herein.

Limitations on Effectiveness of Controls and Procedures

Our internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that accurately and fairly reflect the transactions and dispositions of a company’s assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (3) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not be able to prevent or detect misstatements on a timely basis, which may be a product of collusion, failure to abide by controls, error or fraud. In addition, projections of the internal control’s effectiveness to future periods are subject to the risk that the control may become inadequate because of changes in conditions, or that the degree of compliance with the internal control policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

During the period covered by this annual report, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our audit committee consists of Mr. JIA Shaohua, Mr. WANG Lijie, Mr. WANG Xiaojun, Mr. XUE Yonzhi and Mr. JIANG Qingquan. Our Board of Directors has determined that Mr. JIA Shaohua meets the independence requirement of Section 303A.02 of the NYSE Listed Company Manual and qualifies as an audit committee financial expert as the term is defined in the rules and regulations established by the SEC.

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics that applies to our chairman, vice chairman, chief executive officer, chief financial officer, board secretary, chief engineer, controller and the managers of our finance and audit departments. Our code of ethics is posted on our website at www.yanzhoucoal.com.cn. No amendments to, or waivers from, our code of ethics have been made. A copy of our code of ethics is available to any shareholder, without charge, upon written request to the address on the cover of this annual report.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Upon approval at the 2013 Annual General Meeting held on May 14, 2014, Grant Thornton firms (i.e. Grant Thornton and Grant Thornton Hong Kong) and ShineWing Certified Public Accountants were appointed as our international and domestic auditors, respectively, for the year ended December 31, 2014. Grant Thornton Hong Kong and Grant Thornton audit the financial statements of the Company with respect to the listing of the H shares on the Hong Kong Stock Exchange and reporting requirements of the Hong Kong Stock Exchange and the listing of the ADSs on the NYSE and reporting requirements of the SEC and the NYSE, respectively. Grant Thornton is therefore the principal auditor for the purpose of this filing.

Audit Fees

Audit fees primarily consist of fees for the audits of the consolidated financial statements prepared under IFRS and PRC GAAP and the statutory financial statements of our subsidiaries for the relevant year, the review of interim consolidated financial statements and the audit of our internal control over financial reporting as required by the Sarbanes-Oxley Act. Service fees denominated in Australian dollars were incurred for the audit of Yancoal Australia’s financial statements and internal control.

The following table sets forth the aggregate audit fees of Grant Thornton firms, ShineWing Certified Public Accountants and ShineWing Hall Chadwicks for periods indicated:

	Audit Fees	
	(RMB)	(AUD)
2013	7,800,000	1,350,000
2014	7,800,000	1,350,000

Audit fees paid to Grant Thornton firms amounted to RMB3,650,000 and RMB3,650,000 during the years ended December 31, 2014 and 2013, respectively.

Audit-related Fees, Tax Fees, All Other Fees

We did not incur other audit-related fees, tax fees or other fees for professional service rendered by our principal accountants during the last two fiscal years.

Audit Committee Pre-Approval Policies and Procedures

The audit committee of our Board of Directors is responsible for, among other things, the recommendation or termination of external auditors subject to the requirements of applicable domestic and overseas listing rules and regulations. Before our principal accountants were engaged by the Company or our subsidiaries to render audit or non-audit services, their respective engagements were approved by our audit committee. All of the audit services provided by Grant Thornton (SEC principal auditor), Grant Thornton Hong Kong (Hong Kong H Share auditor) and ShineWing Certified Public Accountants (China domestic statutory auditor) in 2014 were pre-approved by our audit committee.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Our audit committee consists of four independent non-executive directors, Mr. WANG Lijie, Mr. JIA Shaohua, Mr. WANG Xiaojun, Mr. XUE Yonzhi and one employee director, Mr. JIANG Qingquan. As a foreign private issuer, we rely on the exemption under Section 303A.06 of the NYSE Listed Company Manual, as well as exemptions for affiliated directors and employee directors as provided under Rule 10A-3 of the Exchange Act, to remain compliant with the audit committee standards set out in Section 303A.06 of the NYSE Listed Company Manual.

Our connected directors do not accept any consulting fees or other compensation from our Group or any subsidiary of our Group, directly or indirectly, except for serving as members of our Board and Audit Committee, which meets the independence requirements under Rule 10A-3(1)(ii) (A) of the Exchange Act.

The employee director qualifies for the exemption under Rule 10A-3(b)(1)(iv)(C) of the Exchange Act because he is not our executive officer and was elected to the Board of Directors of the Company pursuant to the *Advisory Opinion Regarding the Establishment of Sound Corporate Governance for Company Employee Directors and Employee Supervisors*, which was promulgated by the Shandong Economic and Trade Commission. Rule 10A-3(b)(1)(iv)(C) of the Exchange Act provides an exemption to the independence requirement and permits an employee director of a foreign private issuer who is a non-executive officer who is elected or named to the foreign private issuer's board of directors or audit committee pursuant to the issuer's governing law or documents, an employee collective bargaining or similar agreement or other home country legal or listing requirements.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

The NYSE imposes a series of corporate governance listing standards for companies listed on the NYSE in Section 303A of the NYSE Listed Company Manual. However, the NYSE allows foreign private issuers, subject to certain limitations and conditions, to follow "home country" practice in lieu of certain provisions of Section 303A. To qualify for this exemption, a foreign private issuer must disclose the significant manners in which its corporate governance practices differ from those generally required under NYSE listing standards.

As of the date of this annual report, 56.52% of the voting rights in the Company are held by our controlling shareholder, the Yankuang Group and its wholly owned subsidiaries. We therefore are not required to comply with the majority of independent directors requirement of Section 303A.01 when forming our board of directors. Moreover, we are not required to form a nominating, corporate governance and compensation committee composed entirely of independent directors under the requirements of Sections 303A.04 and 303A.05.

We have established an audit committee pursuant to Section 303A.06 of the NYSE Listed Company Manual. We rely on the exemption under Section 303A.00 for foreign private issuers, as well as the exemption for employee directors provided under Rule 10A-3 of the Exchange Act to comply with the audit committee requirements set out in the NYSE Listed Company Manual.

As a foreign private issuer, we are subject to more than one set of corporate governance requirements, including those applicable in our home country. In the table below, we set out material differences between our corporate governance practices and the NYSE's corporate governance requirements:

	<u>NYSE Listed Company Manual Requirements on Corporate Governance</u>	<u>Our Practice</u>
Non-executive directors must meet at regularly scheduled executive sessions without management	Section 303A.03 requires non-executive directors of each listed company to meet at regularly scheduled executive sessions without management participation.	There is no identical corporate governance requirement in the PRC. We have established a reporting system to the Board to ensure that the Directors stay informed of our business and operations. We believe that convening board meetings on a regularly basis offers non-executive directors an effective forum to opine their views and engage in full and open discussions regarding our business affairs.
Corporate Governance Guidelines	<p>Section 303A.09 requires a listed company to adopt and disclose corporate governance guidelines. In addition, Section 303A.09 lists out matters that must be addressed in the guidelines:</p> <ul style="list-style-type: none"> • director qualification standards; • director responsibilities; • communications between directors and the management and independent advisors; • director compensation; • director orientation and continuing education; • management succession; and • annual performance evaluation of the board. 	<p>Although we have not adopted a separate set of corporate governance guidelines encompassing all the corporate governance matters required by the NYSE, we formulated the Rules of Procedures for the Shareholders' Meetings, Rules of Procedures for the Board Meetings, Rules of Procedures for the Supervisory Committee, Rules for the Work of the Independent Non-Executive Directors, Rules for Disclosure of Information, Rules for the Approval and the Disclosure of the Connected Transactions of the Company, and other corporate governance documentation in accordance with the regulations and requirements of listing in China.</p> <p>We believe that collectively, the foregoing rules and measures adequately address the corporate governance requirements of the NYSE and provide a comprehensive and detailed set of corporate governance requirements that promote the effective operation of the Company. This enables the promotion of the standard operation of the Company.</p>

Code of Business Conduct and Ethics

NYSE Listed Company Manual Requirements on Corporate Governance

Section 303A.10 requires a listed company to adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers from the code for directors or executive officers. The following topics must be addressed in a code of business conduct and ethics:

- conflicts of interest;
- corporate opportunities;
- confidentiality;
- fair dealing;
- protection and proper use of company assets;
- compliance with laws, rules and regulations (including insider trading laws); and
- encouraging the reporting of any illegal or unethical behavior.

Our Practice

We have adopted a code of ethics, which is published on our website, in compliance with PRC laws and regulations as well as the rules of relevant stock exchanges. Although our current code of ethics as adopted does not completely conform to the NYSE rules, we believe that the existing code of ethics adequately protects the interests of the Company and Shareholders.

ITEM 16H. MINING SAFETY DISCLOSURE

As of the date of this annual report, the Company did not own or operate any mine in the United States. For details of the mining safety control of our coal mines in China and Australia, see “Item 4. Information on the Company — B. Business Overview — Coal Business — Safety Control.”

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide the financial statements and related information specified in Item 18 in lieu of Item 17.

ITEM 18. FINANCIAL STATEMENTS

Our consolidated financial statements are included at the end of this annual report on Form 20-F.

ITEM 19. EXHIBITS

Documents filed as exhibits to this annual report:

<u>Exhibit Number</u>	<u>Description</u>
1.1	Articles of Association as amended on June 25, 2014 (English Translation)
4.1	Provision of Materials Agreement between Yankuang Group Company Limited and Yanzhou Coal Mining Company Limited dated October 24, 2014
4.2	Mutual Provision of Labor and Services Agreement between Yankuang Group Company Limited and Yanzhou Coal Mining Company Limited dated October 24, 2014
4.3	Provision of Insurance Fund Administrative Services Agreement between Yankuang Group Company Limited and Yanzhou Coal Mining Company Limited dated October 24, 2014
4.4	Provision of Products and Materials and Equipment Lease Agreement between Yanzhou Coal Mining Company Limited and Yankuang Group Company Limited dated October 24, 2014
4.5	Provision of Electricity and Heat Agreement between Yanzhou Coal Mining Company Limited and Yankuang Group Company Limited dated October 24, 2014
4.6	Financial Services Agreement between Yankuang Group Financial Company and Yanzhou Coal Mining Company Limited dated March 27, 2015
4.7	Coal Train Convoy Service Contract between Yankuang Security Company and Yanzhou Coal Mining Company Limited dated March 27, 2015
4.8	Financial Services Agreement between Yankuang Group Financial Company and Yanzhou Coal Mining Company Limited dated March 21, 2014
8.1	List of subsidiaries of Yanzhou Coal Mining Company Limited
12.1	Certification of general manager pursuant to Rule 13a-14 or 15d-14 promulgated under the U.S. Securities Act of 1934
12.2	Certification of chief financial officer pursuant to Rule 13a-14 or 15d-14 promulgated under the U.S. Securities Act of 1934
13.1	Certification of general manager pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002
13.2	Certification of chief financial officer pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002

SIGNATURES

The registrant hereby certifies that it meets all the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**YANZHOU COAL MINING COMPANY LIMITED
(Registrant)**

Date: April 27, 2015

By: /S/ Yin Mingde

Name: **Yin Mingde**

Title: **General Manager**

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
AND REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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YANZHOU COAL MINING COMPANY LIMITED

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
YANZHOU COAL MINING COMPANY LIMITED 兖州煤业股份有限公司**

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

We have audited the accompanying consolidated balance sheets of Yanzhou Coal Mining Company Limited and its subsidiaries (the "Group") as of December 31, 2014 and 2013, and the related consolidated income statements, statements of comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Yanzhou Coal Mining Company Limited and its subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group's internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control—Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated April 27, 2015 expressed an unqualified opinion thereon.

/s/ Grant Thornton

Beijing, People's Republic of China
April 27, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
YANZHOU COAL MINING COMPANY LIMITED 兖州煤业股份有限公司**
(A joint stock company with limited liability established in the People's Republic of China)

We have audited the internal control over financial reporting of Yanzhou Coal Mining Company Limited and its subsidiaries (the "Group") as of December 31, 2014, based on criteria established in *Internal Control — Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Group's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control — Integrated Framework* (1992) issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Group as of and for the year ended December 31, 2014, and our report dated April 27, 2015 expressed an unqualified opinion on those financial statements.

/s/ Grant Thornton
Beijing, People's Republic of China
April 27, 2015

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

	NOTES	Year ended December 31,		
		2014 RMB'000	2013 RMB'000	2012 RMB'000
GROSS SALES OF COAL	7	58,539,353	54,444,843	56,200,600
RAILWAY TRANSPORTATION SERVICE INCOME		373,617	457,898	464,068
GROSS SALES OF ELECTRICITY POWER		241,490	332,125	323,646
GROSS SALES OF METHANOL		1,195,458	1,155,742	1,117,952
GROSS SALES OF HEAT SUPPLY		20,846	11,218	39,918
TOTAL REVENUE		60,370,764	56,401,826	58,146,184
TRANSPORTATION COSTS OF COAL	7	(2,291,594)	(2,024,196)	(2,104,225)
COST OF SALES AND SERVICE PROVIDED	8	(49,557,502)	(42,511,838)	(42,148,988)
COST OF ELECTRICITY POWER		(159,724)	(320,515)	(330,803)
COST OF METHANOL		(869,294)	(850,788)	(911,203)
COST OF HEAT SUPPLY		(11,236)	(6,709)	(25,130)
GROSS PROFIT		7,481,414	10,687,780	12,625,835
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	9	(6,069,884)	(10,380,713)	(7,987,636)
SHARE OF PROFIT OF ASSOCIATES	27	310,604	233,897	141,986
SHARE OF LOSS OF JOINT VENTURES	30	(320,829)	(376,032)	(191,575)
OTHER INCOME	10	2,382,186	1,020,577	2,930,445
INTEREST EXPENSES	11	(2,183,581)	(1,765,777)	(1,448,679)
PROFIT (LOSS) BEFORE INCOME TAXES	13	1,599,910	(580,268)	6,070,376
INCOME TAXES	12	(1,112,807)	394,815	(36,189)
PROFIT (LOSS) FOR THE YEAR		<u>487,103</u>	<u>(185,453)</u>	<u>6,034,187</u>
Attributable to:				
Equity holders of the Company		766,158	777,368	6,065,570
Owners of perpetual capital securities	41	36,456	—	—
Non-controlling interests				
- Perpetual capital securities	41	82,079	—	—
- Other		(397,590)	(962,821)	(31,383)
		<u>487,103</u>	<u>(185,453)</u>	<u>6,034,187</u>
EARNINGS PER SHARE, BASIC AND DILUTED	16	<u>RMB 0.16</u>	<u>RMB 0.16</u>	<u>RMB 1.23</u>
EARNINGS PER ADS, BASIC AND DILUTED	16	<u>RMB 1.56</u>	<u>RMB 1.58</u>	<u>RMB 12.33</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2014	2013	2012
	RMB'000	RMB'000	RMB'000
Profit (Loss) for the year	487,103	(185,453)	6,034,187
Other comprehensive income (loss) (after income tax):			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sales investments:			
Change in fair value	76,549	5,283	(5,923)
Deferred taxes	(19,137)	(1,321)	1,481
	57,412	3,962	(4,442)
Cash flow hedges:			
Cash flow hedge amounts recognized in other comprehensive income	(2,606,339)	(1,265,664)	110,196
Reclassification adjustments for amounts transferred to income statement (included in selling, general and administrative expenses)	1,297,843	(39,729)	(26,501)
Deferred taxes	394,986	395,395	(28,641)
	(913,510)	(909,998)	55,054
Share of other comprehensive income of associates	11,213	—	90
Exchange difference arising on translation of foreign operations	(1,789,321)	(3,684,529)	297,721
Other comprehensive (loss) income for the year	(2,634,206)	(4,590,565)	348,423
Total comprehensive (loss) income for the year	(2,147,103)	(4,776,018)	6,382,610
Attributable to:			
Equity holders of the Company	(1,554,464)	(3,069,475)	6,413,993
Owners of perpetual capital securities	36,456	—	—
Non-controlling interests			
- Perpetual capital securities	82,079	—	—
- Other	(711,174)	(1,706,543)	(31,383)
	(2,147,103)	(4,776,018)	6,382,610

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	NOTES	At December 31,	
		2014 RMB'000	2013 RMB'000
ASSETS			
CURRENT ASSETS			
Bank balances and cash	17	15,041,928	10,922,637
Term deposits	17	5,154,296	4,441,210
Restricted cash	17	275,981	111,349
Bills and accounts receivable	18	7,084,105	9,019,505
Long term receivables-due within one year	28	1,705,757	—
Royalty receivable	19	89,137	105,584
Inventories	20	1,470,480	1,589,220
Prepayments and other receivables	21	7,219,251	5,259,576
Prepaid lease payments	22	22,343	18,701
Derivative financial instruments	36	359	16,651
Tax recoverable		22,706	39,964
TOTAL CURRENT ASSETS		38,086,343	31,524,397
NON-CURRENT ASSETS			
Intangible assets	23	37,287,549	38,256,388
Prepaid lease payments	22	776,751	676,202
Property, plant and equipment	24	44,174,612	41,896,508
Goodwill	25	2,232,751	2,460,551
Investments in securities	26	388,764	211,559
Interests in associates	27	2,955,629	2,744,957
Interests in joint ventures	30	130,867	488,350
Restricted cash	17	53,870	35,102
Long term receivables-due after one year	28	302,517	1,906,397
Royalty receivable	19	909,927	1,028,790
Deposits made on investments	29	118,926	121,926
Deferred tax assets	39	5,679,608	6,107,062
TOTAL NON-CURRENT ASSETS		95,011,771	95,933,792
TOTAL ASSETS		133,098,114	127,458,189

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (continued)

AS AT DECEMBER 31, 2014

	NOTES	At December 31,	
		2014 RMB'000	2013 RMB'000
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Bills and accounts payable	32	4,037,204	2,716,675
Other payables and accrued expenses	33	8,736,690	8,385,134
Provision for land subsidence, restoration, rehabilitation and environmental costs	34	2,900,054	3,321,564
Amounts due to Parent Company and its subsidiary companies		190,408	44,737
Borrowings—due within one year	35	10,871,689	11,275,056
Long term payable and provision—due within one year	38	398,794	439,000
Derivative financial instruments	36	81,602	315,111
Contingent value rights shares liabilities	37	—	1,408,729
Tax payable		113,442	909,967
TOTAL CURRENT LIABILITIES		27,329,883	28,815,973
NON-CURRENT LIABILITIES			
Borrowings—due after one year	35	50,566,399	44,099,955
Deferred tax liabilities	39	7,554,413	8,468,421
Provision for land subsidence, restoration, rehabilitation and environmental costs	34	529,953	532,144
Long term payable and provision—due after one year	38	1,118,950	1,555,635
TOTAL NON-CURRENT LIABILITIES		59,769,715	54,656,155
TOTAL LIABILITIES		87,099,598	83,472,128
CAPITAL AND RESERVES			
Share capital	40	4,918,400	4,918,400
Reserves	40	33,807,446	35,460,278
Equity attributable to equity holders of the Company		38,725,846	40,378,678
Owners of perpetual capital security	41	2,521,456	—
Non-controlling interests			
- Perpetual capital security	41	1,851,903	—
- Subordinated capital notes	42	3,102	—
- Other		2,896,209	3,607,383
TOTAL EQUITY		45,998,516	43,986,061
TOTAL LIABILITIES AND EQUITY		133,098,114	127,458,189

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital RMB'000 (note 40)	Share premium RMB'000 (note 40)	Future development fund RMB'000 (note 40)	Statutory common fund RMB'000 (note 40)	Translation reserve RMB'000 (376,832)	Investment revaluation reserve RMB'000 (108,271)	Cash flow hedge reserve RMB'000 (1,770,624)	Retained earnings RMB'000 (240,117)	Attributable to equity holders of the Company RMB'000 (2,081,881)	Non-controlling interests RMB'000 (440,170)	Total RMB'000 (680,287)
Balance at January 1, 2012	4,918,400	2,981,002	4,150,785	4,551,760	—	71,950	26,262,686	6,065,570	42,451,480	690,560	43,142,040
Profit (loss) for the year	—	—	—	—	—	—	—	6,065,570	6,065,570	(31,383)	6,034,187
Other comprehensive income (loss):											
- Fair value change of available-for-sale investments	—	—	—	—	—	(4,442)	—	—	(4,442)	—	(4,442)
- Cash flow hedge reserve recognized	—	—	—	—	—	—	55,054	—	55,054	—	55,054
- Exchange difference arising on translation of foreign operations	—	—	—	—	297,721	—	—	—	297,721	—	297,721
- Share of other comprehensive income of associates	—	—	—	—	—	90	—	—	90	—	90
Total comprehensive income (loss) for the year	—	—	—	—	297,721	(4,352)	55,054	6,065,570	6,413,993	(31,383)	6,382,610
Transactions with owners											
- Appropriations to reserves	—	—	645,219	—	423,618	—	—	(1,068,837)	(2,803,488)	—	(47,095)
- Dividends	—	—	—	—	—	—	—	(2,803,488)	—	—	(2,850,583)
- Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	49,000	49,000
- Disposal of partial interests in Yancoal Australia	—	—	—	—	—	—	—	(430,971)	(430,971)	2,569,101	2,138,130
- Deferred Tax arising from the restructuring of Australian subsidiaries	—	—	—	—	—	—	—	(100,980)	(100,980)	(40,087)	(141,067)
Total transactions with owners	—	—	645,219	—	423,618	—	—	(4,404,276)	(3,335,439)	2,530,919	(804,520)
Balance at December 31, 2012	4,918,400	2,981,002	4,796,004	4,975,378	(79,111)	67,598	27,923,980	45,530,034	3,190,096	3,190,096	48,720,130
Balance at January 1, 2013	4,918,400	2,981,002	4,796,004	4,975,378	(79,111)	67,598	27,923,980	45,530,034	3,190,096	3,190,096	48,720,130
Profit (loss) for the year	—	—	—	—	—	—	—	777,368	777,368	(962,821)	(185,453)
Other comprehensive income (loss):											
- Fair value change of available-for-sale investments	—	—	—	—	—	3,962	—	—	3,962	—	3,962
- Cash flow hedge reserve recognized	—	—	—	—	—	—	(697,568)	—	(697,568)	(212,430)	(909,998)
- Exchange difference arising on translation of foreign operations	—	—	—	—	(3,153,237)	—	—	—	(3,153,237)	(531,292)	(3,684,529)
Total comprehensive income (loss) for the year	—	—	—	—	(3,153,237)	—	3,962	777,368	(3,069,475)	(1,706,543)	(4,776,018)
Transactions with owners											
- Acquisition of Hao Sheng (Note 45)	—	—	—	—	—	—	—	—	—	—	—
- Increase of the registered capital of Hao Sheng	—	—	—	—	—	—	—	—	—	2,401,737	2,401,737
- Stamp duty arising from the restructuring of Australian subsidiaries	—	—	—	—	—	—	—	—	—	75,540	75,540
- Set up of Rizhao	—	—	—	—	—	—	—	—	—	147,000	147,000
- Appropriations to and utilization of reserves	—	—	(820,272)	—	—	—	—	284,327	(1,770,624)	(60,277)	(1,830,901)
- Dividends	—	—	—	—	—	—	—	—	—	—	—
- Acquisition of non-controlling interests (Note 47)	—	—	—	—	—	—	—	(240,117)	(240,117)	(440,170)	(680,287)
Total transactions with owners	—	—	(820,272)	—	—	—	—	(1,797,554)	(2,081,881)	2,123,830	41,949
Balance at December 31, 2013	4,918,400	2,981,002	3,975,732	5,511,323	(3,232,348)	71,560	26,903,794	40,378,678	3,607,383	43,986,061	

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to equity holders of the Company										Non-controlling interests			
	Share capital RMB'000 (note 40)	Share premium RMB'000 (note 40)	Future development fund RMB'000 (note 40)	Statutory reserve fund RMB'000 (note 40)	Translation reserve RMB'000 (3,232,348)	Investment revaluation reserve RMB'000 71,560	Cash flow hedge reserve RMB'000 (750,785)	Retained earnings RMB'000 26,903,794	Total RMB'000 40,378,678	Perpetual Securities Capital issued by the Company RMB'000 (note 41a)	Perpetual Securities Capital issued by a subsidiary RMB'000 (note 41b)	Subordinated Capital Notes RMB'000 (note 42)	Others RMB'000 3,607,383	Total RMB'000 43,986,061
Balance at January 1, 2014	4,918,400	2,981,002	3,975,732	5,511,323	(3,232,348)	71,560	766,158	766,158	36,456	82,079	—	—	(397,590)	487,103
Profit (loss) for the year	—	—	—	—	—	—	—	766,158	—	—	—	—	—	—
Other comprehensive income (loss):														
- Fair value change of available-for-sale investments	—	—	—	—	—	57,412	—	—	57,412	—	—	—	—	—
- Share of comprehensive income from associate	—	—	—	—	—	11,213	—	—	11,213	—	—	—	—	—
- Cash flow hedge reserve recognized	—	—	—	—	—	(705,157)	—	(705,157)	—	—	—	—	(208,353)	(913,510)
- Exchange difference arising on translation of foreign operations	—	—	—	—	(1,684,090)	—	—	(1,684,090)	—	—	—	—	(105,231)	(1,789,321)
Total comprehensive income (loss) for the year	—	—	—	—	(1,684,090)	68,625	(705,157)	766,158	(1,554,464)	36,456	82,079	—	(711,174)	(2,147,103)
Transactions with owners														
- Issuance of Subordinated Capital Notes	—	—	—	—	—	—	—	—	—	—	3,102	—	—	3,102
- Issuance of perpetual capital securities	—	—	—	—	—	—	—	—	2,485,000	1,835,747	—	—	—	4,320,747
- Distribution paid to holders of perpetual capital securities	—	—	—	—	—	—	—	—	—	—	(65,923)	—	—	(65,923)
- Appropriations to and utilization of reserves	—	—	(2,316,285)	418,788	—	—	1,897,497	(98,368)	2,485,000	1,769,824	—	—	—	(98,368)
- Dividends	—	—	(2,316,285)	418,788	—	—	1,799,129	(98,368)	2,485,000	1,769,824	—	—	—	4,159,558
Total transactions with owners	—	—	1,659,447	5,930,111	(4,916,438)	140,185	29,469,081	38,725,846	2,521,456	1,851,903	3,102	—	2,896,209	45,998,516
Balance at December 31, 2014	4,918,400	2,981,002	3,975,732	5,511,323	(3,232,348)	71,560	766,158	766,158	36,456	82,079	3,102	—	(397,590)	487,103

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENTS

	NOTES	Year ended December 31,		
		2014 RMB'000	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES				
Profit (Loss) before income taxes		1,599,910	(580,268)	6,070,376
Adjustments for:				
Interest expenses		2,183,581	1,765,777	1,448,679
Interest income		(835,931)	(489,348)	(722,336)
Dividend income		(7,385)	(71,395)	(3,702)
Net unrealized foreign exchange (gain) loss		(359,665)	581,145	(1,359,747)
Depreciation of property, plant and equipment		3,078,755	3,124,953	2,819,404
Release of prepaid lease payments		18,888	18,728	18,363
Bargain purchase		(147,993)	—	(1,269,269)
Amortization of intangible assets		1,116,482	1,325,078	1,177,595
Provision (Reversal) of impairment loss on accounts receivable and other receivables, net		6,261	(742)	6,452
(Reversal) Provision of impairment loss on intangibles assets		(731,332)	2,052,238	417,214
Impairment loss on inventories		8,621	58,274	140,883
Impairment loss on property, plant and equipment		—	—	226,925
Impairment loss on goodwill		—	—	17,625
Share of loss of joint ventures		320,829	376,032	191,575
Share of profit of associates		(310,604)	(233,897)	(141,986)
Loss on fair value change of contingent value rights shares liabilities		18,314	241,223	79,423
Gain on disposal of property, plant and equipment		(5,986)	(14,973)	(9,862)
Loss on disposal of intangible assets		—	4,400	—
Operating cash flows before movements in working capital		5,952,745	8,157,225	9,107,612
Decrease (Increase) in bills and accounts receivable		1,847,613	(1,722,004)	(93,403)
Decrease (Increase) in inventories		43,467	(264,844)	(58,993)
Movement in provision for land subsidence, restoration, rehabilitation and environmental cost		(381,325)	170,486	484,739
Increase in prepaid lease payment		(123,079)	—	—
Increase in prepayments and other current assets		(773,056)	(1,377,975)	(186,137)
Increase (Decrease) in bills and accounts payable		1,571,594	(3,187,931)	246,081
(Decrease) Increase in other payables and accrued expenses		(182,329)	(1,223,267)	412,693
Decrease in long-term payable and provision		(807,331)	(35,670)	(93,090)
Cash generated from operations		7,148,299	516,020	9,819,502
Income taxes paid		(2,219,435)	(1,755,881)	(2,684,720)
Interest paid		(1,815,292)	(1,624,380)	(1,296,338)
Interest received		814,714	478,572	645,840
Dividend received		7,385	71,395	3,702
Dividend received from associates		236,145	113,216	15,624
NET CASH FROM (USED IN) OPERATING ACTIVITIES		4,171,816	(2,201,058)	6,503,610

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENTS (continued)

	NOTES	Year ended December 31,		
		2014 RMB'000	2013 RMB'000	2012 RMB'000
INVESTING ACTIVITIES				
(Increase) Decrease in term deposits		(723,340)	(1,286,055)	6,356,257
(Increase) Decrease in restricted cash		(186,056)	43,748	223,525
Purchase of property, plant and equipment		(5,800,186)	(10,221,406)	(6,230,426)
Increase in long term receivables		(246,379)	(245,779)	(349,217)
Decrease (Increase) in deposit made on investments		3,000	(4,000)	(695,574)
Proceeds on disposal of property, plant and equipment		81,132	80,236	226,876
Acquisition of Beisu and Yangcun		—	—	(816,011)
Acquisition of Gloucester		—	—	237,315
Investments in securities		(100,656)	(202)	—
Investment in an associate		(125,000)	—	(810,000)
Advance to an associate		(1,250,000)	—	—
Acquisition of Ashton	46	(58,679)	—	—
Acquisition of Hao Sheng	45	—	(802,089)	—
Acquisition of Xintai		—	(680,287)	—
Purchase of intangible assets		(128,627)	(388,536)	(1,330,117)
NET CASH USED IN INVESTING ACTIVITIES		(8,534,791)	(13,504,370)	(3,187,372)
FINANCING ACTIVITIES				
Dividends paid		(98,368)	(1,770,624)	(2,803,488)
Proceeds from bank borrowings		8,072,750	21,103,061	12,281,525
Repayment of bank borrowings		(6,193,233)	(10,000,905)	(17,338,107)
Repayment of other borrowings		(209,774)	(2,057,376)	(2,225,731)
Expenses arising from acquisition of Gloucester		—	—	(33,867)
Proceeds from issuance of guaranteed notes		9,932,220	5,997,500	11,262,900
Proceeds from issuance of perpetual capital securities		4,320,747	—	—
Proceeds from issuance of subordinated capital notes		3,102	—	—
Repurchase of contingent value rights shares		(1,373,523)	—	—
Repayment of guaranteed notes		(5,995,833)	—	—
Proceeds from other borrowings		300,000	—	—
Distribution paid to holders of perpetual capital securities		(65,923)	—	—
Dividends paid to non-controlling interests of a subsidiary		—	(60,277)	(47,095)
Contribution from non-controlling interests		—	75,540	49,000
NET CASH FROM FINANCING ACTIVITIES		8,692,165	13,286,919	1,145,137
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		4,329,190	(2,418,509)	4,461,375
CASH AND CASH EQUIVALENTS, AT JANUARY 1		10,922,637	12,717,358	8,145,297
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(209,899)	623,788	110,686
CASH AND CASH EQUIVALENTS, AT DECEMBER 31, REPRESENTED BY BANK BALANCES AND CASH		15,041,928	10,922,637	12,717,358

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Organization and principal activities

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”), its H shares are listed on The Stock Exchange of Hong Kong (the “SEHK”), and its American Depository Shares (“ADS”, one ADS represents 10 H shares) are listed on the New York Stock Exchange, Inc. The addresses of the registered office and principal place of business of the Company is 298 Fushan South Road, Zoucheng, Shandong Province, PRC.

The Company operates eight coal mines, namely the Xinglongzhuang coal mine, Baodian coal mine, Nantun coal mine, Dongtan coal mine, Jining II coal mine (“Jining II”), Jining III coal mine (“Jining III”), Beisu coal mine (“Beisu”) and Yangcun coal mine (“Yangcun”) as well as a regional rail network that links the eight mines with the national rail network. The Company’s parent and ultimate holding company is Yankuang Group Corporation Limited (the “Parent Company”), a state-owned enterprise in the PRC.

The principal activities of the Company’s subsidiaries, associates, joint ventures and joint operations are set out in notes 55, 27, 30 and 31 respectively.

As at December 31, 2014, the Company and all its subsidiaries (collectively referred to as the “Group”) had net current assets of RMB10,756,460,000 (2013: RMB2,708,424,000) and total assets less current liabilities of RMB105,768,231,000 (2013: RMB98,642,216,000).

Acquisitions and establishment of major subsidiaries

In 2006, the Company acquired 98% equity interest in Yankuang Shanxi Neng Hua Company Limited (“Shanxi Neng Hua”) and its subsidiaries (collectively referred as the “Shanxi Group”) from the Parent Company at cash consideration of RMB733,346,000. In 2007, the Company further acquired the remaining 2% equity interest in Shanxi Neng Hua from a subsidiary of the Parent Company at cash consideration of RMB14,965,000. The principal activities of Shanxi Group are to invest in heat and electricity, manufacture and sale of mining machinery and engine products, coal mining and the development of integrated coal technology.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

1. GENERAL (continued)

Acquisitions and establishment of major subsidiaries (continued)

Shanxi Neng Hua is an investment holding company, which holds 81.31% equity interest in Shanxi Heshun Tianchi Energy Company Limited (“Shanxi Tianchi”) and approximately 99.85% equity interest in Shanxi Tianhao Chemicals Company Limited (“Shanxi Tianhao”). In 2010, Shanxi Neng Hua acquired approximately 0.04% equity interest of Shanxi Tianhao at cash consideration of RMB14,000. The principal activities of Shanxi Tianchi are to exploit and sale of coal from Tianchi Coal Mine, the principal asset of Shanxi Tianchi. Shanxi Tianchi has completed the construction of Tianchi Coal Mine and commenced production by the end of 2006. Shanxi Tianhao is established to engage in the production of methanol and other chemical products, coke production, exploration and sales. The construction of the methanol facilities by Shanxi Tianhao commenced in March 2006 and it has commenced production in 2008.

In 2004, the Company acquired 95.67% equity interest in Yanmei Heze Company Limited (“Heze”) from the Parent Company at cash consideration of RMB584,008,000. The principal activities of Heze are to exploit and sale of coal in Juye coal field. The equity interests held by the Company increased to 96.67% after the increase of the registered capital of Heze in 2007. The equity interests held by the Company increased to 98.33% after the increase of the registered capital of RMB1.5 billion in 2010.

The Company originally held 97% equity interest in Yanzhou Coal Yulin Power Chemical Co., Ltd. (“Yulin”). The Company acquired the remaining 3% equity interest and made further investment of RMB600,000,000 in Yulin in 2008.

In February 2009, the Company acquired a 74% equity interest in Shandong Hua Ju Energy Company Limited (“Hua Ju Energy”) from the Parent Company at a consideration of RMB593,243,000. Hua Ju Energy is a joint stock limited company established in the PRC with the principal business of the supply of electricity and heat by utilizing coal gangue and coal slurry produced from coal mining process. In July 2009, the Company entered into acquisition agreements with three shareholders of Hua Ju Energy, pursuant to which, the Company agreed to acquire 21.14% equity interest in Hua Ju Energy at a consideration of RMB173,007,000.

In 2009, the Company entered into a binding scheme implementation agreement with Felix Resources Limited (“Felix”), a corporation incorporated in Australia with shares listed on the Australian Securities Exchange (“ASX”), to acquire all the shares of Felix in cash of approximately AUD3,333 million. The principal activities of Felix are exploring and extracting coal resources, operating, identifying, acquiring and developing resource related projects that primarily focus on coal in Australia. This acquisition was completed in 2009. In 2011, Felix Resources Limited was renamed as Yancoal Resources Limited (“Yancoal Resources”).

In 2009, the Company invested RMB500 million to set up a wholly-owned subsidiary located in Inner Mongolia, Yanzhou Coal Ordos Neng Hua Company Limited (“Ordos”). Ordos is a limited liability company incorporated in the PRC with the objectives of production and sale of methanol and other chemical products. In 2011, the Company invested additional equity in the registered capital of Ordos of RMB2.6 billion. The Company also acquired Yiginhuoluo Qi Nalin Tao Hai Town An Yuan Coal Mine (“An Yuan Coal Mine”) at a consideration of RMB1,435,000,000.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

1. GENERAL (continued)

Acquisitions and establishment of major subsidiaries (continued)

In 2010, the Company acquired 100% equity interest of Inner Mongolia Yize Mining Investment Co., Ltd (“Yize”) and other two companies at a consideration of RMB190,095,000. The main purpose of this acquisition is to facilitate the business of methanol and other chemical products in Inner Mongolia Autonomous Region.

In 2011, Ordos acquired 80% equity interest of Inner Mongolia Xintai Coal Mining Company Limited (“Xintai”) at a consideration of RMB2,801,557,000 from an independent third party. Xintai owns and operates Wenyu Coal Mine in Inner Mongolia. The principal activities of Xintai are coal production and coal sales. On September 30, 2013, Ordos acquired remaining 20% of non-controlling interests of Xintai with consideration of RMB680,287,000.

In 2011, the Company acquired 100% equity interests in Syntech Holdings Pty Ltd and Syntech Holdings II Pty Ltd (collectively “Syntech”) at a cash consideration of AUD208,480,000. The principal activities of Syntech include exploration, production, sorting and processing of coal. The acquisition was completed on August 1, 2012.

The Company entered into a sales and purchases agreement on September 27, 2011 to acquire 100% equity interests in both Wesfarmers Premier Coal Limited (“Premier Coal”) and Wesfarmers Char Pty Ltd (“Wesfarmers Char”) at a consideration of AUD313,533,000. The acquisition was completed on December 30, 2011. Premier Coal is mainly engaged in the exploration, production and processing of coal. Wesfarmers Char is mainly engaged in the research and development of the technology and procedures in relation to processing coal char from low rank coals.

In 2011, the Company invested USD2.8 million to set up a wholly-owned subsidiary, Yancoal International (Holding) Co., Limited (“Yancoal International”). Yancoal International was established in Hong Kong to act as a platform for overseas assets and business management. Yancoal International has four subsidiaries, namely Yancoal International Trading Co., Limited, Yancoal International Technology Development Co., Limited, Yancoal International Resources Development Co., Limited and Yancoal Luxembourg Energy Holding Co., Limited (“Yancoal Luxembourg”). Yancoal Luxembourg established a wholly-owned subsidiary, Yancoal Canada Resources Co., Ltd (“Yancoal Canada”) with USD290 million as investment. The Company acquired, at a total consideration of USD260 million, 19 potash mineral exploration permits in the Province of Saskatchewan, Canada through Yancoal Canada. The permit transfer registrations were completed on September 30, 2011.

On December 22, 2011 and March 5, 2012, the Company, Yancoal Australia Limited (“Yancoal Australia”) and Gloucester Coal Limited (“Gloucester”), a corporation incorporated in Australia whose shares are listed on the ASX, entered into the merger proposal deed in respect of a proposal for the merger of Yancoal Australia and Gloucester. Yancoal Australia acquired the entire issued share capital of Gloucester at a consideration of a combination of 218,727,665 ordinary shares of Yancoal Australia and 87,645,184 contingent value rights shares (“CVR shares”). Following the completion of the merger, Yancoal Australia is separately listed on the ASX, replacing the listing position of Gloucester. The merger was completed on June 27, 2012. The ordinary shares and CVR shares of Yancoal Australia was listed on the ASX on June 28, 2012. On June 22, 2012, according to the merger agreement, the equity interest in Syntech and Premier Coal held by Yancoal Australia has been transferred to Yancoal International.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

1. GENERAL (continued)

Acquisitions and establishment of major subsidiaries (continued)

On April 23, 2012, the Company entered into an assets transfer agreement with the Parent Company and its subsidiary to purchase the target assets from the Parent Company and its subsidiary at a consideration of RMB824,142,000 to acquire all the assets and liabilities of Beisu and Yangcun and their equity investments in Zoucheng Yankuang Beisheng Industry & Trading Co., Ltd (“Beisheng Industry and Trade”), Shandong Shengyang Wood Co., Ltd (“Shengyang Wood”) and Jining Jiemei New Wall Materials Co., Ltd (“Jiemei Wall Materials”). Beisu and Yangcun mainly engaged in the production and exploration of PCI coal and thermal coal. The acquisition was completed on May 31, 2012.

In 2012, the Company entered into an agreement for investment in Shandong Coal Trading Centre Co., Limited (“Trading Centre”) with two independent third parties. The Company contribute RMB51,000,000 which represents 51% of the equity interest in Trading Centre. The principal activities of Trading Centre is to provide coal trading and relevant advisory services. Trading Centre has not yet commenced any business.

In 2010, the Company entered into a co-operative agreement with three independent third parties to acquire 51% equity interest of Inner Mongolia Hao Sheng Coal Mining Limited (“Hao Sheng”) and obtained the mining rights of the Shilawusu Coal Field (“the mining right”) in the name of Hao Sheng. From 2011 to 2013, the Company entered into agreements with contract parties to further acquire equity interest in Hao Sheng and increase Hao Sheng’s registered capital. Upon completion of these agreements during the period, the Company owns 74.82% equity interest in Hao Sheng with total consideration of RMB 7,136,536,000. During the year, the Company made additional contribution of RMB224,460,000 to registered capital in proportion to its equity interest. As at December 31, 2014, Hao Sheng has not commenced any business.

In 2012, the Company entered into a cooperation agreement with two independent third parties to set up a company, Shandong Yanmei Rizhao Port Coal Storage and Blending Co., Ltd. (“Rizhao”), to act as a coal blending, storage and distribution base in Rizhao Port. Upon completion of registration procedures in 2013, the Company contributed RMB153,000,000, which represents 51% equity interest of Rizhao.

On March 14, 2014, the Company entered into a co-operative agreement with Yancoal International and contributed RMB500,000,000 to set up Zhongyin Financial Leasing Company Limited (“Zhongyin Financial”) in Shanghai Pilot Free Trade Zone, to provide finance lease, lease consultation and guaranteed and commercial insurance service for finance lease business. The registration process was completed on May 20, 2014.

On May 8, 2014, the Company invested RMB300,000,000 to set up a wholly-owned subsidiary of Shandong Zhongyin Logistics & Trade Company Limited (“Zhongyin Logistics”), mainly engaged in the business of sales of coal and procurement of coal mining machinery and equipment parts.

On November 17, 2014, the Company invested RMB100,000,000 to set up a wholly-owned subsidiary of Duanxin Investment Holding (Beijing) Company Limited, mainly engaged in the business of consultancy service of operation management and investment management. As at the end of the reporting period, Duanxin Investment Holding (Beijing) Company Limited has not yet commenced any business.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

2. BASIS OF PREPARATION

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. The consolidated financial statements were approved and authorized for issue by the Board of Directors on April 27, 2015.

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

3. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group had applied, for the first time, the following amended standards (“new IFRSs”) applicable to the Group issued by the International Accounting Standards Board (the “IASB”) and the International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB, which are effective for the Group’s financial year beginning on January 1, 2014.

IAS 32 (Amendments)	<i>Offsetting Financial Assets and Financial Liabilities</i>
IAS 36 (Amendments)	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
IAS 39 (Amendments)	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC—Int 21	<i>Levies</i>

Other than as noted below, the adoption of the amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets

The amendments clarify the requirements to disclose the recoverable amount of an asset (or cash generating unit) whenever an impairment loss has been recognised or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired asset (or cash generating unit) is based on fair value less costs of disposal. The Group has applied the amendments retrospectively in accordance with their transitional provisions and the disclosures about the Group’s impaired non-financial assets are set out in notes 23 and 25 to the financial statements.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

3. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

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

Amendments to IFRSs	<i>Annual Improvements to IFRSs 2010-2012 Cycle¹</i>
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2011-2013 Cycle¹</i>
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2012-2014 Cycle²</i>
IFRS 9 (2014)	<i>Financial Instruments⁴</i>
IFRS 15	<i>Revenue from Contracts with Customers³</i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation²</i>
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements²</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²</i>
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations²</i>

¹ Effective for annual periods beginning on or after July 1, 2014

² Effective for annual periods beginning on or after January 1, 2016

³ Effective for annual periods beginning on or after January 1, 2017

⁴ Effective for annual periods beginning on or after January 1, 2018

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. The directors are currently assessing the possible impact of these new and amended IFRSs on the Group's results and financial position in the first year of application. Other new and amended IFRSs are not expected to have a material impact on the Group's financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

3. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Annual Improvements to IFRSs 2010-2012 Cycle (continued)

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortization when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortization is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

Annual Improvements to IFRSs 2011-2013 Cycle

The *Annual Improvements to IFRSs 2011-2013 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of IAS 40; and
- (b) the transaction meets the definition of a business combination under IFRS 3.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

3. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Annual Improvements to IFRSs 2012-2014 Cycle

The *Annual Improvements to IFRSs 2012-2014 Cycle* include a number of amendments to various IFRSs, which are summarised below.

IFRS 5 provides guidance when an entity reclassifies either an asset or a disposal group from held for sale to held for distribution (or vice versa), or when held for distribution accounting is discontinued; and clarifies that these types of changes in plans do not result in a new classification but instead lead to the same classification, presentation and measurement requirements for each type of disposal in IFRS 5.

IFRS 7 provides additional guidance in identifying the circumstances under which a servicing contract is considered to be ‘continuing involvement’ for the purposes of applying the disclosure requirements for transferred assets. The amendments also clarifies that the additional disclosure required by the amendments to IFRS 7 on offsetting financial assets and financial liabilities is not specifically required for all interim periods. However, the additional disclosure is required when its inclusion would be necessary in order to meet the general principles of IAS 34.

IAS 19 requires that the currency and term of the corporate or government bonds used to determine the discount rate for post-employment benefit obligations must be consistent with the currency and estimated term of the obligations. The amendments clarify that the assessment of the depth of the corporate bond market shall be made at the currency-level rather than the country-level.

IAS 34 clarifies the meaning of disclosure of information ‘elsewhere in the interim financial report’ and requires the inclusion of a cross-reference from the interim financial statements to the location of this information.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Revised version of IFRS 9 was issued in 2014 mainly to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described as follows:

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

3. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 9 Financial Instruments (continued)

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

In relation to the impairment of financial assets, the new introduction of IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 in the past. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments remove an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture and require that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

3. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments introduce a rebuttable presumption to IAS 38 that the use of revenue-based methods to calculate the amortisation of an intangible asset is not appropriate.

This presumption can be overcome only in the limited circumstances in which the intangible asset is expressed as a measure of revenue or when revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments also prohibit the use of revenue-based methods to calculate the depreciation of property, plant and machinery under IAS 16.

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 accounting policies are set out below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date on which control is transferred to the group or up to the date that control ceases, as appropriate. 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Changes in the Group's ownership interests in 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 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 recognized directly in equity and attributed to owners of the Company.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

When the Group ceases to have control of the entity, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to 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 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 are recognized in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Subsequent adjustments to the consideration are recognized against the cost of acquisition within the measurement period which does not exceed one year from the acquisition date. Subsequent accounting for changes in fair values of the contingent consideration that do not qualify as measurement period adjustments is included in the income statement or within equity for contingent consideration classified as an asset/liability and equity respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer'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 assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum 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 recognized immediately in profit or loss as a bargain purchase gain.

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 may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. The Group applies the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets to account for all its acquisitions.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost and adjusted for post-acquisition changes in the Group's share of net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in associates. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment and the reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint arrangements

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligation for its liabilities. A joint operation is an arrangement in which the Group has joint control, whereby the Group has 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 unanimous consent of the parties sharing control.

Joint ventures are accounted for using the equity method and the details of equity method of accounting have been set out in the accounting policy for interests in associates. When a group entity transacts with a jointly controlled entity of the Group, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

When Group entity undertakes its activities under joint operations, the Group as a joint operator recognises its direct right to, and its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under appropriate headings.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

Sales of goods (including coal and methanol) are recognized upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Service income such as coal railway transportation and electricity and heat supply is recognized when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

Dividend income from investments is recognized when the shareholders' rights to receive payments have been established.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognized 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 amortized on a straight line basis over its useful life. Expenditure incurred on projects to develop new products is capitalized 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 recognized separately from goodwill are initially recognized 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 reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(i) Mining reserves

Mining reserves represent the portion of total proven and probable reserves in the mine of a mining right. Mining reserves are amortized over the life of the mine on a unit of production basis of the estimated total proven and probable reserves or the Australia Joint Ore Reserves Committee (“JORC”) reserves for the Group’s subsidiaries in Australia. Changes in the annual amortization rate resulting from changes in the remaining reserves are applied on a prospective basis from the commencement of the next financial year.

(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 amortized over the life of the area according to the rate of depletion of the economically recoverable reserves.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

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.

When production commences, the accumulated costs for the relevant area of interest are amortized over the life of the area according to the rate of depletion of the economically recoverable reserves.

Capitalized 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 recognized 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")

Prepaid lease payments

Prepaid lease payments represent land use rights under operating lease arrangement and are stated at cost less accumulated amortization and accumulated impairment losses.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment, other than construction in progress and freehold land, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost of items of property, plant and equipment, other than construction in progress and freehold land, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method or unit of production method.

Construction in progress represents property, plant and equipment under construction for production or for its own use purposes. Construction in progress is carried at cost less any impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation commences when the assets are ready for their intended use.

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 recognized immediately in the consolidated income statement.

Impairment other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets and intangible assets with finite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset (determined at the higher of its fair value less costs of disposal and its value in use) is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with an indefinite useful life will be tested for impairment annually.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 recognized 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 recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as an income immediately.

For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit) to which the mining activity (mining complex level) is attributed. Management monitors and manages operations at the mining complex level to identify cash-generating streams.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on acquisitions prior to January 1, 2005 (transition to new IFRS)

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before January 1, 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 amortization from January 1, 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 January 1, 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after January 1, 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 balance sheet.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment is recognized immediately in the consolidated income statement 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.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and other financial institution and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the preparation of consolidated cash flow statement, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Inventories

Inventories of coal and methanol are stated at the lower of cost and net realizable 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 realizable 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 subsequently amortized over its useful life using a units of production method, in accordance with the policy applicable to mine properties. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Waste development costs incurred in the production phase creates two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and the benefit is improved access to ore to be mined in the future, the costs are recognised as a stripping activity asset in mine properties.

If the costs of the inventory produced and the stripping asset are not separately identifiable, the allocation is undertaken based on waste-to-ore stripping ratio for the particular ore component concerned. If mining of waste in a period occurs in excess of the expected life-of-component average waste-to-ore strip ratio, the excess is recognised as part of the stripping asset. Where mining occurs at or below the expected life-of-component stripping ratio in a period, the entire production stripping cost is allocated to the cost of the ore inventory produced.

Amortization is provided on the units-of-production method over the life of the identified component of orebody. The units-of-production method results in an amortization 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.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement 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 balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized 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 each balance sheet date 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. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Certain of the Company's wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the tax consolidated group recognizes 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 recognizes 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 recognize their balance of the current tax assets and liabilities through inter-entity accounts.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognized in the period in which the obligation is identified and is charged as an expense in proportion to the coal extracted. At each balance sheet 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 recognized in the income statement. Changes to the capitalised cost result in an adjustment to future depreciation and financial charges.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present values of the minimum lease payments of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as an obligation under finance leases.

Each lease payment is allocated between liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The finance lease liabilities are included in current and non-current borrowings. The finance charges are expensed in the income statement 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 recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions and contingent liabilities

Provisions are recognized 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 each balance sheet date 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 capitalized as part of the cost of those assets. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

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

Foreign currencies

In preparing the 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 balance sheet 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 translation of monetary items, are recognized 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 recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purposes of presenting 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 balance sheet 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 recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Government grants

Government grants are recognized as income over the periods necessary to match them with the related costs. If the grants do not relate to any specific expenditure incurred by the Group, they are reported separately as other income. If the grants subsidize an expense incurred by the Group, they are deducted in reporting the related expense. Grants relating to depreciable assets are presented as a deduction from the cost of the relevant asset.

Annual leave, sick leave and long service leave

Benefits accruing to employees in respect of wages and salaries, annual leave and sick leave are included in trade and other payables. Related on-costs are also included in trade and other payables 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 balance sheet date.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as expenses when the employees render the services entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized 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. The accounting policies adopted in respect of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including bank balances and cash, term deposits, restricted cash, bills and accounts receivable, other current assets and long-term receivables) are subsequently measured at amortized cost using the effective interest method, less any identified impairment loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss included financial assets held for trading and financial assets designated as fair value through profit or loss upon initial recognition. Financial assets are classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term or on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Royalty receivable is remeasured based on sales volume, price changes, foreign currency exchange rates and expected future cash flows at each balance sheet date. The gain or loss arising from the change in fair value of royalty receivable is recognized in profit or loss. Royalty receivable is reduced by cash receipts and decreases with time. Since the contract is long term, the unwinding discount (to reflect time value of money) is recognized in interest income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized initially in other comprehensive income and accumulated in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in profit or loss (see accounting policy on impairment loss on financial assets below).

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade and bills receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For available-for-sale equity investments carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables and other receivables, where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade and bills receivables and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized initially in other comprehensive income and accumulated in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities

The Group's financial liabilities including bills and accounts payables, other payables, amounts due to Parent Company and its subsidiary companies, finance lease liabilities, guaranteed notes and bank and other borrowings which are initially recognised at fair value and subsequently measured at amortized cost, using the effective interest method and financial liabilities at fair value through profit or loss.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at initial recognition as at fair value through profit and loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Equity instruments

Equity instruments issued by the Company are recorded 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.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets or, the financial assets has been transferred, although the company has neither transferred nor retained substantially all the risk and rewards of ownership of the financial assets, but the Company give up control of the financial assets.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (i) hedges of the fair value of recognized assets or liabilities (fair value hedge); and (ii) hedges of highly probable forecast transactions (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 36. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized initially in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss. Amounts accumulated in equity are recognized in the profit and loss as the underlying hedged items are recognized.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss.

(ii) Derivatives that do not qualify for hedge accounting and those not designated as hedging instruments

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting and those not designated as hedges are recognized immediately in the profit or loss.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related Parties

(a) A person, or a close member of that person's family, is related to the group if that person:

- (1) has control or joint control over the group;
- (2) has significant influence over the group; or
- (3) is a member of the key management personnel of the group or the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(b) An entity is related to the group if any of the following conditions applies:

- (1) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (3) Both entities are joint ventures of the same third party;
- (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (5) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group;
- (6) The entity is controlled or jointly controlled by a person identified in (a); or
- (7) A person identified in (a)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

5. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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 ongoing basis. Revisions to accounting estimates are recognized 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.

Depreciation of property, plant and equipment

The cost of mining structures (note 24) is depreciated using the unit of production method based on the estimated production volume for which the structure was designed. The management exercises their judgment in estimating the useful lives of the depreciable assets and the production volume of the mine. The estimated coal production volumes are updated at regular intervals and have taken into account recent production and technical information about each mine. These changes are considered a change in estimate for accounting purposes and are reflected on a prospective basis in related depreciation rates. Estimates of the production volume are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information.

Amortization of assets

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

Provision for land subsidence, restoration, rehabilitation and environmental costs

The provision (note 34) is reviewed regularly to verify that it properly reflects the remaining obligation arising from the current and past mining activities. Provision for land subsidence, restoration, rehabilitation and environmental costs are determined by the management based on their best estimates of the current and future costs, latest government policies and past experiences.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

5. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 December 31, 2014, the carrying amount of goodwill is RMB2,232,751,000 (2013: RMB2,460,551,000). During the year ended December 31, 2014, no impairment loss on goodwill (2013: nil) was recognised by the Group and details are set out in note 25.

Cash flow projections during the budget period for each of the above 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

When there is an impairment indicator, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. In estimating the future cash flows, the management have taken into account the recent production and technical advancement. As prices and cost levels change from year to year, the estimate of the future cash flow also changes. Notwithstanding the management has used all the available information to make their impairment assessment, inherent uncertainty exists on conditions of the mine and of the environment and actual written off may be higher than the amount estimated. As at December 31, 2014, the carrying amounts of property, plant and equipment is approximately RMB44,174,612,000 (2013: RMB41,896,508,000). During the year ended December 31, 2014, no property, plant and equipment was written off as expenses (2013: nil; 2012: nil). In addition, during the year ended December 31, 2014, no impairment loss on property, plant and equipment (2013: nil; 2012: RMB226,925,000) was recognized by the Group and the details of impairment are set out in note 24.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

5. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of property, plant and equipment (continued)

Most of the coal sales by Premier and Wesfarmers Char are governed by a contract signed with an independent power station. The remaining coal sales are to independent third parties which are sold at market prices. The contract with the power station was a required condition in order for the government to grant the mining rights to Premier and Wesfarmers Char. The sales price under the contract is below market price and Premier and Wesfarmers Char are unable to negotiate to revise the terms of the existing contract, including the sale price of coal. Given the current level of market price of coal and rising costs, the Company also expected that the power station may purchase more coal from Premier and Wesfarmers Char, which will drive down the Company's overall average sales prices. In 2012, a combined assessment of Premier and Wesfarmers Char, being a cash-generating unit, was performed, and hence in 2012, the Company recorded impairment on intangible assets (mining reserves and mining resources) of RMB417,214,000, property, plant and equipment (mining structures) of RMB226,925,000 and goodwill of RMB17,625,000 as selling, general and administrative expenses in its statement of comprehensive income as set out in Note 9 to the financial statements. The Company used the value-in-use method to assess the impairment and the key assumptions included the future market price of the coal, sales volume, and mining costs. The changes in these key assumptions that were applied in the impairment analysis were a decrease of the average coal price from AUD76 per tonne to AUD24 per tonne, a decrease in total sales volume from 141 million tonne to 58 million tonne, an increase in average nominal operating cost from AUD48 per tonne to AUD62 per tonne and an increase in capital expenditure from AUD460 million to AUD584 million. During the year ended December 31, 2013 and 2014, no provision for impairment losses were made for Premier and Wesfarmers Char by the Group.

Estimated impairment of mining reserves

When there are indications of impairment, the estimate of future cash flows was taken into consideration. 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. When actual future cash flows are less than expected, a material impairment loss may arise. In estimating future cash flows, management takes into account recent production and technical advancements. As price and cost levels change from year to year, the estimate of future cash flows also changes. Notwithstanding that management has considered all the available information in making their impairment assessment, inherent uncertainty exists as to the conditions of mines and the environment, and actual write-offs may be higher than the estimated amounts.

The recoverable amount of cash generating units is assessed by management at the operating segment level. Business performance is reviewed by management on a mine by mine basis and each mine is considered to be a separate cash generating unit. The recoverable amount of each cash generating unit at December 31, 2014 was determined using the value in use method.

Value in use has been determined using a discounted cash flow model and key assumptions include coal prices, foreign exchange rates, production and capital costs, discount rate and coal reserves and resources. In determining the value assigned to each key assumption, management has used external sources of information and utilized the expertise of external and/or internal consultants and experts to validate entity specific assumptions such as coal reserves and resources.

Based on the impairment review, the recoverable amounts of coal reserves of Moolarben and Stratford & Duralie, both of which are coal mines of Yancoal Australia, were determined to be less than the carrying amounts and hence resulting an impairment loss of RMB2,052.2 million predominantly due to forecasted global economic conditions and coal sales prices. The cash flow forecast used assumed an average long term real coal prices of US\$67 – US\$148 per tonne, AUD/US\$ exchange rate declining from year end spot rate of AUD0.82 to AUD0.78 over the next five years and a post-tax discount rate of 11%. Production and capital costs were based on the estimate of forecasted geological conditions, stage of existing plant and equipment and future production levels. The recoverable amount is also dependent on the life of mines which is based on the annual coal production forecast.

Acquisition of subsidiaries

In 2013 and 2014, the Group acquired subsidiaries and businesses as set out in note 45 and 46. The Group determined whether the acquisition are to be accounted for as acquisition of business or as acquisition of assets by reference to a number of factors including (i) whether the acquiree has relevant input, process or output; (ii) whether the acquiree has planned principal activities or is pursuing a plan to produce output and will be able to obtain access to customers.

In addition, the management also made judgement to determine if the Group has taken control over the subsidiaries or assets acquired as from time to time, the registration of transfer of certain operating licences may not be changed immediately upon the payment of consideration.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

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 exploitation right of the Group’s foreign subsidiaries is not restricted. The final customer destination of the Company’s export sales is determined by the Company, National Coal Corporation, Minmetals Trading or Shanxi Coal Corporation. Certain of the Company’s subsidiaries and associates are engaged in trading and processing of mining machinery and the transportation business via rivers and lakes and financial services in the PRC. No separate segment information about these businesses is presented in these financial statements as the underlying gross sales, results and assets of these businesses, which are currently included in the mining business segment, are insignificant to the Group. Certain of the Company’s subsidiaries are engaged in production of methanol and other chemical products, and invest in heat and electricity.

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

For management purposes, the Group is currently organized into three operating divisions—coal mining, coal railway transportation and methanol, electricity and heat supply. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:

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

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 three years ended December 31, 2014 mainly included exchange gain and other sundry items. Unallocated corporate income for the year ended December 31, 2012 also included bargain purchase of RMB1,269,269,000.

Unallocated corporate expenses for the three years ended December 31, 2014 mainly included bank charges, salaries and other employee benefits, miscellaneous taxes and other sundry items.

Unallocated corporate assets at December 31, 2012, 2013 and 2014 mainly included cash at bank, investments in securities, deferred tax assets and other sundry items.

Unallocated corporate liabilities at December 31, 2012, 2013 and 2014 mainly included borrowings, deferred taxation and sundry items.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

6. SEGMENT INFORMATION (continued)

Segment information about these businesses is presented below:

INCOME STATEMENT

	For the year ended December 31, 2014				
	<u>Mining</u>	<u>Coal railway</u>	<u>Methanol,</u>	<u>Eliminations</u>	<u>Consolidated</u>
	<u>RMB'000</u>	<u>transportation</u>	<u>electricity and</u>	<u>RMB'000</u>	<u>RMB'000</u>
		<u>RMB'000</u>	<u>heat supply</u>		
			<u>RMB'000</u>		
GROSS REVENUE					
External	58,539,353	373,617	1,457,794	—	60,370,764
Inter-segment	<u>457,681</u>	<u>74,157</u>	<u>530,671</u>	<u>(1,062,509)</u>	<u>—</u>
Total	<u>58,997,034</u>	<u>447,774</u>	<u>1,988,465</u>	<u>(1,062,509)</u>	<u>60,370,764</u>

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

	For the year ended December 31, 2014				
	<u>Mining</u>	<u>Coal railway</u>	<u>Methanol,</u>	<u>Eliminations</u>	<u>Consolidated</u>
	<u>RMB'000</u>	<u>transportation</u>	<u>electricity and</u>	<u>RMB'000</u>	<u>RMB'000</u>
		<u>RMB'000</u>	<u>heat supply</u>		
			<u>RMB'000</u>		
RESULT					
Segment results	<u>4,555,773</u>	<u>12,801</u>	<u>218,108</u>	<u>—</u>	<u>4,786,682</u>
Unallocated corporate expenses					(1,990,316)
Unallocated corporate income					161,419
Interest income					835,931
Share of profit of associates	304,945	—	5,659	—	310,604
Share of loss of joint ventures	(320,829)	—	—	—	(320,829)
Interest expenses					(2,183,581)
Profit before income taxes					1,599,910
Income taxes					(1,112,807)
Profit for the year					<u>487,103</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

6. SEGMENT INFORMATION (continued)

BALANCE SHEET

	At December 31, 2014			
	<u>Mining</u> RMB'000	<u>Coal railway transportation</u> RMB'000	<u>Methanol, electricity and heat supply</u> RMB'000	<u>Consolidated</u> RMB'000
ASSETS				
Segment assets	106,340,138	384,587	5,169,555	111,894,280
Interests in associates	1,766,872	—	1,188,757	2,955,629
Interests in joint ventures	130,867	—	—	130,867
Unallocated corporate assets				18,117,338
				<u>133,098,114</u>
LIABILITIES				
Segment liabilities	30,639,691	140,951	3,453,427	34,234,069
Unallocated corporate liabilities				52,865,529
				<u>87,099,598</u>

OTHER INFORMATION

	For the year ended December 31, 2014				
	<u>Mining</u> RMB'000	<u>Coal railway transportation</u> RMB'000	<u>Methanol, electricity and heat supply</u> RMB'000	<u>Corporate</u> RMB'000	<u>Consolidated</u> RMB'000
Capital additions (note 1)	5,296,579	4,984	2,096,313	91,527	7,489,403
Addition of investment in an associate	—	—	—	125,000	125,000
Amortization of intangible assets	1,103,089	—	13,393	—	1,116,482
Release of prepaid lease payments	10,302	5,372	3,214	—	18,888
Reversal of impairment loss on intangible assets	(731,332)	—	—	—	(731,332)
Impairment loss on inventories	4,241	—	—	—	4,241
Depreciation of property, plant and equipment	2,594,622	63,055	418,693	2,385	3,078,755
Impairment losses charged (reversed) on accounts receivable and other receivables	6,954	—	(693)	—	6,261

Note 1: Capital additions include those arising from the acquisition of equity interest in Ashton Coal Mines Limited.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

6. SEGMENT INFORMATION (continued)

Segment information about these businesses is presented below:

INCOME STATEMENT

	For the year ended December 31, 2013				
	<u>Mining</u>	<u>Coal railway</u>	<u>Methanol,</u>	<u>Eliminations</u>	<u>Consolidated</u>
	<u>RMB'000</u>	<u>transportation</u>	<u>electricity and</u>	<u>RMB'000</u>	<u>RMB'000</u>
		<u>RMB'000</u>	<u>heat supply</u>		
			<u>RMB'000</u>		
GROSS REVENUE					
External	54,444,843	457,898	1,499,085	—	56,401,826
Inter-segment	456,117	43,337	292,994	(792,448)	—
Total	<u>54,900,960</u>	<u>501,235</u>	<u>1,792,079</u>	<u>(792,448)</u>	<u>56,401,826</u>

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

	For the year ended December 31, 2013				
	<u>Mining</u>	<u>Coal railway</u>	<u>Methanol,</u>	<u>Eliminations</u>	<u>Consolidated</u>
	<u>RMB'000</u>	<u>transportation</u>	<u>electricity and</u>	<u>RMB'000</u>	<u>RMB'000</u>
		<u>RMB'000</u>	<u>heat supply</u>		
			<u>RMB'000</u>		
RESULT					
Segment results	1,844,605	22,720	403,702	—	2,271,027
Unallocated corporate expenses					(1,504,126)
Unallocated corporate income					71,395
Interest income					489,348
Share of (loss) profit of associates	(330,158)	—	564,055		233,897
Share of loss of joint ventures	(376,032)	—	—		(376,032)
Interest expenses					(1,765,777)
Loss before income taxes					(580,268)
Income taxes					394,815
Loss for the year					<u>(185,453)</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

6. SEGMENT INFORMATION (continued)

BALANCE SHEET

	At December 31, 2013			
	<u>Mining</u> RMB'000	<u>Coal railway transportation</u> RMB'000	<u>Methanol, electricity and heat supply</u> RMB'000	<u>Consolidated</u> RMB'000
ASSETS				
Segment assets	102,090,643	363,874	5,682,418	108,136,935
Interests in associates	1,561,859	—	1,183,098	2,744,957
Interests in joint ventures	488,350	—	—	488,350
Unallocated corporate assets				16,087,947
				<u>127,458,189</u>
LIABILITIES				
Segment liabilities	31,275,948	170,879	3,735,244	35,182,071
Unallocated corporate liabilities				48,290,057
				<u>83,472,128</u>

OTHER INFORMATION

	For the year ended December 31, 2013				
	<u>Mining</u> RMB'000	<u>Coal railway transportation</u> RMB'000	<u>Methanol, electricity and heat supply</u> RMB'000	<u>Corporate</u> RMB'000	<u>Consolidated</u> RMB'000
Capital additions (note 1)	18,709,633	22,285	1,519,220	36	20,251,174
Amortization of intangible assets	1,323,031	—	2,047	—	1,325,078
Release of prepaid lease payments	10,020	5,372	3,336	—	18,728
Impairment loss on intangible assets	2,052,238	—	—	—	2,052,238
Impairment loss on inventories	58,274	—	—	—	58,274
Depreciation of property, plant and equipment	2,612,359	68,098	442,392	2,104	3,124,953
Impairment losses (reversed) charged on accounts receivable and other receivables	(3,799)	—	2,683	374	(742)

Note 1: Capital additions include those arising from the acquisition of Hao Sheng during the year.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

6. SEGMENT INFORMATION (continued)

Segment information about these businesses is presented below:

INCOME STATEMENT

	For the year ended December 31, 2012				
	<u>Mining</u> RMB'000	<u>Coal railway transportation</u> RMB'000	<u>Methanol, electricity and heat supply</u> RMB'000	<u>Eliminations</u> RMB'000	<u>Consolidated</u> RMB'000
GROSS REVENUE					
External	56,200,600	464,068	1,481,516	—	58,146,184
Inter-segment	219,230	32,560	284,425	(536,215)	—
Total	<u>56,419,830</u>	<u>496,628</u>	<u>1,765,941</u>	<u>(536,215)</u>	<u>58,146,184</u>

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

	For the year ended December 31, 2012				
	<u>Mining</u> RMB'000	<u>Coal railway transportation</u> RMB'000	<u>Methanol, electricity and heat supply</u> RMB'000	<u>Eliminations</u> RMB'000	<u>Consolidated</u> RMB'000
RESULT					
Segment results	6,980,578	(52,848)	91,420	—	7,019,150
Unallocated corporate expenses					(2,159,979)
Unallocated corporate income					1,987,137
Interest income					722,336
Share of profit of associates	33,552	—	108,434	—	141,986
Share of loss of joint ventures	(191,575)	—	—	—	(191,575)
Interest expenses					(1,448,679)
Profit before income taxes					6,070,376
Income taxes					(36,189)
Profit for the year					<u>6,034,187</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

6. SEGMENT INFORMATION (continued)

BALANCE SHEET

	At December 31, 2012			
	<u>Mining</u> RMB'000	<u>Coal railway transportation</u> RMB'000	<u>Methanol, electricity and heat supply</u> RMB'000	<u>Consolidated</u> RMB'000
ASSETS				
Segment assets	98,354,842	558,152	5,300,584	104,213,578
Interests in associates	192,081	—	2,432,195	2,624,276
Interests in joint ventures	998,627	—	—	998,627
Unallocated corporate assets				14,328,595
				<u>122,165,076</u>
LIABILITIES				
Segment liabilities	30,657,045	66,649	4,326,014	35,049,708
Unallocated corporate liabilities				38,395,238
				<u>73,444,946</u>

OTHER INFORMATION

	For the year ended December 31, 2012				
	<u>Mining</u> RMB'000	<u>Coal railway transportation</u> RMB'000	<u>Methanol, electricity and heat supply</u> RMB'000	<u>Corporate</u> RMB'000	<u>Consolidated</u> RMB'000
Capital additions (note 1)	19,170,069	33,835	1,605,265	70	20,809,239
Investments in associates	3,927	—	810,000	—	813,927
Amortization of intangible assets	1,175,548	—	2,047	—	1,177,595
Release of prepaid lease payments	9,778	5,372	3,213	—	18,363
Impairment loss on property, plant and equipment	226,925	—	—	—	226,925
Impairment loss on intangible assets	417,214	—	—	—	417,214
Impairment loss on inventories	140,883	—	—	—	140,883
Impairment loss on goodwill	17,625	—	—	—	17,625
Depreciation of property, plant and equipment	2,293,828	78,668	443,746	3,162	2,819,404
Impairment losses charged (reversed) on accounts receivable and other receivables	7,270	—	(818)	—	6,452

Note 1: Capital additions include those arising from the acquisition of assets under the asset transfer agreement with the Parent Company and its subsidiary and the acquisition of Gloucester during the year.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

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 goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interests in associates and joint ventures.

The geographical information of revenue are as follows:

	Revenue from external customers		
	For the year ended December 31,		
	2014	2013	2012
	RMB'000	RMB'000	RMB'000
The PRC (place of domicile)	52,912,594	47,299,887	48,518,837
Australia	1,346,979	2,130,591	2,297,615
Others	6,111,191	6,971,348	7,329,732
Total	<u>60,370,764</u>	<u>56,401,826</u>	<u>58,146,184</u>

The geographical information of specified non-current assets are as follows:

	Specified non-current assets		
	At December 31,		
	2014	2013	2012
	RMB'000	RMB'000	RMB'000
The PRC (place of domicile)	55,636,862	52,741,341	36,991,705
Australia	30,275,107	32,090,208	41,205,313
Canada	1,646,191	1,691,407	1,832,719
Total non-current assets	<u>87,558,160</u>	<u>86,522,956</u>	<u>80,029,737</u>

For the year ended December 31, 2014, the revenue from mining segment amounted to RMB58,539,353,000 (2013: RMB54,444,843,000; 2012: RMB56,200,600,000) which including sales to the Group's largest customer located in the PRC of approximately RMB2,235,199,000 (2013: RMB3,243,219,000; 2012: RMB3,651,630,000). As at December 31, 2014, accounts receivable from this customer accounted for nil (2013: 10.29%) of the Group's total accounts receivable.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

7. SALES OF COAL AND TRANSPORTATION COSTS OF SALES

	Year ended December 31,		
	2014	2013	2012
	RMB'000	RMB'000	RMB'000
Coal sold in the PRC	51,125,696	45,342,904	46,573,253
Coal sold outside the PRC	7,413,657	9,101,939	9,627,347
Total coal sold	58,539,353	54,444,843	56,200,600
Transportation costs for coal sold in the PRC	880,224	444,306	281,816
Transportation costs for coal sold outside the PRC	1,411,370	1,579,890	1,822,409
Total transportation costs	2,291,594	2,024,196	2,104,225

8. COST OF SALES AND SERVICE PROVIDED

	Year ended December 31,		
	2014	2013	2012
	RMB'000	RMB'000	RMB'000
Materials	2,972,296	3,022,210	3,162,130
Wages and employee benefits	6,405,198	6,724,456	7,282,018
Electricity	622,505	764,353	699,648
Depreciation	2,230,146	2,404,252	2,057,092
Land subsidence, restoration, rehabilitation and environmental costs	1,299,711	1,440,621	1,781,267
Environmental management expenses	40,555	128,784	129,235
Annual fee and amortization of mining rights (note 23)	1,103,089	1,304,972	1,305,410
Transportation costs	13,785	15,965	80,093
Cost of traded coal	31,372,479	22,834,366	21,522,897
Business tax and surcharges	532,965	541,676	599,784
Others	2,964,773	3,330,183	3,529,414
	49,557,502	42,511,838	42,148,988

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,		
	2014	2013	2012
	RMB'000	RMB'000	RMB'000
Wages and employee benefits	2,022,643	1,894,073	1,830,614
Staff training costs	6,135	4,558	7,630
Depreciation	396,120	417,204	343,133
Distribution charges	1,491,701	1,448,114	1,292,216
Resource compensation fees (note)	164,237	209,493	248,377
Repairs and maintenance	433,958	354,071	693,380
Research and development	33,929	45,110	62,406
Freight charges	42,704	41,185	34,800
Impairment loss on property, plant and equipment	—	—	226,925
Provision for bad debts	6,261	23,931	10,627
Impairment loss on intangible assets	—	2,052,238	417,214
Impairment loss on goodwill (note 25)	—	—	17,625
Impairment loss on inventories	8,621	58,274	140,883
Legal and professional fees	76,148	129,496	269,155
Social welfare and insurance	63,937	51,255	207,150
Utilities relating to administrative buildings	137,200	80,042	139,942
Environmental protection	9,518	5,552	46,022
Travelling, entertainment and promotion	102,299	102,670	169,062
Exchange loss, net	—	1,686,001	—
Coal price adjustment fund	228,193	424,017	403,632
Bonus payments	—	17,154	11,050
Other sundry taxes	687,433	352,601	397,853
Others	158,847	983,674	1,017,940
	<u>6,069,884</u>	<u>10,380,713</u>	<u>7,987,636</u>

Note: In accordance with the relevant regulations, the Group pays resource compensation fees (effectively a government levy) to the Ministry of Geology and Mineral Resources at the rate of 1% on the sales value of raw coal.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

10. OTHER INCOME

	Year ended December 31,		
	2014	2013	2012
	RMB'000	RMB'000	RMB'000
Dividend income	7,385	71,395	3,702
Gain on sales of auxiliary materials	71,060	37,658	32,300
Government grants	238,083	169,957	72,867
Interest income	835,931	489,348	722,336
Exchange gain, net	154,034	—	714,166
Bargain purchase	147,993	—	1,269,269
Gain on disposals of property, plant and equipment	5,986	14,973	9,862
Reversal of impairment loss on intangible assets (note 23)	731,332	—	—
Others	190,382	237,246	105,943
	<u>2,382,186</u>	<u>1,020,577</u>	<u>2,930,445</u>

The above dividend income is from listed investments.

11. INTEREST EXPENSES

	Year ended December 31,		
	2014	2013	2012
	RMB'000	RMB'000	RMB'000
Interest expenses on:			
- bank and other borrowings wholly repayable within 5 years	2,631,542	1,565,693	1,453,459
- bank and other borrowings not wholly repayable within 5 years	196,343	418,606	88,550
- bills receivable discounted without recourse	2,738	9,341	2,367
	<u>2,830,623</u>	<u>1,993,640</u>	<u>1,544,376</u>
Less: interest expenses capitalized into construction in progress (capitalization rate for the year ended December 31, 2014, 2013 and 2012: 6.00% - 6.90%, 6.40% - 6.55% and 6.40% - 7.05% respectively)	<u>(647,042)</u>	<u>(227,863)</u>	<u>(95,697)</u>
	<u>2,183,581</u>	<u>1,765,777</u>	<u>1,448,679</u>

12. INCOME TAXES

	Year ended December 31,		
	2014	2013	2012
	RMB'000	RMB'000	RMB'000
Income taxes:			
Current taxes	1,421,048	1,991,862	1,328,624
Under (Over) provision in prior years	19,119	(286,292)	142,957
	<u>1,440,167</u>	<u>1,705,570</u>	<u>1,471,581</u>
Deferred taxes (note 39):			
Australian Minerals Resources Rent Tax (Note)	602,180	141,182	(1,550,277)
Others	<u>(929,540)</u>	<u>(2,241,567)</u>	<u>114,885</u>
	<u>1,112,807</u>	<u>(394,815)</u>	<u>36,189</u>

Except An Yuan Coal Mine and Xintai, the Company and its subsidiaries in the PRC are subject to a standard income tax rate of 25% on its taxable income (2013: 25%; 2012: 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

12. INCOME TAXES (continued)

Note: The Australian Minerals Resources Rent Tax (“MRRT”) legislation was enacted on 19 March 2012 and effective from 1 July 2012. According to the relevant provisions of the MRRT tax laws, subsidiaries in Australia are required to determine the starting base allowance on the balance sheet. Book value or market value approach can be selected in calculating the starting base and subsequently amortize within the prescribed useful life. Market value approach was selected for mines in Australia. Under the market value approach, base value is determined based on market value of the coal mines on 1 May 2010 and amortize based on the shorter of the life of mining project, mining rights and mining production.

During 2013, the Australian Government released an exposure draft legislation which proposed to repeal the MRRT legislation. On 5 September 2014, the Minerals Resource Rent Tax Repeal and Other Measures Act 2014 received royal assent. Entities would not be required to pay MRRT commencing on 1 October 2014, accordingly, the current and deferred MRRT assets and liabilities have been derecognised in 2014.

The total charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	Year ended December 31,		
	2014	2013	2012
	RMB'000	RMB'000	RMB'000
Standard income tax rate in the PRC	25%	25%	25%
Standard income tax rate applied to income before income taxes	399,977	(145,067)	1,517,594
Reconciling items:			
Effect of expense (income) exempt from taxation	127,389	(83,106)	(668,039)
Deemed interest income from subsidiaries subject to tax	250,699	210,978	142,361
Tax effect of tax losses not recognized	314,680	210,460	202,744
Under (Over) provision in prior years	19,119	(286,293)	142,957
MRRT	421,526	96,223	(1,085,194)
Utilization of unrecognized tax losses in prior years	(172,892)	(62,637)	(20,700)
Effect of tax rate differences in other taxation jurisdictions	(156,363)	(383,370)	17,768
Others	(91,328)	47,997	(213,302)
Income taxes	<u>1,112,807</u>	<u>(394,815)</u>	<u>36,189</u>
Effective income tax rate	<u>69.55%</u>	<u>68%</u>	<u>0.6%</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

13. PROFIT (LOSS) BEFORE INCOME TAXES

	Year ended December 31,		
	2014 RMB'000	2013 RMB'000	2012 RMB'000
Profit (Loss) before income taxes has been arrived at after charging:			
Amortization of intangible assets	1,116,482	1,325,078	1,177,595
Depreciation of property, plant and equipment			
- under finance leases	15,935	32,129	8,180
- self-owned	3,062,820	3,092,824	2,811,224
Total depreciation and amortization	4,195,237	4,450,031	3,996,999
Release of prepaid lease payments	18,888	18,728	18,363
Impairment loss recognised in respect of:			
- Property, plant and equipment	—	—	226,925
- Intangible assets	—	2,052,238	417,214
- Goodwill	—	—	17,625
- Inventories	8,621	58,274	140,883
Auditors' remuneration	15,325	23,771	19,916
Staff costs, including directors', chief executive director's supervisors' and management team's emoluments	10,056,870	9,811,721	10,022,134
Retirement benefit scheme contributions (included in staff costs above)	1,865,769	2,153,433	3,657,504
Cost of inventories	34,942,943	26,437,983	25,425,263
Research and development costs	33,929	45,110	62,406
Operating lease charges in respect of leased premises	55,230	65,043	72,400
Provision (Reversal) of impairment loss on accounts receivable and other receivables, net and crediting:	6,261	(742)	6,452
Gain on disposal of property, plant and equipment	(5,986)	(14,973)	(9,862)
Exchange (gain) loss, net	(154,034)	1,686,001	(714,166)
Reversal of impairment loss on intangible assets	(731,332)	—	—

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Directors', chief executive director's, supervisors' and management team's emoluments

Details of the directors', chief executive director's, supervisors' and management team's emoluments are as follows:

	For the year ended December 31, 2014			Total RMB'000
	Fees RMB'000	Salaries, allowance and other benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	
<u>Independent non-executive directors</u>				
Wang Xiaojun	130	—	—	130
Wang Xianzheng	54	—	—	54
Cheng Faguang	54	—	—	54
Xue Youzhi	130	—	—	130
Wang Lijie	76	—	—	76
Jia Shaohua	76	—	—	76
	<u>520</u>	<u>—</u>	<u>—</u>	<u>520</u>
<u>Executive directors</u>				
Zhang Xinwen*	—	—	—	—
Wang Xin*	—	—	—	—
Zhang Yingmin	—	226	42	268
Li Weimin*	—	—	—	—
Wu Yuxiang	—	518	101	619
Zhang Baocai	—	2,074	102	2,176
Dong Yunqing	—	322	62	384
Yin Mingde	—	876	172	1,048
Wu Xiangqian	—	859	169	1,028
Jiang Qing Quan	—	396	76	472
	<u>—</u>	<u>5,271</u>	<u>724</u>	<u>5,995</u>
<u>Chief executive director</u>				
Li Xiyong*	—	—	—	—
<u>Supervisors</u>				
Shi Xuerang*	—	—	—	—
Song Guo*	—	—	—	—
Zhang Shengdong*	—	—	—	—
Zhou Shoucheng*	—	—	—	—
Zhen Ailan*	—	—	—	—
Wei Huanmin	—	539	105	644
Xu Bentai	—	566	110	676
Guo Jun	—	794	156	950
Chen Zhong Yi	—	290	55	345
	<u>—</u>	<u>2,189</u>	<u>426</u>	<u>2,615</u>
<u>Other management team</u>				
Liu Chun	—	547	107	654
He Ye*	—	—	—	—
Tian Fengze	—	558	109	667
Shi Chengzhong	—	547	107	654
Ni Xinghua	—	570	111	681
Lai Cunliang*	—	—	—	—
Wang Fuqi	—	391	75	466
Ding Guangmu	—	373	72	445
Zhao Honggang	—	217	41	258
	<u>—</u>	<u>3,203</u>	<u>622</u>	<u>3,825</u>
Total	<u>520</u>	<u>10,663</u>	<u>1,772</u>	<u>12,955</u>

* Emoluments paid to these directors, chief executive, supervisors and management team were borne by the Parent company.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

Directors', chief executive director's, supervisors' and management team's emoluments (continued)

Details of the directors', chief executive director's, supervisors' and management team's emoluments are as follows:

	For the year ended December 31, 2013			
	Fees RMB'000	Salaries, allowance and other benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<u>Independent non-executive directors</u>				
Wang Xiaojun	130	—	—	130
Wang Xianzheng	130	—	—	130
Cheng Faguang	130	—	—	130
Xue Youzhi	130	—	—	130
	<u>520</u>	<u>—</u>	<u>—</u>	<u>520</u>
<u>Executive directors</u>				
Zhang Xinwen*	—	—	—	—
Wang Xin*	—	—	—	—
Zhang Yingmin	—	512	100	612
Li Weimin*	—	—	—	—
Shi Xuerang*	—	—	—	—
Wu Yuxiang	—	468	91	559
Zhang Baocai	—	469	92	561
Dong Yunqing	—	470	92	562
	<u>—</u>	<u>1,919</u>	<u>375</u>	<u>2,294</u>
<u>Chief executive director</u>				
Li Xiyong*	—	—	—	—
<u>Supervisors</u>				
Song Guo*	—	—	—	—
Zhang Shengdong*	—	—	—	—
Zhou Shoucheng*	—	—	—	—
Zhen Ailan*	—	—	—	—
Wei Huanmin	—	470	92	562
Xu Bentai	—	461	90	551
	<u>—</u>	<u>931</u>	<u>182</u>	<u>1,113</u>
<u>Other management team</u>				
Liu Chun	—	490	96	586
He Ye	—	417	81	498
Tian Fengze	—	486	95	581
Shi Chengzhong	—	481	94	575
Ni Xinghua	—	497	97	594
Lai Cunliang	—	766	—	766
	<u>—</u>	<u>3,137</u>	<u>463</u>	<u>3,600</u>
Total	<u>520</u>	<u>5,987</u>	<u>1,020</u>	<u>7,527</u>

* Emoluments paid to these directors, chief executive and supervisors were borne by the Parent company.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

Directors', chief executive director's, supervisors' and management team's emoluments (continued)

Details of the directors', chief executive director's, supervisors' and management team's emoluments are as follows:

	For the year ended December 31, 2012			Total RMB'000
	Fees RMB'000	Salaries, allowance and other benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	
<u>Independent non-executive directors</u>				
Wang Xiaojun	130	—	—	130
Wang Xianzheng	130	—	—	130
Cheng Faguang	130	—	—	130
Xue Youzhi	130	—	—	130
	<u>520</u>	<u>—</u>	<u>—</u>	<u>520</u>
<u>Executive directors</u>				
Wang Xin*	—	—	—	—
Zhang Yingmin	—	728	146	874
Shi Xuerang*	—	—	—	—
Wu Yuxiang	—	505	101	606
Zhang Baocai	—	517	103	620
Dong Yunqing	—	520	104	624
	<u>—</u>	<u>2,270</u>	<u>454</u>	<u>2,724</u>
<u>Chief executive director</u>				
Li Weimin*	—	—	—	—
<u>Supervisors</u>				
Song Guo*	—	—	—	—
Zhang Shengdong*	—	—	—	—
Zhou Shoucheng*	—	—	—	—
Zhen Ailan*	—	—	—	—
Wei Huanmin	—	516	103	619
Xu Bentai	—	506	101	607
	<u>—</u>	<u>1,022</u>	<u>204</u>	<u>1,226</u>
<u>Other management team</u>				
Liu Chun	—	564	113	677
He Ye	—	720	144	864
Tian Fengze	—	529	106	635
Shi Chengzhong	—	543	109	652
Ni Xinghua	—	553	111	664
Lai Cunliang	—	690	—	690
	<u>—</u>	<u>3,599</u>	<u>583</u>	<u>4,182</u>
Total	<u>520</u>	<u>6,891</u>	<u>1,241</u>	<u>8,652</u>

* Emoluments paid to these directors, chief executive and supervisors were borne by the Parent company.

No directors waived any of their emoluments in each of the year ended December 31, 2014, 2013 and 2012.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

Employees' emoluments

The five highest paid individuals in the Group included three directors for the year ended December 31, 2014 (2013: nil; 2012: nil). The emoluments of the five highest paid individuals (2013: five; 2012: five) were stated as follows:

	Year ended December 31,		
	2014	2013	2012
	RMB'000	RMB'000	RMB'000
Salaries, allowance and other benefits in kind	16,801	19,496	18,877
Retirement benefit scheme contributions	586	453	538
Discretionary bonuses	6,655	2,820	5,827
	<u>24,042</u>	<u>22,769</u>	<u>25,242</u>

Their emoluments were within the following bands:

	Year ended December 31,		
	2014	2013	2012
	No. of employees	No. of employees	No. of employees
HK\$ 1,000,001 to HK\$ 1,500,000	2	—	—
HK\$ 2,500,001 to HK\$ 3,000,000	1	1	—
HK\$ 3,500,001 to HK\$ 4,000,000	—	1	2
HK\$ 4,500,001 to HK\$ 5,000,000	—	1	1
HK\$ 5,500,001 to HK\$ 6,000,000	—	—	1
HK\$ 6,000,001 to HK\$ 6,500,000	—	1	—
HK\$ 10,000,001 to HK\$ 10,500,000	1	—	—
HK\$ 11,000,001 to HK\$ 11,500,000	—	1	—
HK\$ 12,000,001 to HK\$ 12,500,000	—	—	1
HK\$ 16,000,001 to HK\$ 16,500,000	1	—	—

15. DIVIDEND RECOGNIZED AS DISTRIBUTION DURING THE YEAR

	Year ended December 31,		
	2014	2013	2012
	RMB'000	RMB'000	RMB'000
2013 final dividend, RMB 0.020 per share (2013: 2012 final dividend, RMB 0.360 per share; 2012: 2011 final dividend, RMB 0.570 per share)	98,368	1,770,624	2,803,488

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

15. DIVIDENDS RECOGNIZED AS DISTRIBUTION DURING THE YEAR (continued)

In the annual general meeting held on June 22, 2012, a final dividend of RMB0.570 per share in respect of the year ended December 31, 2011 was approved by the shareholders and paid to the shareholders of the Company.

In the annual general meeting held on May 15, 2013, a final dividend in of RMB0.360 per share in respect of the year ended December 31, 2012 was approved by the shareholders and paid to the shareholders of the Company.

In the annual general meeting held on May 14, 2014, a final dividend of RMB0.020 per share in respect of the year ended December 31, 2013 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 RMB 98,368,000 calculated based on a total number of 4,918,400,000 shares issued at RMB1 each, at RMB 0.020, in respect of the year ended December 31, 2014. 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 AND PER ADS

The calculation of the earnings per share attributable to the equity holders of the Company for the years ended December 31, 2014, 2013 and 2012 is based on the profit attributable to the equity holders of the Company for the year of RMB766,158,000, RMB777,368,000 and RMB6,065,570,000 and on the 4,918,400,000 shares in issue, during each of the three years.

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

On December 31, 2014, the Company's subsidiary issued subordinated capital notes. Noteholders will be permitted to convert the subordinated capital notes into 1,000 Yancoal Australia Limited ordinary shares.

Diluted earnings per share for the years ended December 31, 2014 equals to the basic earnings per share as the potential ordinary shares on exercise of subordinated capital notes were not included in the calculation of diluted earnings per share because they are anti-dilutive.

No diluted earnings per share have been presented for the years ended December 31, 2013 and 2012, as there were no dilutive potential shares in issue.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

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

Bank balances carry interest at market rates which ranged from 0.35% to 3.35% (2013: from 0.35% to 3.10%) per annum.

At the balance sheet date, the restricted cash of the PRC subsidiaries represents the deposits paid for safety work as required by the State Administrative of work safety and bank acceptance bill deposit which carry interest at market rates of 0.01%-0.6% (2013: 0.01%-0.60%) the remaining portion represents deposits placed as guarantee for the future payment of land subsidence as required by the Australian government, which carry interest at average rate of 1.85% (2013: 1.13%).

Term deposits was pledged to certain banks as security for loans and banking facilities granted to the Group, which carry fixed interest rate ranging from 0.60%-4.25% (2013: 0.50%-4.75%).

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

18. BILLS AND ACCOUNTS RECEIVABLE

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Accounts receivable	2,029,449	1,469,676
Less: Impairment loss	(13,697)	(8,289)
	2,015,752	1,461,387
Bills receivable	5,068,353	7,558,118
Total bills and accounts receivable, net	7,084,105	9,019,505

Bills receivable represents unconditional orders in writing issued by or negotiated from customers of the Group for completed sale orders which entitle the Group to collect a sum of money from banks or other parties. The bills are non-interest bearing and have a maturity of six months.

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

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

	At December 31,	
	2014	2013
	RMB'000	RMB'000
1 - 90 days	6,625,097	8,685,054
91 - 180 days	187,440	316,681
181 - 365 days	259,850	4,689
Over 1 year	11,718	13,081
	7,084,105	9,019,505

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.

There are no significant trade receivables which are past due but not yet impaired on both balance sheet dates. The Group does not hold any collateral over these balances. The average age of these receivables is 57 days (2013: 49 days). The management closely monitors the credit quality of accounts receivable and consider the balance that are neither past due nor impaired are of good credit quality.

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

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

18. **BILLS AND ACCOUNTS RECEIVABLE** (continued)

An analysis of the impairment loss on bills and accounts receivable for 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
	RMB'000	RMB'000
Balance at January 1	8,289	2,532
Provided for the year	12,673	21,351
Reversal	<u>(7,265)</u>	<u>(15,594)</u>
Balance at December 31	<u>13,697</u>	<u>8,289</u>

Included in the allowance for doubtful debts is an allowance of RMB13,697,000 (2013: RMB8,289,000) for individually impaired trade receivables, which are mainly due from corporate customers in the PRC and considered irrecoverable by the management after consideration on the credit quality of those individual customers, the ongoing relationship with the Group and the aging of these receivables. The impairment recognized represents the difference between the carrying amount of these trade receivables and the present value of the amounts. The Group does not hold any collateral over these balances.

19. **ROYALTY RECEIVABLE**

	At December 31,	
	<u>2014</u>	<u>2013</u>
	RMB'000	RMB'000
As at January 1	1,134,374	1,349,447
Cash received	(79,924)	(78,801)
Unwinding discount	116,444	126,949
Exchange re-alignment	(84,196)	(229,059)
Change in fair value	<u>(87,634)</u>	<u>(34,162)</u>
As at December 31	<u>999,064</u>	<u>1,134,374</u>
Presented as:		
Current portion	89,137	105,584
Non- current portion	<u>909,927</u>	<u>1,028,790</u>
	<u>999,064</u>	<u>1,134,374</u>

A right to receive a royalty of 4% of Free on Board trimmed sales from Middlemount mine operated by Middlemount Joint Venture was acquired as part of the acquisition of Gloucester. This financial assets has been determined to have a finite life being the life of the Middlemount and is measured at fair value basis.

The royalty receivable is measured based on management expectations of the future cash flows with the re-measurement recorded in the income statement at each balance sheet date. The amount expected to be received in the next 12 month will be disclosed as current receivable and the discounted expected future cash flow beyond 12 months will be disclosed as a non-current receivable. Unwinding discount is included in interest income (note 10). Change in fair value is included in selling, general and administrative expenses (note 9).

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

20. INVENTORIES

	At December 31,	
	2014	2013
	RMB'000	RMB'000
COST		
Methanol	17,966	23,039
Auxiliary materials, spare parts and small tools	393,683	495,293
Coal products	1,058,831	1,070,888
	<u>1,470,480</u>	<u>1,589,220</u>

21. PREPAYMENTS AND OTHER RECEIVABLES

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Advances to suppliers (i)	2,009,055	1,181,271
Prepaid relocation costs of inhabitants	2,102,117	2,192,952
Advance to an associate (ii)	1,250,000	—
Others (i)	1,858,079	1,885,353
	<u>7,219,251</u>	<u>5,259,576</u>

(i) Included in the above balances as of December 31, 2014 is an impairment loss of RMB19,165,000 (2013: RMB18,312,000).

The Group has provided fully for all receivables over 3 years because historical experience is such that receivables that are past due beyond 3 years are generally not recoverable. Receivable will be written off, if aged over 4 years and considered irrecoverable by the management after considering the credit quality of the individual party and the nature of the amount overdue. During the year ended December 31, 2014, there was no written off against prepayments and other receivables (2013: RMB481,000).

(ii) The advance to an associate is guaranteed by the Parent Company, interest-bearing at 6% per annum and repayable on demand.

22. PREPAID LEASE PAYMENTS

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Current portion	22,343	18,701
Non-current portion	776,751	676,202
	<u>799,094</u>	<u>694,903</u>

The amounts represent prepaid lease payments for land use rights which are situated in the PRC and have a term of 45 to 50 years from the date of grant of land use rights certificates.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

23. INTANGIBLE ASSETS

	Mining reserves	Mining resources	Potash mineral exploration permit	Technology	Water Licenses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At January 1, 2013	28,962,770	5,299,755	1,665,226	163,408	132,407	150,009	36,373,575
Exchange re-alignment	(3,554,938)	(863,376)	(162,965)	(27,655)	(1,327)	(19,481)	(4,629,742)
Acquisition of Hao Sheng (note 45)	12,089,682	—	—	—	—	—	12,089,682
Additions for the year	9,566	21,997	—	—	—	688	32,251
Disposals	—	—	—	—	—	(18,075)	(18,075)
Reclassification	30,296	4,114	(34,410)	—	—	—	—
At December 31, 2013 and at January 1, 2014	37,537,376	4,462,490	1,467,851	135,753	131,080	113,141	43,847,691
Exchange re-alignment	(1,358,252)	(275,058)	(109,867)	(10,319)	(495)	(8,481)	(1,762,472)
Additions for the year	—	16,635	—	100,983	—	11,010	128,628
Acquisition of Ashton Coal Mines Limited (note 46)	782,928	—	—	—	—	—	782,928
At December 31, 2014	<u>36,962,052</u>	<u>4,204,067</u>	<u>1,357,984</u>	<u>226,417</u>	<u>130,585</u>	<u>115,670</u>	<u>42,996,775</u>
AMORTIZATION AND IMPAIRMENT							
At January 1, 2013	2,544,570	163,408	—	—	—	31,352	2,739,330
Exchange re-alignment	(479,201)	(27,655)	—	—	(58)	(4,754)	(511,668)
Provided for the year	1,304,972	—	—	—	311	19,795	1,325,078
Impairment loss	2,052,238	—	—	—	—	—	2,052,238
Eliminated on disposals	—	—	—	—	—	(13,675)	(13,675)
At December 31, 2013 and at January 1, 2014	5,422,579	135,753	—	—	253	32,718	5,591,303
Exchange re-alignment	(254,416)	(10,317)	—	—	(344)	(2,150)	(267,227)
Provided for the year	1,103,089	—	—	—	272	13,121	1,116,482
Reversal of impairment loss	(731,332)	—	—	—	—	—	(731,332)
At December 31, 2014	<u>5,539,920</u>	<u>125,436</u>	<u>—</u>	<u>—</u>	<u>181</u>	<u>43,689</u>	<u>5,709,226</u>
CARRYING VALUE							
At December 31, 2014	<u>31,422,132</u>	<u>4,078,631</u>	<u>1,357,984</u>	<u>226,417</u>	<u>130,404</u>	<u>71,981</u>	<u>37,287,549</u>
At December 31, 2013	<u>32,114,797</u>	<u>4,326,737</u>	<u>1,467,851</u>	<u>135,753</u>	<u>130,827</u>	<u>80,423</u>	<u>38,256,388</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

23. INTANGIBLE ASSETS (continued)

The Parent Company and the Company have entered into a mining rights agreement pursuant to which the Company has agreed to pay to the Parent Company, effective from September 25, 1997, an annual fee of RMB12,980,000 as compensation for the Parent Company's agreement to give up the mining rights associated with the Xinglongzhuang coal mine, Baodian coal mine, Nantun coal mine, Dongtan coal mine and Jining II. Revised compensation fees was settled with the government authority directly in 2012.

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

The potash mineral exploration permit is reclassified to mining resources or mining reserves according to its progress of exploration. Technology has not yet reached the stage of commercial application and therefore is not amortized.

Water licenses are amortized 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 amortization will be provided.

Other intangible assets mainly represent computer software which is amortized on a straight line basis of 2.5 to 5 years over the useful life.

Amortization expense of the mining rights for the year of RMB1,103,089,000 (2013: RMB1,304,972,000) has been included in cost of sales and service provided. Amortization expense of other intangible assets for the year of RMB13,393,000 (2013: RMB20,106,000) has been included in selling, general and administrative expenses.

At December 31, 2014, intangible assets with a carrying amount of approximately RMB13,045,169,000 (2013: RMB10,426,786,000) have been pledged to secure the Group's borrowings (note 35).

Given the continuing decrease in coal price during the year ended December 31, 2013, management performed impairment test for the Group's intangible assets and concluded that the recoverable amount of cash generating units, Moolarben Coal Mine and Stratford Coal Mine were below its carrying amount. RMB2,052,238,000 impairment loss has been recognized accordingly. The recoverable amounts of the aforesaid cash generating units amounting to RMB 12,227,722,000 have been determined based on value in use, which has been calculated using a discounted cash flow model with an assumption of post-tax discount rate of 11%.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

23. INTANGIBLE ASSETS (continued)

During the year ended December 31, 2014, there has been an improvement in current and life of mine operating costs and an increase in the JORC reserves at the Moolarben mine. These factors have been considered a trigger for impairment reversal. An impairment reversal of RMB731,332,000 has been recognised through the profit or loss. The recoverable amount for Moolarben was determined to be approximately RMB10.5 billion.

The recoverable amount has been determined using the fair value less costs of disposal method. To provide an indication about the reliability of the inputs used in determining fair value the accounting standards prescribe three levels under which fair value measurements should be categorised (refer to Note 44c for further details). The fair value model adopted has been categorised as level 3.

Fair value less costs of disposal 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
- 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.

Furthermore, the Group's cash flow forecasts are based on estimates of future coal prices, which assume market prices will revert to the Group's assessment of the average long term real coal prices of US\$67- US\$108 per tonne for thermal coal and US\$96 - US\$148 per tonne for metallurgical coal in the export market of the Australian subsidiaries. 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. For both thermal and metallurgical coal the price forecast that results in the recoverable amount exceeding the book value is within the range of external price forecasts.

The long term AUD/USD forecast exchange rate of \$0.78 is based on externally verifiable sources. The year-end AUD/USD exchange rate was \$0.82 per the Reserve Bank of Australia.

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, life of mine plans and project evaluations performed by the Group in its ordinary course of business.

The Group has applied a post-tax discount rate of 11% to discount the forecast future attributable post-tax cash flows. The post-tax discount rate applied to the future cash flow forecasts represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. This rate is also consistent with the Group's five year business plan, life of mine models and project evaluations performed in ordinary course of business.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

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	Construction in progress RMB'000	Total RMB'000
COST								
At January 1, 2013	1,155,558	4,653,763	1,693,842	7,857,738	25,631,281	710,115	14,208,642	55,910,939
Exchange re-alignment	(207,634)	(101,418)	—	(597,550)	(1,813,341)	—	(393,772)	(3,113,715)
Acquisition of Hao Sheng (note 45)	—	—	—	—	390	1,533	300,282	302,205
Additions	6,166	348	569	96,174	282,593	1,118	7,440,068	7,827,036
Transfers	127,168	153,430	224,452	1,501,975	2,921,184	33,357	(4,961,566)	—
Reclassification	(2,786)	2,501	—	40,250	(39,965)	—	—	—
Disposals	—	(18,566)	(4,096)	(8,215)	(1,214,653)	(19,078)	—	(1,264,608)
At December 31, 2013 and January 1, 2014	1,078,472	4,690,058	1,914,767	8,890,372	25,767,489	727,045	16,593,654	59,661,857
Exchange re-alignment	(87,567)	(40,686)	—	(271,787)	(753,045)	—	(121,220)	(1,274,305)
Acquisition of Ashton Coal Mines Limited (note 46)	124,856	4,312	—	46,519	70,355	—	—	246,042
Additions	—	144,678	—	59,058	24,051	—	5,933,308	6,161,095
Transfers	18,683	285,957	1,330,184	1,122,330	5,450,621	21,082	(8,228,857)	—
Reclassification	(1,783)	1,312	—	(8,925)	9,396	—	—	—
Disposals	—	(7,286)	(12,248)	(14,997)	(259,980)	(18,417)	(54,111)	(367,039)
At December 31, 2014	1,132,661	5,078,345	3,232,703	9,822,570	30,308,887	729,710	14,122,774	64,427,650
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At January 1, 2013	—	1,947,912	1,037,320	2,836,842	10,180,087	405,675	—	16,407,836
Exchange re-alignment	—	(12,049)	—	(136,142)	(419,904)	—	—	(568,095)
Provided for the year	—	179,219	160,032	426,565	2,315,487	43,650	—	3,124,953
Eliminated on disposals	—	(6,623)	(3,257)	(8,103)	(1,162,398)	(18,964)	—	(1,199,345)
At December 31, 2013 and January 1, 2014	—	2,108,459	1,194,095	3,119,162	10,913,272	430,361	—	17,765,349
Exchange re-alignment	—	(7,482)	—	(70,416)	(221,275)	—	—	(299,173)
Provided for the year	—	176,150	162,189	527,544	2,174,317	38,555	—	3,078,755
Reclassification	—	225	—	(9,621)	9,396	—	—	—
Eliminated on disposals	—	(5,200)	(9,084)	(14,769)	(244,756)	(18,084)	—	(291,893)
At December 31, 2014	—	2,272,152	1,347,200	3,551,900	12,630,954	450,832	—	20,253,038
CARRYING VALUE								
At December 31, 2014	1,132,661	2,806,193	1,885,503	6,270,670	17,677,933	278,878	14,122,774	44,174,612
At December 31, 2013	1,078,472	2,581,599	720,672	5,771,210	14,854,217	296,684	16,593,654	41,896,508

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

24. PROPERTY, PLANT AND EQUIPMENT (continued)

The following estimated useful lives are used for the depreciation of property, plant and equipment, other than construction in progress and freehold land:

Buildings	10 to 30 years
Railway structures	15 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 18 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.

During the year ended December 31, 2014, the directors conducted a review of the Group's mining assets and determined that no assets were impaired due to physical damage and technical obsolescence (2013: nil).

At December 31, 2014, property, plant and equipment with carrying amount of approximately RMB3,134,300,000 (2013: RMB7,197,336,000) have been pledged to secure bank borrowings of the Group (note 35).

At December 31, 2014, the carrying amount of property, plant and equipment held under finance leases of the group was RMB227,391,000 (2013: RMB266,655,000).

The Group assessed the recoverable amount of property, plant and equipment and no impairment loss are recognized (2013:Nil) (included in selling, general and administrative expenses) for the year ended December 31, 2014.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

25. GOODWILL

	<u>2014</u> RMB'000	<u>2013</u> RMB'000
NET CARRYING VALUE		
At January 1	2,460,551	2,573,811
Exchange re-alignment	(34,622)	(113,260)
Derecognition	(193,178)	—
At December 31	<u>2,232,751</u>	<u>2,460,551</u>

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 December 31,	
	<u>2014</u> RMB'000	<u>2013</u> 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	306,224	532,227
- Syntech	21,947	23,744
- Premier Coal and Wesfarmers Char	13,648	14,614
- 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
Impairment loss	<u>(13,648)</u>	<u>(14,614)</u>
	<u>2,232,751</u>	<u>2,460,551</u>

The recoverable amount of the cash generating units is assessed by management at the operating segment level. Business performance is reviewed by management on a mine by mine basis and each mine is considered to be a separate cash generating unit.

The recoverable amounts of goodwill from each of the above cash generating units have been determined on the basis of value in use calculations. Value in use has been determined using a discounted cash flow model. The recoverable amounts are based on certain key assumptions on discount rates, growth rates, selling prices, foreign currency exchange rates, mining reserves and mining resources and direct cost.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

25. GOODWILL (continued)

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

The cash flow model was based on financial budgets approved by management covering a 5-year period with an assumption of post-tax discount rate of 8-11% (2013: 8-11%). It represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset. Externally verifiable data received by the Group validates this assumption. The recoverable amount is also dependent on the life of mines (12 to 35 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.

The goodwill of RMB193,178,000 represents the goodwill recognised on the previous 60% acquisition of Ashton Joint Operation when acquiring Yancoal Recource, intermediate holding company of Ashton Joint Operation. During the year, the Group further acquired 10% interest of Ashton Joint Operation which becomes a wholly owned subsidiary of the Group. The goodwill attributable to Ashton Joint Operation of RMB193,178,000 was included as part of consideration of Ashton Coal Mines Limited. At the acquisition date, the fair value of goodwill attributable to Ashton Joint Operation was adjusted to nil when the management determines the fair value of Ashton Coal Mines Limited cash generating unit (note 46). The goodwill of RMB193,178,000 has been de-recognised during the year ended December 31, 2014.

Impairment test is used to identify the impairment by comparing the fair value of reporting unit with its carrying amount. The evaluation of the components of goodwill at December 31, 2014 relates to the acquisition of Yancoal Resources Limited (formally known as Felix Resources Limited) from an independent third party shareholder in an arms length transaction and was allocated to the Yarrabee mine. The recoverable amount of goodwill is determined using the fair value less cost of disposal method.

The Cash Generating Unit ("CGU") for which goodwill was allocated was not subject to an impairment charge as the recoverable amount is greater than the carrying value for this CGU.

The recoverable amount is most sensitive to revenue, which is primarily dependent on estimated future US\$ coal prices and the AUD/USD forecast exchange rate. In order for the estimated recoverable amount to be equal to the carrying amount, the average long term real revenue over the life of mine would need to decrease by 3% due to either a decrease in US\$ coal prices or a strengthening of the AUD/USD foreign exchange rate, or a combination of both. If the highest externally verifiable coal price forecast was used the decrease necessary would be 7%.

The other goodwill is more likely not to be impaired by analyzing the profit in current year.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

26. INVESTMENTS IN SECURITIES

The investments in securities represent available-for-sale equity investments:

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Available-For-Sale Equity Investments		
Equity securities listed on the SSE		
- Stated at fair value	249,404	172,855
Unlisted equity securities	139,360	38,704
	<u>388,764</u>	<u>211,559</u>

The investments in equity securities listed on the SSE of the Company included Shanghai Shenergy Company Limited and Jiangsu Lianyungang Port Corporation Limited, stated at the fair value as at December 31, 2014 of RMB235,788,000 (2013: RMB166,074,000) and RMB13,616,000 (2013: RMB6,781,000) respectively.

The investments in equity securities listed on the SSE are carried at fair value determined according to the quoted market prices in active market.

The unlisted equity securities are stated at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

27. INTERESTS IN ASSOCIATES

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Cost of investments in associates	2,503,927	2,378,927
Share of post-acquisition profit and other comprehensive income, net of dividends	451,702	366,030
Carrying amount	<u>2,955,629</u>	<u>2,744,957</u>

Information of major associates is as follows:

Name of associate	Place of establishment and operation	Class of shares held	Principal activity	At December 31,	
				2014	2013
				Interest held	Interest held
Huadian Zouxian Power Generation Company Limited (“Huadian Zouxian”)	PRC	Registered Capital	Electricity generation business (i)	30%	30%
Yankuang Group Finance Company Limited	PRC	Registered Capital	Financial services	25%	25%
Shaanxi Future Energy Chemical Corp. Ltd (“Shaanxi Chemical”)	PRC	Registered Capital	Production and sales of chemical products, oil and coal (ii)	25%	25%
Shengyang Wood	PRC	Registered Capital	Artificial board, CCF processing	39.77%	39.77%
Jiemei Wall Material	PRC	Registered Capital	Coal refuse baked brick	20%	20%
Newcastle Coal Infrastructure Group Pty Ltd	Australia	Registered Capital	Coal terminal	27%	27%

All of the above associates have been accounted for using equity method in the consolidated financial statements. Except for Newcastle Coal Infrastructure Group Pty Ltd, all associates are held by the Company directly.

- (i) Huadian Zouxian is an important strategic partner of the Group
- (ii) Shaanxi Chemical is an important strategic partner to develop future energy business of the Group

All of the associates are private companies whose quoted market price is not available.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

27. INTERESTS IN ASSOCIATES (continued)

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

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Total assets	30,100,061	25,593,037
Total liabilities	(20,127,032)	(16,194,589)
Net assets	9,973,029	9,398,448
Revenue	5,596,882	5,480,789
Profit for the year	654,710	331,683
Other comprehensive income	44,852	—
Proportion of the Group's ownership interest	20% - 39.77%	20% - 39.77%
Group's share of associates' net assets	2,955,629	2,744,957
Group's share of profit of associates for the year	310,604	233,897
Group's share of other comprehensive income of associates for the year	11,213	—

Summarized financial information in respect of the Group's material associate is set out below:

	Huadian Zouxian		Shaanxi Chemical	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	540,291	326,884	654,572	708,914
Non-current assets	5,519,769	5,509,545	12,346,714	7,554,936
Current liabilities	(1,083,392)	(858,612)	(5,080,297)	(1,767,850)
Non-current liabilities	(1,014,144)	(1,034,156)	(2,094,735)	(1,096,000)
Revenue	3,888,844	4,630,997	895,836	—
Expenses	(3,069,380)	(3,746,018)	(466,492)	—
Income tax expenses	(205,119)	(223,332)	(47,942)	—
Profit for the year	614,345	661,647	381,402	—
Other comprehensive income for the year	—	—	44,852	—
Total comprehensive income for the year	614,345	661,647	426,854	—
Dividends received from the associate during the year	178,645	97,591	—	—

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

27. INTERESTS IN ASSOCIATES (continued)

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate in respect of Huadian Zouxian and Shaanxi Chemical recognized in the consolidated financial statements:

	Huadian Zouxian		Shaanxi Chemical	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Net assets of the associate's attributable to owners	3,962,524	3,943,661	5,826,254	5,400,000
Proportion of the Group's ownership interest	30%	30%	25%	25%
Carrying amount of the Group's interest in the associate	<u>1,188,757</u>	<u>1,183,098</u>	<u>1,456,564</u>	<u>1,350,000</u>

Aggregate information of associates that are not individually material:

	At December 31,	
	2014	2013
	RMB'000	RMB'000
The Group's share of profit and total comprehensive income	<u>30,950</u>	<u>35,403</u>
Aggregate carrying amount of the Group's interests in these associates	<u>310,308</u>	<u>211,859</u>

28. LONG TERM RECEIVABLES

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Current asset		
- Loan to a joint venture (i)	<u>1,705,757</u>	<u>—</u>
Non-current assets		
- Loan to a joint venture (i)	<u>—</u>	<u>1,587,001</u>
- Others (ii)	<u>302,517</u>	<u>319,396</u>
	<u>302,517</u>	<u>1,906,397</u>
	<u>2,008,274</u>	<u>1,906,397</u>

- (i) Loan to a joint venture represented a loan to Middlemount Joint Venture of AUD339,968,000 (2013: AUD292,260,000). The loan is unsecured and due on December 24, 2015 with normal commercial interest rate.
- (ii) Other long term receivables represented an investment in preference shares of a company for AUD15,300,000 (2013: AUD15,300,000) with cumulative dividends and investment in the long term bonds of a company for AUD31,500,000 (2013: AUD31,500,000) with floating interest rate.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

29. DEPOSITS MADE ON INVESTMENTS

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Shaanxi Coal Mine Operating Company (i)	117,926	117,926
Sheng Di Finlay Coal Processing Technology (Tianjin) Co., Ltd (ii)	—	3,000
Ordos Naryn River Mining Development Co., Ltd (iii)	1,000	1,000
	<u>118,926</u>	<u>121,926</u>

- (i) During 2006, the Company 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 Company will have to invest approximately RMB196,800,000 in order to obtain 41% equity interest. As at December 31, 2014, the Company made a deposit of RMB117,926,000 (2013: RMB117,926,000) in relation to this acquisition. As at December 31, 2014, the relevant registration procedures to establish the new company are still in progress, and the establishment has not yet been completed.
- (ii) During 2013, the Company entered into a co-operative agreement with Tianjin Finlay Coal Processing Technology Co., Ltd to set up a company, Sheng Di Finlay Coal Processing Engineering Technology (Tianjin) Co., Ltd, which provide the consultancy services for deep processing technology of coal and managing services for coal processing factory. The Company agreed to contribute RMB12,000,000, representing 50% of its equity interest. In 2013, the Company made a deposit of RMB 3,000,000. In 2014, the registration procedures of this company and additional capital injection of RMB 12,000,000 have completed and operations have begun.
- (iii) During 2013, the Company entered into a cooperation agreement with five independent third parties to set up a company, Ordos Naryn River Mining Development Co., Ltd. The Company agreed to contribute RMB5,000,000, representing 10% of its equity interest. At December 31, 2014, the Company have contributed RMB1,000,000. The registration procedures of this company have not yet completed.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

30. INTERESTS IN JOINT VENTURES

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Share of net assets	130,867	488,350

Information on major joint ventures is as follows:

Name of joint venture	Place of establishment and operation	Class of shares held	Principal activity	At December 31,			
				2014		2013	
				Voting power	Interest held	Voting power	Interest Held
Australian Coal Processing Holdings Pty Ltd	Australia	Ordinary shares	Investment holding	50%	90%	50%	90%
Ashton Coal Mines Limited			Real estate holder & sales				
	Australia	Ordinary shares	company (Note 46)	N/A	N/A	50%	90%
Middlemount Joint Venture	Australia	Ordinary shares	Coal mining and sales	50%	49.9997%	50%	49.9997%
Sheng Di Finlay Coal Processing Technology (Tianjin) Co., Ltd			Consultancy services for deep preprocess technology				
	China	Ordinary shares		50%	50%	50%	50%

All of the above joint ventures are accounted for using equity method in the consolidated financial statements. All of the joint ventures are private companies whose quoted market price is not available.

The Company, through a subsidiary, held 90% equity interest of the Australian Coal Processing Holding Pty Ltd. Under the shareholders agreement between the subsidiary and the remaining one shareholder, all major financial and operating policy decisions require a vote by directors who together represent shareholders holding 100% of the shares or a vote by shareholders who together hold 100% of the shares. Therefore decisions must be passed unanimously by directors or shareholders and the subsidiary's voting power is 50%.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

30. INTERESTS IN JOINT VENTURES (continued)

In 2013, The Company held 90% equity interest of Ashton Coal Mines Limited. Under the shareholders agreement between the subsidiary and the remaining one shareholder, all major financial and operating policy decisions require a unanimous resolution of the shareholders. Therefore, decisions must be passed unanimously by shareholders and the subsidiary's voting power is 50%.

On September 30, 2014, the Company, through a subsidiary, acquired the remaining 10% interest of Ashton Coal Mines Limited. The subsidiary now holds 100% (2013:90%) of the ordinary shares in Ashton Coal Mines Limited and has been fully consolidated in the Group (Note 46).

The Company, through Gloucester, held 49.9997% equity interest in Middlemount Joint Venture and decision must be passed unanimously by shareholders.

Middlemount joint venture is an important strategic partner to develop the business in Australia.

Sheng Di Finlay Coal Processing Engineering Technology (Tianjin) Co., Ltd was incorporated in December 2013 under a co-operative agreement between Tianjin Finlay Coal Processing Technology Co., Ltd and the Company.

The above joint ventures are indirectly held by the Company. Middlemount Joint Venture constituted a material impact to the Group. Summarized financial information in respect of the Middlemount Joint Venture is set out below:

	Middlemount Joint Venture At December 31,	
	2014	2013
	RMB'000	RMB'000
Current portion:		
Cash and cash equivalents	16,768	10,176
Other current assets	322,019	364,775
Total current assets	338,787	374,951
Other current liabilities	(856,796)	(798,838)
Total current liabilities	(856,796)	(798,838)
Non-current portion:		
Non-current assets	6,630,534	6,726,490
Non-current financial liabilities	(3,826,623)	(3,623,115)
Other non-current liabilities	(2,030,865)	(1,735,742)
Total non-current liabilities	(5,857,488)	(5,358,857)
Proportion of the Group's ownership interest	49.9997%	49.9997%
Carrying amount of the Group's interest in the joint venture	127,518	471,870

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

30. INTERESTS IN JOINT VENTURES (continued)

	Middlemount Joint Venture At December 31,	
	2014 RMB'000	2013 RMB'000
Revenue	1,919,079	2,065,736
Depreciation and amortization	(331,431)	(303,960)
Interest income	146	826
Interest expenses	(237,246)	(251,906)
Other expenses	<u>(1,992,913)</u>	<u>(2,262,764)</u>
Loss for the year	(642,365)	(752,068)
Other comprehensive loss	—	—
Total comprehensive loss	<u>(642,365)</u>	<u>(752,068)</u>
Proportion of the Group's ownership interest	49.9997%	49.9997%
The Group's share of loss	(321,180)	(376,032)
The Group's share of total comprehensive loss	—	—
Dividends receive from joint ventures	—	—

Aggregate information of joint ventures that are not individually material:

	For the year ended December 31,	
	2014 RMB'000	2013 RMB'000
The Group's share of profit and total comprehensive income for the year	<u>351</u>	<u>—</u>
Aggregate carrying amount of the Group's interests in these joint ventures	<u>3,349</u>	<u>766</u>

As at December 31, 2014, the Group did not have any contingent liabilities or commitment with the joint ventures (2013: Nil).

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

31. INTERESTS IN JOINT OPERATIONS

Information on major joint operations is as follows:

Name of joint operation	Place of establishment and operation	Principal activity	At December 31,	
			2014 Interest held	2013 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%
Ashton joint operation	Australia	Development and operation of open-cut and underground coal mines (Note 46)	N/A	90%
Moolarben joint operation	Australia	Development and operation of open-cut and underground coal mines	80%	80%

The above joint operations are established and operated as unincorporated businesses and are held indirectly by the Company.

The financial information in respect of the Group's joint operations is set out below:

	At December 31,	
	2014 RMB'000	2013 RMB'000
Total assets	19,827,386	20,159,195
Total liabilities	(18,050,914)	(17,076,324)
Net assets	1,776,472	3,082,871
Revenue	5,062,557	5,774,959
Expenses	(7,471,415)	(8,271,727)
Loss for the year	(2,408,858)	(2,496,768)
Other comprehensive income	—	—

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

32. BILLS AND ACCOUNTS PAYABLE

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Accounts payable	1,969,617	2,400,314
Bills payable	2,067,587	316,361
	<u>4,037,204</u>	<u>2,716,675</u>

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

	At December 31,	
	2014	2013
	RMB'000	RMB'000
1 - 90 days	1,979,699	2,351,811
91 - 180 days	1,815,913	92,946
181 - 365 days	103,260	128,749
Over 1 year	138,332	143,169
	<u>4,037,204</u>	<u>2,716,675</u>

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.

33. OTHER PAYABLES AND ACCRUED EXPENSES

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Customers' deposits	798,437	852,247
Accrued wages	870,699	1,054,527
Other taxes payable	142,389	280,082
Payables in respect of purchases of property, plant and equipment and construction materials	1,629,324	1,268,415
Accrued freight charges	66,048	2,259
Accrued repairs and maintenance	31,582	19,246
Staff welfare payable	319,180	242,735
Withholding tax payable	28,364	669
Deposits received from employees	24,258	13,985
Accrued land subsidence, restoration, rehabilitation and environmental costs	10,451	56,758
Interest payable	905,463	540,902
Payable on acquisition of Hao Sheng's equity	2,519,313	2,519,313
Provision on Ashton research and development project	115,400	—
Others	1,275,782	1,533,996
	<u>8,736,690</u>	<u>8,385,134</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

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

	<u>2014</u>	<u>2013</u>
	RMB'000	RMB'000
Balance at January 1	3,853,708	3,770,266
Exchange re-alignment	(43,332)	(100,572)
Additional provision in the year	1,225,385	1,390,619
Acquisition of Ashton Coal Mines Limited (note 46)	3,570	—
Utilization of provision	<u>(1,609,324)</u>	<u>(1,206,605)</u>
Balance at December 31	<u>3,430,007</u>	<u>3,853,708</u>
Presented as:		
Current portion	2,900,054	3,321,564
Non-current portion	<u>529,953</u>	<u>532,144</u>
	<u>3,430,007</u>	<u>3,853,708</u>

Provision for land subsidence, restoration, rehabilitation and environmental costs has been determined by the directors 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.

Mine sites in the PRC

Under the rules and regulations in the PRC, the Group is required to pay to local government authorities for the compensation of rehabilitating mine sites. The rehabilitation provision represents the compensation to be paid to local government authorities which are based on internal estimation of expected total rehabilitation charges with the actual quantity of coal mined. Local government authorities would request the Group for the compensation from time to time where the management expected that the rehabilitation cost will be fully paid when the mine sites cease operation.

Provisions for land subsidence, restoration, rehabilitation and environmental costs are determined by management based on past experience, its estimate of current and future costs and predictions for government policies where the management considered mine sites rehabilitation is one of the top priority policies to be carried out by PRC local government authorities.

Mine sites in Australia

Subsidiary in Australia makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the and installing and using those facilities. The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred up to year 2032. These provisions have been created based on managements' internal estimates. Actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future coal prices.

Generally estimated in accordance with the expected costs of land rehabilitation

In 2012, 2013 and 2014, the Group expensed approximately RMB1,450.6 million, RMB1,390.6 million and RMB1,225.4 million, respectively, of our provisions for land subsidence, restoration, rehabilitation and environmental protection as determined by our directors based on estimations of various factors, including past occurrences of land subsidence.

The provisions that the Group made are only estimates and may be adjusted to reflect the actual effects of our mining activities on the land above and surrounding our mining sites.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

35. BORROWINGS

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Current liabilities		
Bank borrowings		
- Unsecured borrowings (i)	5,597,568	4,604,554
- Secured borrowings (ii)	233,953	629,733
Finance lease liabilities (iv)	40,585	42,852
Guaranteed notes (v)	4,999,583	5,997,917
	<u>10,871,689</u>	<u>11,275,056</u>
Non-current liabilities		
Bank borrowings		
- Unsecured borrowings (i)	7,828,178	12,499,105
- Secured borrowings (ii)	24,701,168	18,520,543
Loans pledged by machineries (iii)	1,830,394	1,800,000
Finance lease liabilities (iv)	166,051	224,640
Guaranteed notes (v)	16,040,608	11,055,667
	<u>50,566,399</u>	<u>44,099,955</u>
Total borrowings	<u>61,438,088</u>	<u>55,375,011</u>

(i) Unsecured borrowings are repayable as follows:

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Within one year	5,597,568	4,604,554
More than one year, but not exceeding two years	5,035,222	2,809,925
More than two years, but not more than five years	2,782,956	9,679,180
More than five years	10,000	10,000
Total	<u>13,425,746</u>	<u>17,103,659</u>

At December 31, 2014, short-term borrowings of the Company is amounting to RMB2,827,850,000 (2013: RMB3,512,612,000). Three short-term borrowings of RMB917,850,000 (USD150,000,000) are dominated in foreign currency with interest rates at six-month LIBOR plus a margin of 2.75% per annum, approximately 3.12% (2013: fixed interest rates at a range from 2.98% - 3.47%) per annum. The remaining short term borrowings carried interest at 5.40% - 6.00% per annum (2013: 5.10% - 6.00% per annum).

The short-term borrowings of Yancoal International is amounting to RMB948,572,000 (USD155,000,000) (2013:Nil) which carried interest at three-month LIBOR plus a margin of 3.25% per annum.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

35. BORROWINGS (continued)

(i) Unsecured borrowings are repayable as follows: (continued)

Long-term borrowings are amounting to RMB8,727,592,000 (2013: RMB8,900,064,000) with RMB1,821,146,000 payable within one year. Long-term borrowing of RMB4,145,798,000 carried interest at a range from 5.54% - 6.40% per annum (2013: 5.54% - 6.40% per annum) while the remaining RMB 2,760,648,000 carried interest at three-month LIBOR plus a margin 1.20% - 3.45% per annum (2013: 1.20% - 2.40% per annum). And there is RMB10,000,000 long term borrowing subject to the interest rate will be adjusted in accordance with the benchmark lending rate published by the People's Bank of China ("PBOC"). The interest rate is 6.15% per annum during the year. Long-term borrowings are guaranteed by the Parent Company.

The long-term borrowing of Zhongyin Financial is amounting to RMB911,731,000 (USD 150,000,000) was payable 36 months. It carried interest at three-month LIBOR plus a margin of 2.60% per annum.

The loan of Shanxi Tianchi was a loan which was acquired before the acquisition of Shanxi Tianchi. In 2013, the amount of loan was RMB88,000,000 carried interest at 6.55% per annum and was subject to adjustment based on the interest rate stipulated by PBOC. The loan was fully repaid in September 2014.

(ii) Secured borrowings are repayable as follows:

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Within one year	233,953	629,733
More than one year, but not exceeding two years	5,736,318	—
More than two years, but not more than five years	3,059,900	1,892,834
More than five years	15,904,950	16,627,709
Total	<u>24,935,121</u>	<u>19,150,276</u>

At December 31, 2014, loans obtained by the Group for the purpose of settling the consideration in respect of acquisition of Yancoal Resources amounting to RMB16,761,370,000 (USD2,740,000,000) (2013: RMB17,230,375,000) carried interest at three-month LIBOR plus a margin of 2.8% per annum (approximately 3.04% per annum) (2013: approximately 3.04% per annum).

Other borrowings arose from the acquisition of Gloucester amounting to RMB33,953,000 (USD5,550,000) (2013:RMB90,901,000) carried interest at 5.68% per annum (2013: approximately 5.68% per annum). It is pledged by bank deposit (note 17), intangible assets (note 23), and property, plant and equipment (note 24) and other assets in Yancoal Resources.

During the year, there is an additional borrowing amounting to RMB1,400,000,000, with RMB200,000,000 is payable in one year, which carried interest rate 6.16% per annum and is subject to adjustment based on the interest rate stipulated by PBOC. The borrowing is guaranteed by the Company, counter-guaranteed by the Parent Company and secured by 46.67% of Heze ordinary shares.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

35. BORROWINGS (continued)

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

Another additional secured borrowing of Yancoal International is amounting to RMB6,739,798,000 (USD1,101,472,000) which carried interest rate at at three-month LIBOR plus a margin of ranged 1.55% - 3.00%. It is guaranteed by the Parent company and its stand by letter of credits. The purpose of the additional borrowing is to repay previous loans.

In November 2013, the Company's subsidiary, Yancoal Australia, obtained two amendments to the loan agreement on future compliance for debt covenants in respect of certain bank borrowings amounting to RMB15,111 million (US\$2,490 million) and RMB303 million(US\$50 million), respectively, as of December 31, 2013. The amendments were obtained without any consideration paid to the lenders. The relevant covenants of the two borrowings are identical and are required to be tested half-yearly, with an initial test date of December 31, 2013. The amendments obtained deferred the initial test date of the financial covenants to June 30, 2014 and reduced the interest cover ratio, and for the consolidated net worth covenant, to December 31, 2014.

In March, 2014, further amendments were obtained to deferred the initial test date of the meeting minimum interest cover ratio requirements to June 30, 2015 and reduced the required minimum interest cover ratio. In October 2014, further amendments were obtained to deferred the initial test date of the meeting minimum interest cover ratio to June 30, 2016.

The original covenants required Yancoal Australia to maintain the following as of and/or for the year ended December 31, 2013: (i) a gearing ratio not exceeding 0.9 , (ii) interest cover ratio of not less than 1.5 and (iii) consolidated net worth not less than AUD2,000,000,000. Yancoal Australia believed that it could not meet the above debt covenants and requested amendments in November 2013 and October 2014, respectively.

Under the amendments received from the lenders, the covenants have been revised as follows:

- The gearing ratio of Yancoal Australia will not exceed 0.9 on June 30, 2014 and 0.8 thereafter;
- The interest coverage ratio of Yancoal Australia will not be less than 1.15 for the 12 month period ending on each test date on and from June 30, 2016; and
- The consolidated net worth of Yancoal Australia is not less than AUD1,600,000,000 on each test date on and after December 31, 2014.

The financial position of Yancoal Australia as of and for the year ended December 31, 2014 did not meet the above debt covenants requirements if Yancoal Australia did not obtain waiver from lenders. The actual covenants calculations as of and for the year ended December 31, 2014 as calculated from the annual financial statements of Yancoal Australia, which are prepared in accordance with the Australian Accounting Standards and also complied with IFRS, would have been: (i) a gearing ratio of 0.59; (ii) interest cover ratio of 0.74; and (iii) consolidated net worth of AUD2,487,188,000.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

35. BORROWINGS (continued)

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

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Minimum lease payments		
Within one year	181,726	187,200
More than one year, but not exceeding two years	181,726	187,200
More than two years, but not exceeding five years	2,200,096	1,761,600
More than five years	—	610,770
	<u>2,563,548</u>	<u>2,746,770</u>
Less: Future finance charges	<u>(733,154)</u>	<u>(946,770)</u>
Present value of lease payments	<u>1,830,394</u>	<u>1,800,000</u>
	At December 31,	
	2014	2013
	RMB'000	RMB'000
Present value of minimum lease payments		
Within one year	—	—
More than one year, but not exceeding two years	—	—
More than two years, but not exceeding five years	1,830,394	1,200,000
More than five years	—	600,000
	<u>1,830,394</u>	<u>1,800,000</u>
Less: Amounts due within one year and included in current liabilities	<u>—</u>	<u>—</u>
Amounts due after one year and included in non-current liabilities	<u>1,830,394</u>	<u>1,800,000</u>

At December 31, 2014, a loan of RMB1,830,394,000 (2013: RMB1,800,000,000), of which RMB1,800,000,000 (2013: RMB1,800,000,000) carried interest at around 10% per annum (2013: 10.4% per annum) is pledged by machineries of the Group. The interest rate will be adjusted in accordance with the benchmark of 3 to 5 years lending rate published by the PBOC plus 4%. The remaining borrowing amounting to RMB30,394,000 (USD4,969,000) carried interest rate at 5.68% per annum.

(iv) Finance lease liabilities are repayable as follows:

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Minimum payments		
Within one year	54,268	57,617
More than one year, but not exceeding two years	54,425	58,732
More than two years, but not exceeding five years	129,560	176,377
More than five years	—	22,741
	<u>238,253</u>	<u>315,467</u>
Less: Future finance charges	<u>(31,617)</u>	<u>(47,975)</u>
Present value of lease payments	<u>206,636</u>	<u>267,492</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

35. BORROWINGS (continued)

(iv) Finance lease liabilities are repayable as follows: (continued)

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Present value of minimum payments		
Within one year	40,585	42,852
More than one year, but not exceeding two years	53,052	53,266
More than two years, but not exceeding five years	112,999	159,798
More than five years	—	11,576
	<u>206,636</u>	<u>267,492</u>
Less: Amounts due within one year and included in current liabilities	<u>(40,585)</u>	<u>(42,852)</u>
Amounts due after one year and included in non-current liabilities	<u>166,051</u>	<u>224,640</u>

Finance lease liabilities of RMB206,636,000 (AUD41,184,000) (2013: RMB267,492,000) was obtained from the acquisition of Gloucester in 2013, which carried interest at 5.10% per annum (2013: 5.16% per annum).

(v) Guaranteed notes are detailed as follows:

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Guaranteed notes denominated in RMB repayable within one year	4,999,583	5,997,917
Guaranteed notes denominated in USD repayable within two to five years	2,753,918	2,743,500
Guaranteed notes denominated in RMB repayable within two to five years	2,928,950	993,200
Guaranteed notes denominated in USD repayable after five years	3,365,899	3,353,167
Guaranteed notes denominated in RMB repayable over five years	6,991,841	3,965,800
	<u>21,040,191</u>	<u>17,053,584</u>

The above USD guaranteed notes were issued by a subsidiary of the Company on May 16, 2012. Guaranteed notes with par value of USD450,000,000 and USD550,000,000 will mature in 2017 and 2022 and with interest rate of 4.461% and 5.730% per annum respectively. At December 31, 2014, the notes are amounting to RMB6,119,817,000 (2013: RMB6,096,667,000). The notes are unconditionally guaranteed by the Company and the respective security is non-cancellable. For the year ended December 31, 2014, there was no redemption on the notes. During the year, the notes have been issued and sold in Hong Kong Exchange and Clearing Limited to institutional investors.

In 2012, with the approval from China Securities Regulatory Commission, the Company is allowed to issue RMB notes in the PRC, RMB notes with par value of RMB300,167,000 and RMB4,699,833,000 was issued to the public and institutional investors. An unconditional and irrevocable corporate guarantee was provided by the Parent Company on the RMB notes. At December 31, 2014, RMB notes of RMB4,965,000,000 (2013: RMB4,959,000,000) include notes of RMB3,969,800,000 (2013: RMB3,965,800,000) with a maturity period of ten years and interest rate of 4.95% per annum and notes of RMB995,200,000 (2013: RMB993,200,000) with a maturity period of five years and interest rate of 4.20% per annum. For the year ended December 31, 2014, there was no redemption on the notes.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

35. BORROWINGS (continued)

(v) Guaranteed notes are detailed as follows: (continued)

During the year, with the approval from China Securities Regulatory Commission, the Company is allowed to issue RMB notes in PRC at interest rate of 5.92% per annum with maturity period of 5 years and 6.15% per annum with maturity period of 10 years, amounting to RMB1,950,000,000 and RMB3,050,000,000 respectively. The issuance amount of the notes were RMB1,930,500,000 and RMB3,019,500,000 respectively. At December 31, 2014, the ending balances of the notes were RMB1,933,750,000 and RMB3,022,041,000 respectively. For the year ended December 31, 2014, there was no redemption on the notes.

During the year, with the approval from China Securities Regulatory Commission, the Company is allowed to issue RMB notes in the PRC with par value of RMB 5,000,000,000. At December 31, 2014, RMB note of RMB4,999,583,000 had a maturity period of 1 year and interest rate of 6.8% per annum. For the year ended December 31, 2014, there was no redemption on the notes.

36. DERIVATIVE FINANCIAL INSTRUMENTS

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Current assets		
Derivatives used for cash flow hedging:		
- Forward foreign exchange contracts	359	13,062
- Collar option	—	3,589
Total current assets	<u>359</u>	<u>16,651</u>
Current liabilities		
Derivatives used for cash flow hedging:		
- Forward foreign exchange contracts	2,621	181,358
- Collar option	78,317	90,221
- Interest rate swap contracts	—	43,532
	<u>80,938</u>	<u>315,111</u>
Financial liability at fair value through profit or loss		
- Future contracts	664	—
Total current liabilities	<u>81,602</u>	<u>315,111</u>

During the year ended December 31, 2014, the Group's subsidiaries in Australia entered into forward foreign exchange contracts to sell or purchase specified amounts of foreign currencies in the future at stipulated exchange rates. The objective of entering into the forward foreign exchange contracts is to reduce the foreign exchange rate related volatility of revenue stream and capital expenditure and thereby assist in risk management for the Group. The outstanding sell United States dollars contracts are hedging highly probable forecasted sales of coal. Cash flows and any impact to profit or loss arising from all the foreign exchange contracts are expected to occur within one year from the balance sheet date.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

36. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

As at December 31, 2014, the outstanding notional amount of forward foreign exchange contract to sell United States dollars (sell United States dollars and buy Australian dollars) was approximately RMB432,293,000 (2013: RMB1,783,000,000) with forward rates ranging from 0.8106 to 0.8381 (2013: 0.91 to 1.01). The outstanding notional amount of collar option was RMB 1,027,348,000 (2013: RMB3,096,000,000), with floor price and ceiling price of 0.87 and 0.9670 (2013: 0.83 and 0.9015). Both of the instruments will be matured within one year (2013: one year).

As at December 31, 2014, the outstanding notional amount to buy Renminbi (“RMB”) (sell US dollars buy RMB) was approximately RMB397,457,000, maturing within one year (2013: one year) with forward rates ranging from 5.0922 to 6.2334.

The Company also entered into contracts with three banks to hedge a proportion of borrowings issued at variable interest rates through the use of floating-to-fixed interest rate swap contracts. As at December 31, 2014, interest rate hedging contract was expired, while the Company did not sign any new contracts with the bank.

For the year ended December 31, 2014, the ineffective hedging portion of the changes in fair values of the forward foreign exchange contracts of approximately RMB1,297,843,000 (2013: RMB39,700,000) was recognized as selling, general and administrative expenses in the consolidated income statement. The effective hedging portion was recognized as current portion of derivatives financial instruments in the consolidated balance sheet.

The fair values of the forward foreign exchange contracts are estimated based on the discounted cash flows between the contract forward rate and spot forward rate. The fair values of the interest rate swap contracts are estimated based on the discounted cash flows between the contract floating rate and the contract fixed rate.

In addition, the Australian subsidiaries’ USD bank loan repayments in a six-month period are designated to hedge the forecast USD sales during the same period.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

37. CONTINGENT VALUE RIGHTS SHARES LIABILITIES

	<u>2014</u>	<u>2013</u>
	RMB'000	RMB'000
Balance at January 1	1,408,729	1,432,188
Change in fair value recognised in consolidated income statement	18,314	241,223
Exchange re-alignment	(53,520)	(264,682)
Share repurchase	(1,373,523)	—
Balance at December 31	<u>—</u>	<u>1,408,729</u>

In 2012, Yanzhou Coal Australia issued 87,645,184 contingent value rights shares as consideration for the acquisition of Gloucester. The purpose of the issuance of CVR shares is to protect the original shareholders of Gloucester from the fluctuation of the share price of the Yancoal Australia after the merger. If the weighted average price of the last 3 months in the next 18 months after the acquisition is lower than AUD6.96 per share, the CVR shares will be redeemed by cash (or shares of Yancoal Australia held by the Company at the discretion of Yancoal Australia) at guaranteed price of AUD6.96 per share. The redemption price will not exceed AUD3 per share. The holders of the CVR shares do not have the power to vote at the shareholders meeting (unless required by the listing rules of the ASX). Also, the holders of the CVR shares are not entitled to any dividend, right to allot the new and bonus shares that are distributed or issued by Yancoal Australia. The Company are committed to the obligations related to the issuance of the CVR shares by Yancoal Australia.

At March 4, 2014, the CVR shares were repurchased for cash of AUD262,936,000, representing the market value of AUD3 per CVR share.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

38. LONG-TERM PAYABLE AND PROVISION

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Current liabilities		
- Deferred payment for acquisition of interests in Minerva (i)	2,509	2,715
- Mining right compensation fee payable (ii)	396,285	436,285
	398,794	439,000
Non-current liabilities		
- Deferred payment for acquisition of interests in Minerva (i)	2,165	4,610
- Mining right compensation fee payable (ii)	792,569	1,188,854
- Others (iii)	324,216	362,171
	1,118,950	1,555,635
Total	1,517,744	1,994,635

- (i) The carrying value of the deferred payment for acquisition of interests in Minerva is based on cash flows discounted using a rate of 7.5% (2013:7.5%).
- (ii) Mining right compensation fee payable is provided in accordance with the Chinese government legislation on mining right compensation fee. The amount is payable by the Company by instalment from 2015 to 2017.
- (iii) Other non-current liabilities mainly comprised of provision for marketing service fee of RMB30,683,000 (2013:RMB29,054,000) and provision for forecasted excessive supply for port and rail contracts of RMB231,546,000 (2013:RMB270,171,000), both arising from the acquisition of Gloucester.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

39. DEFERRED TAXATION

	Available- for-sale investment RMB'000	Accelerated tax depreciation RMB'000	Fair value adjustment on mining rights (mining reserves) RMB'000	Temporary differences on income and expenses recognized RMB'000	Tax losses RMB'000	Cash flow hedge reserve RMB'000	Total RMB'000
Balance at January 1, 2013	(22,134)	(242,887)	(3,634,784)	797,578	1,138,748	4,815	(1,958,664)
Exchange re-alignment	—	84,982	567,795	(111,226)	(362,384)	(53,900)	125,267
Acquisition of Hao Sheng (note 45)	—	—	(3,022,421)	—	—	—	(3,022,421)
(Charge) credit to other comprehensive income	(1,321)	—	—	—	—	395,395	394,074
(Charge) credit to the consolidated income statement (note 12)	—	(364,114)	665,772	209,418	1,589,309	—	2,100,385
Balance at December 31, 2013 and January 1, 2014	(23,455)	(522,019)	(5,423,638)	895,770	2,365,673	346,310	(2,361,359)
Exchange re-alignment	—	6,481	237,010	(104,443)	(284,403)	(71,300)	(216,655)
(Charge) credit to other comprehensive income	(19,137)	—	—	—	—	394,986	375,849
(Charge) credit to the consolidated income statement (note 12)	—	350,234	(110,570)	(12,019)	99,715	—	327,360
Balance at December 31, 2014	<u>(42,592)</u>	<u>(165,304)</u>	<u>(5,297,198)</u>	<u>779,308</u>	<u>2,180,985</u>	<u>669,996</u>	<u>(1,874,805)</u>

The temporary differences on income and expenses recognized 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 December 31,	
	2014 RMB'000	2013 RMB'000
Deferred tax assets	5,679,608	6,107,062
Deferred tax liabilities	(7,554,413)	(8,468,421)
	<u>(1,874,805)</u>	<u>(2,361,359)</u>

At the balance sheet date, the Group has unused tax losses of RMB17,912 million (2013: RMB17,491 million) contributed by the subsidiaries available for offset against future profits. RMB2,181 million deferred tax asset has been recognized (2013: RMB2,366 million) for such tax losses. No deferred tax asset has been recognized in respect of the RMB10,642 million (2013: RMB9,605 million) due to the unpredictability of future profit streams. Included in unrecognized tax losses are losses of RMB517 million that will expire in 2015, loss of RMB282 million that will expire in 2016, losses of RMB680 million that will expire in 2017, losses of RMB7,769 million that will expire in 2018 and losses of RMB1,394 million that will expire in 2019 (2013: losses of RMB517 million that will expire in 2015, loss of RMB282 million that will expire in 2016, losses of RMB680 million that will expire in 2017 and losses of RMB7,769 million that will expire in 2018). Other losses may be carried forward indefinitely.

By reference to financial budgets, management believes that there will be sufficient future profits for the realization of deferred tax assets which have been recognized in respect of tax losses.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

40. SHAREHOLDERS' EQUITY

Share capital

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

	Domestic invested shares A shares	Foreign invested shares H shares (including H shares represented by ADS)	Total
Number of shares			
At January 1, 2013, January 1, 2014 and December 31, 2014	2,960,000,000	1,958,400,000	4,918,400,000
	Domestic invested shares A shares RMB'000	Foreign invested shares H shares (including H shares represented by ADS) RMB'000	Total RMB'000
Registered, issued and fully paid			
At January 1, 2013, January 1, 2014 and December 31, 2014	2,960,000	1,958,400	4,918,400

Each share has a par value of RMB1.

The Company has completed the implementation of the share reform plan on April 3, 2006 and 2,600,000,000 the non-tradable legal person shares held by the Parent Company become tradable shares. The Parent Company guaranteed that it would not trade these shares in the market within 48 months from that day. On September, 2013, all the commitment made by the Parent Company as part of the share reform plan was fulfilled. The application for the right of shares trading in the market was approved by local legislation, and hence those shares held by the Parent Company are tradable in the market.

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 would be suspended since August 1, 2013.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

40. SHAREHOLDERS' EQUITY (continued)

Reserves (continued)

Future Development Fund (continued)

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 July 1, 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 January 1, 2008.

In accordance with the regulations of the State Administration of Work Safety, the Company has a commitment to incur RMB8 (Shanxi Tianchi: RMB50, Xintai and Ordos: increased from RMB7 to RMB15 from February 1, 2012 onwards) for each tonne of raw coal mined from May 1, 2004 which will be used for enhancement of safety production environment and improvement of facilities ("Work Safety Cost"). From February 1, 2012 onwards, the work safety cost increased to RMB15 per tonne. In prior years, the work safety expenditures are recognized only when acquiring the fixed 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 unutilized 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. The unutilized Work Safety Cost at December 31, 2014 was RMB1,611,120,000 (2013: RMB1,298,554,000).

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.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

40. SHAREHOLDERS' EQUITY (continued)

Reserves (continued)

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 December 31, 2014 is the retained earnings computed under IFRS which amounted to approximately RMB30,419,601,000 (At December 31, 2013: RMB26,492,774,000).

41. PERPETUAL CAPITAL SECURITIES

	Perpetual capital securities issued by the Company RMB'000 (note a)	Perpetual capital securities issued by a subsidiary RMB'000 (note b)	Total RMB'000
At January 1, 2014	—	—	—
Issuance of perpetual capital security	2,485,000	1,835,747	4,320,747
Profit attributable to holders of perpetual capital security	36,456	82,079	118,535
Distribution paid to holders of perpetual capital security	—	(65,923)	(65,923)
At December 31, 2014	<u>2,521,456</u>	<u>1,851,903</u>	<u>4,373,359</u>

- a) The Company issued 6.8% perpetual capital securities with par value of RMB 1,500,000,000 and RMB 1,000,000,000 on 19 September and 17 November 2014 respectively. Coupon payments of 6.8% per annum on the perpetual capital securities are paid in arrears and can be deferred at the discretion of the Group. The perpetual capital securities have no fixed maturity and are redeemable at the discretion of the Group at their principal amounts together with any accrued, unpaid or deferred coupon interest payments. In addition, while any coupon payments are unpaid or deferred, the Company undertakes not to declare, pay any dividends nor to make any distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank. Since the perpetual capital security does not include any payment of cash or other contractual obligation of financial instrument, it is categorized as equity under IFRS.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

41. PERPETUAL CAPITAL SECURITIES (continued)

- b) On May 22, 2014, Yancoal International Trading Co., Limited issued 7.2% Perpetual Capital Securities with par value of USD 300,000,000 (“Perpetual capital securities”) which is guaranteed by the Company. Coupon payments of 7.2% per annum on the perpetual capital securities are paid semi-annually in arrears and can be deferred at the discretion of the Group. The perpetual capital securities have no fixed maturity and are redeemable at the discretion of the Group on or after May 22, 2016 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 Group 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. The securities were listed and traded on the Hong Kong Stock Exchange and sold to professional investors only on May 23, 2014. Since the perpetual capital security does not include any payment of cash or other contractual obligation of financial instrument, it is categorized as equity under IFRS.

42. SUBORDINATED CAPITAL NOTES

On December 31, 2014, Yancoal SCN Limited, a wholly owned subsidiary of Yancoal Australia issued 18,005,102 Subordinated Capital Notes (“SCN”) at US\$100 each. Each SCN is convertible into 1,000 Yancoal Australia ordinary shares and is traded on ASX. The distribution rate is set at 7% per annum, with interest will be paid half a year at Yancoal Australia’s discretion.

SCN do not have any fixed maturity date and do not have to be redeemed except in a winding up of the Issuer or Yancoal Australia. Conversion occurs at a fixed price so the value of the Yancoal Australia ordinary shares issued on conversion may be more or less than the face value of the SCN converted. Note holders will be permitted to convert the SCN into Yancoal Australia ordinary shares after 40 days until the 30 year conversion period ends. The SCN will be initially convertible into Yancoal Australia ordinary shares at a conversion price of US\$0.10 per share. Almost all the notes were purchased by the Company and only RMB3,102,000 of the note is issued to other third parties. The SCN do not contain any contractual obligation to pay cash or other financial assets in accordance with IFRS, they are classified as equity.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

43. 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 maximizing the return to shareholders through the optimization 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 disclosed in note 35 and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings, and amounted to RMB102,685,390,000 (2013: RMB95,948,051,000) as at December 31, 2014.

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.

44. FINANCIAL INSTRUMENTS

44a. Categories of financial instruments

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	32,628,664	28,163,818
Available-for-sale financial assets	388,764	211,559
Derivative financial instruments	359	16,651
Royalty receivable (financial assets at fair value through profit or loss)	999,064	1,134,374
Financial liabilities		
Amortized cost	74,677,564	67,021,023
Derivative financial instruments	81,602	315,111
Contingent value rights shares liabilities (financial liabilities at fair value through profit or loss)	—	1,408,729

44b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale equity instruments, bills and accounts receivable, royalty receivable, other current assets such as other receivables, bank balances and cash, term deposits, restricted cash, long term receivables, derivative financial instruments, bills and accounts payable, other payables, bank and other borrowings, amounts due to Parent Company and its subsidiaries, finance lease liabilities and guaranteed notes. 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.

44. FINANCIAL INSTRUMENTS (continued)

44b. Financial risk management objectives and policies (continued)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

At December 31, 2014 and 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the failure to perform their obligations in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

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 and its associate, Yankuang Group Finance Company Limited (see note 27). Therefore, the directors consider that the credit risk for such is minimal.

The Group generally grants the customers with long-relationship credit terms not exceeding 180 days, depending on the situations of the individual customers. For small to medium sized new customers, the Group generally requires them to pay for the products before delivery.

Most of the Group's domestic sales are sales to electric power plants, metallurgical companies, construction material producers and railway companies. The Group generally has established long-term and stable relationships with these companies. The Group also sells its coal to provincial and city fuel trading companies.

As the Group's PRC operation does not currently have direct export rights, all of its export sales must be made through National Coal Corporation, Shanxi Coal Corporation or Minmetals Trading. The qualities, prices and final customer destinations of the Group's export sales are determined by the Group, National Coal Corporation, Shanxi Coal Corporation or Minmetals Trading.

For the years ended December 31, 2014, 2013 and 2012, net sales to the Group's five largest customers accounted for approximately 14.2%, 16.5% and, 19.4% respectively, of the Group's total revenue. Net sales to the Group's largest customer accounted for 3.7%, 5.8%, and 6.3% of the Group's net revenue for the years ended December 31, 2014, 2013 and 2012 respectively. The Group's largest customer was Huadian Power International Corporation Limited ("Huadian") for the years ended December 31, 2014, 2013 and 2012.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

44. FINANCIAL INSTRUMENTS (continued)

44b. Financial risk management objectives and policies (continued)

Credit risk (continued)

Details of the accounts receivable from the five customers with the largest receivable balances at December 31, 2014 and 2013 are as follows:

	Percentage of accounts receivable	
	At December 31, 2014	2013
Five largest receivable balances	<u>35.85%</u>	<u>28.45%</u>

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 balance sheet date:

Counterparty	Location	31.12.2014		31.12.2013	
		Credit limit RMB'000	Carrying amount RMB'000	Credit limit RMB'000	Carrying amount RMB'000
Company A	China	Not applicable	180,052	Not applicable	—
Company B	China	Not applicable	167,666	Not applicable	151,266
Company C	China	Not applicable	158,055	Not applicable	—
Company D	Australia	Not applicable	156,902	Not applicable	—
Company E	China	Not applicable	60,000	Not applicable	—
Company F	China	Not applicable	—	Not applicable	76,100
Company G	Japan	Not applicable	—	Not applicable	73,369
Company H	Singapore	Not applicable	—	Not applicable	60,007
Company I	Hong Kong	Not applicable	—	Not applicable	57,331
			<u>722,675</u>		<u>418,073</u>

The Group's geographical concentration of credit risk is mainly in East Asia (excluding the PRC) and Australia. As at December 31, 2014 and 2013, over 45% and 51% of the Group's total trade receivables were from Australia and from East Asia (excluding the PRC) respectively.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

44. FINANCIAL INSTRUMENTS (continued)

44b. 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 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 balance sheet date are as follows:

	Liabilities		Assets	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
United States Dollar ("USD")	35,377,540	30,840,426	3,920,955	5,278,923
Euro ("EUR")	3,515	—	14,852	12,564
Hong Kong Dollar ("HKD")	—	—	23	31
Notional amounts of sell USD foreign exchange contracts used for hedging	134,581	1,782,864	432,293	1,102,516
Notional amount of buy EUR foreign exchange contracts used for hedging	—	—	—	167,339
Notional amount of buy British pound ("GBP") foreign exchange contracts used for hedging	—	—	—	1,730

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 hedging policy is disclosed in note 36. The Group's operations in the PRC do not adopt any foreign exchange hedging policy.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

44. FINANCIAL INSTRUMENTS (continued)

44b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) *Currency risk (continued)*

Sensitivity analysis

The Group is mainly exposed to the fluctuation against the currency of United States Dollar.

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 annual balance sheet date. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates and also assumes all other risk variables remained constant. The sensitivity analysis includes loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower.

	USD Impact (note i)	
	2014	2013
	RMB'000	RMB'000
(Decrease) Increase to profit or loss		
- if RMB weakens against respective foreign currency	(92,093)	(30,799)
- if RMB strengthens against respective foreign currency	92,093	30,799

	USD Impact (note ii)		EUR Impact (note ii)	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Increase (Decrease) to profit or loss				
- if AUD weakens against respective foreign currency	38,650	76,244	(124)	—
- if AUD strengthens against respective foreign currency	(38,650)	(76,244)	124	—
(Decrease) Increase to shareholders' equity				
- if AUD weakens against respective foreign currency	(599,877)	(1,039,514)	(124)	5,889
- if AUD strengthens against respective foreign currency	599,877	1,039,514	124	(5,889)

44. FINANCIAL INSTRUMENTS (continued)

44b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) *Currency risk (continued)*

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 and derivative financial instruments denominated in a currency other than the functional currency of the borrower.

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.

(ii) *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, term deposits, restricted cash (note 17) and variable rate borrowings (note 35).

The interest rate hedging policy of the Group is disclosed in note 36.

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.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

44. FINANCIAL INSTRUMENTS (continued)

44b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) *Interest rate risk (continued)*

Sensitivity Analysis

The following table details the Group's sensitivity to a change of 100 basis points in the interest rate, assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all the variables were held constant. It includes the interest rate fluctuation of the abovementioned PBOC rate and LIBOR.

	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Increase (Decrease) to profit and loss		
-If increases by 100 basis points	(107,989)	(135,259)
-If decreases by 100 basis points	107,989	135,259
(Decrease) Increase to shareholders' equity		
-If increases by 100 basis points	(107,989)	(114,905)
-If decreases by 100 basis points	107,989	114,905

(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 and also to price risk in non financial instruments such as steel and metals (the Group's major raw materials). The Group currently does not have any arrangement to hedge the price risk exposure of its investment in equity securities and its purchase of raw materials. The Group's exposure to equity price risk through investment in listed equity securities and also the result of the sensitivity analysis is not significant.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

44. FINANCIAL INSTRUMENTS (continued)

44b. 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 utilization of bank borrowings and ensures compliance with loan covenants.

Included in bank balances and cash of the Group is RMB 16,701,000 (2013: RMB 9,324,000) of bank balances denominated in Renminbi placed with banks in the PRC. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. As of December 31, 2014 and 2013, other than the restriction from exchange control regulations, there is no significant restriction on the Group.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate %	Less than 3 months RMB'000	3-6 months RMB'000	6 months to 1 year RMB'000	1-5 years RMB'000	5+ years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 12.31 RMB'000
2014								
Non-derivative financial liabilities								
Bills and accounts payables	N/A	4,037,204	—	—	—	—	4,037,204	4,037,204
Other payables	N/A	7,818,335	—	—	—	—	7,818,335	7,818,335
Amounts due to Parent Company and its subsidiary companies	N/A	190,408	—	—	—	—	190,408	190,408
USD Guaranteed note	4.46%-5.73%	78,930	78,930	157,859	3,698,399	3,844,314	7,858,432	6,119,817
RMB Guaranteed note	4.20%-6.15%	5,363,341	—	240,000	4,933,281	8,387,728	18,924,350	14,920,374
Loan pledged by machineries	5.68%-10.00%	31,049	30,384	61,766	2,160,630	—	2,283,829	1,830,394
Finance lease liabilities	2.99%-5.60%	2,722	2,722	5,443	204,760	26,883	242,530	206,637
Bank borrowings								
-variable rate	1.45%-15.60%	1,304,920	683,760	4,122,001	20,343,573	17,748,332	44,202,586	38,360,866
Long-term payable	6.15%-6.50%	1,215	—	464,434	855,662	—	1,321,311	1,193,528
		<u>18,828,124</u>	<u>795,796</u>	<u>5,051,503</u>	<u>32,196,305</u>	<u>30,007,257</u>	<u>86,878,985</u>	<u>74,677,563</u>
Financial guarantees issued								
Maximum amount guaranteed (note)	N/A	—	—	—	—	2,051,340	2,051,340	—
Derivative financial instruments - gross settlement								
Forward foreign exchange contracts								
- Outflow	N/A	666,618	—	—	—	—	666,618	666,618
Future contracts								
- Outflow	N/A	664	—	—	—	—	664	664
Collar option								
- Outflow	N/A	549,994	477,353	—	—	—	1,027,347	1,027,348

Note: the amount presented is the maximum contractual presented under guarantees issued.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

44. FINANCIAL INSTRUMENTS (continued)

44b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate %	Less than 3 months RMB'000	3-6 months RMB'000	6 months to 1 year RMB'000	1-5 years RMB'000	5+ years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 12.31 RMB'000
2013								
Non-derivative financial liabilities								
Bills and accounts payables	N/A	2,716,675	—	—	—	—	2,716,675	2,716,675
Other payables	N/A	7,252,136	—	—	—	—	7,252,136	7,252,136
Amount due to Parent Company and its subsidiary companies								
	N/A	44,737	—	—	—	—	44,737	44,737
USD Guaranteed note	4.46%-5.73%	78,628	78,628	157,257	3,808,470	4,024,577	8,147,560	6,096,667
RMB Guaranteed note	4.42%-6.80%	1,267,000	—	5,537,792	1,969,000	4,990,000	13,763,792	10,956,917
Loan pledged by machineries	10.40%	46,800	46,800	93,600	1,948,800	610,770	2,746,770	1,800,000
Finance lease liabilities	3.00%-5.60%	14,404	14,404	28,809	235,109	22,741	315,467	267,492
Bank borrowings								
- variable rate	1.00%-7.18%	368,587	1,529,536	4,069,209	15,102,407	18,924,915	39,994,654	36,253,935
Long-term payable	6.22%-8.90%	1,300	—	520,776	1,565,620	—	2,087,696	1,632,464
Contingent value rights shares liabilities								
	N/A	1,427,766	—	—	—	—	1,427,766	1,408,729
		<u>13,218,033</u>	<u>1,669,368</u>	<u>10,407,443</u>	<u>24,629,406</u>	<u>28,573,003</u>	<u>78,497,253</u>	<u>68,429,752</u>
Financial guarantees issued								
Maximum amount guaranteed (note)	N/A	—	—	—	—	1,156,509	1,156,509	—
Derivative financial instruments - gross settlement								
Forward foreign exchange contracts								
- Outflow	N/A	<u>1,020,926</u>	<u>297,288</u>	<u>464,651</u>	<u>1,993,723</u>	—	<u>3,776,588</u>	<u>3,776,588</u>
Derivative financial instruments - net settlement								
Interest rate swap contracts	N/A	<u>11,194</u>	<u>11,194</u>	<u>21,144</u>	—	—	<u>43,532</u>	<u>43,532</u>

Note: the amount presented is the maximum contractual presented under guarantees issued.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

44. FINANCIAL INSTRUMENTS (continued)

44c. Fair values

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

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

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

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

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	At December 31
	RMB'000	RMB'000	RMB'000	Total
				RMB'000
2014				
Assets				
Available-for-sale investments				
- Investments in securities listed on the SSE	249,404	—	—	249,404
Derivative financial instruments				
- Forward foreign exchange contracts	—	359	—	359
- Royalty receivable	—	—	999,064	999,064
	<u>249,404</u>	<u>359</u>	<u>999,064</u>	<u>1,248,827</u>
Liabilities				
Derivative financial instruments				
- Future contracts	664	—	—	664
- Forward foreign exchange contracts	—	2,621	—	2,621
- Collar option	—	78,317	—	78,317
	<u>664</u>	<u>80,938</u>	<u>—</u>	<u>81,602</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

44. FINANCIAL INSTRUMENTS (continued)

44c. Fair values (continued)

	<u>Level 1</u> RMB'000	<u>Level 2</u> RMB'000	<u>Level 3</u> RMB'000	At December 31 <u>Total</u> RMB'000
2013				
Assets				
Available-for-sale investments				
- Investments in securities listed on the SSE	172,855	—	—	172,855
Derivative financial instruments				
- Forward foreign exchange contracts	—	13,062	—	13,062
- Collar option	—	3,589	—	3,589
- Royalty receivable	—	—	1,134,374	1,134,374
	<u>172,855</u>	<u>16,651</u>	<u>1,134,374</u>	<u>1,323,880</u>
Liabilities				
Derivative financial instruments				
- Forward foreign exchange contracts	—	181,358	—	181,358
- Collar option	—	90,221	—	90,221
- Interest rate swap contracts	—	43,532	—	43,532
Financial liabilities at fair value through profit or loss				
- Contingent value rights shares liabilities	1,408,729	—	—	1,408,729
	<u>1,408,729</u>	<u>315,111</u>	<u>—</u>	<u>1,723,840</u>

In 2014 and 2013, 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.

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 (note 23). The risk-adjusted post-tax discount rate used to determine the future cash flows is 10.5%. The estimated fair value would increase if the sales volumes and coal prices were higher and if the Australian dollar weakens against the US dollar. The Estimated fair value would also increase if the risk-adjusted discount rate was lower.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

45. ACQUISITION OF HAO SHENG

On January 31, 2013, the Company completed the acquisition of 74.82% equity interest in Hao Sheng, the purpose of acquisition is to obtain the mining rights of Shilawusu Coal Field in the name of Hao Sheng. The acquisition was presented as purchases of assets and liabilities, such that no goodwill was recognized.

The net assets acquired on the acquisition date are as follows:

	Carrying amounts RMB'000
Bank balances and cash	223,427
Prepayments and other receivables	4,539
Property, plant and equipment, net	302,205
Intangible assets	12,089,682
Other current liabilities	(59,159)
Deferred taxation	(3,022,421)
Net assets acquired	9,538,273
Non-controlling interest arising from acquisition	(2,401,737)
	<u>7,136,536</u>
Considerations:	
Cash paid on acquisition	1,025,516
Investment deposits and transaction costs paid for acquisition in prior year	2,982,805
Cash outflow for payment on acquisition	4,008,321
Add: Cash payable on acquisition	3,128,215
Total considerations	<u>7,136,536</u>
Net cash outflow arising on acquisition	
Cash paid on acquisition	(1,025,516)
Bank balances and cash acquired	223,427
	<u>(802,089)</u>

As at December 31, 2014, Hao Sheng has not yet commenced any business.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

46. ACQUISITION OF ASHTON COAL MINES LIMITED

The Australia subsidiaries of the Group originally held 60% equity interests in Ashton joint operations. During 2011, the Group acquired additional 30% equity interests in Ashton joint operations from another venturer at a consideration of USD250 million. This included the acquisition of 30% equity interests in the joint ventures, Ashton Coal Mines Limited. Under the shareholders agreement, the 90% equity interest held in Ashton joint operations remained classified as joint operation, whereas the 90% interest in Ashton joint venture was accounted for using equity method. On September, 30, 2014, the remaining 10% equity interests in the joint venture of Ashton Coal Mines Limited were acquired by the Group at a consideration of AUD21.2 million (approximate RMB106,367,000). Upon completion of the acquisition, Ashton Coal Mines Limited becomes a wholly owned subsidiary of the Group.

The acquisition has been accounted for using the acquisition method.

The net assets acquired on the acquisition date are as follows:

	Carrying amounts RMB'000	Fair Value Adjustments RMB'000	Fair Values RMB'000
Bank balances and cash	47,688		47,688
Accounts receivable and other receivables	112,652		112,652
Inventories	44,125		44,125
Prepayments	23,861		23,861
Property plant and equipment, net *	1,382,951		1,382,951
Intangible assets*	2,363,255		2,363,255
Long term receivables	20,466		20,466
Goodwill	193,178	(193,178)	—
Accounts payable and other payables	(257,091)		(257,091)
Provision for land subsidence, restoration, rehabilitation and environmental costs *	(35,842)		(35,842)
Long term payable	(38,132)		(38,132)
Tax recoverable	6,124		6,124
Deferred taxation	(617,355)	9,784	(607,571)
Other provision	—	(148,013)	(148,013)
Net asset acquired			2,914,473
Bargain purchase			(147,993)
			<u>2,766,480</u>
Considerations:			
Cash paid on acquisition			106,367
Carrying amount previously recognised as interest in joint venture and share of assets and liabilities held under a joint operation			2,660,113
			<u>2,766,480</u>
Net cash outflow arising on acquisition:			
Cash paid on acquisition			106,367
Bank balances and cash acquired			(47,688)
			<u>58,679</u>

* Included in the net assets acquired on the acquisition of Ashton Coal Mines Limited as of the acquisition date, certain assets and liabilities held under a joint operation were recognised by the Group in accordance with its share of those assets and liabilities before the acquisition.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

46. ACQUISITION OF ASHTON COAL MINES LIMITED (continued)

During the period from the acquisition date to December 31, 2014, Ashton Coal Mines Limited has contributed a total revenue of RMB216.8 million and a net profit of RMB2.1 million.

If the acquisition had occurred on January 1, 2014, the consolidated revenue and net profit of the Group for the year ended December 31, 2014 would have been increased by RMB747.5 million and decreased by RMB128.5 million respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition has been completed January 1, 2014 and could not serve as a basis for the forecast of future operation result.

47. NON-CONTROLLING INTEREST

Summarised financial information of material non-controlling interests of subsidiaries is set out below:

For the details of transactions with non-controlling interests, please refer to note 48.

	Yancoal Australia At December 31		Hao Sheng At December 31	
	2014 22% RMB'000	2013 22% RMB'000	2014 25.18% RMB'000	2013 25.18% RMB'000
Non-controlling interests percentage				
Summarised financial information				
Current assets	3,362,311	5,666,980	276,938	512,070
Non-current assets	34,125,721	35,859,637	13,523,826	12,391,887
Current liabilities	(1,698,897)	(3,858,960)	(976,961)	(59,159)
Non-current liabilities	(23,309,923)	(32,361,612)	(3,022,421)	(3,022,421)
Net assets	12,479,212	5,306,045	9,801,382	9,822,377
Carrying amount of non-controlling interests	(59,220)	780,381	(2,467,988)	2,473,275
Revenue	7,300,759	8,961,855	—	—
(Loss) Profit for the year	(1,846,546)	(4,978,439)	(20,996)	15,896
Other comprehensive loss	(1,425,380)	(2,977,258)	—	—
Total comprehensive (loss) income	(3,271,926)	(7,955,697)	(20,996)	15,896
(Loss) Profit allocated to non-controlling interests	(724,263)	(1,706,642)	(5,287)	4,003
Cash flows used in operating activities	(1,294,520)	(965,946)	(75,008)	(31,221)
Cash flows used in investing activities	(1,102,854)	(1,208,547)	(618,120)	(492,719)
Cash flows from financing activities	1,780,449	1,765,319	700,000	643,427
Net (decrease) increase in cash and cash equivalents	(616,925)	(409,174)	6,872	119,487
Dividends paid to non-controlling interests	—	—	—	—

The amount of above financial information is before elimination of intra-group transactions.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

48. 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 party

	At December 31,	
	2014	2013
	RMB'000	RMB'000
<i>Nature of balances (other than those already disclosed)</i>		
Bills and accounts receivable		
- Parent Company and its subsidiaries	545,329	402,872
- Joint ventures	160,660	28,859
Prepayments and other receivables		
- Parent Company and its subsidiaries	224,151	49,824
- Joint ventures	—	160,723
- Associates	116,883	—
Bills and accounts payable		
- Parent Company and its subsidiaries	190,398	—
- Associates	10	—
Other payables and accrued expenses		
- Parent Company and its subsidiaries	1,037,193	1,066,760

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

During the years, the Group had the following significant transactions with the Parent Company and/or its subsidiary companies:

	Year ended December 31,		
	2014	2013	2012
	RMB'000	RMB'000	RMB'000
<i>Income</i>			
Sales of coal	2,287,541	2,839,839	3,162,122
Sales of auxiliary materials	510,432	328,732	425,957
Sales of heat and electricity	114,163	111,675	167,295
Sales of methanol	127,921	126,398	47,909
Provision of mines operating services	4,337	—	—
<i>Expenditure</i>			
Utilities and facilities	29,777	19,406	35,906
Purchases of supply materials and equipment	1,286,869	1,196,372	1,552,758
Repair and maintenance services	238,110	266,849	327,600
Social welfare and support services	822,793	483,783	802,540
Road transportation services	19,567	14,119	67,654
Construction services	600,847	522,314	689,787

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

48. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Balances and transactions with related party (continued)

Expenditures for social welfare and support services (excluding medical and child care expenses) are RMB177,854,000, RMB122,460,000 and RMB176,820,000 for the years ended December 31, 2014, 2013 and 2012. These expenses will be negotiated with and paid by the Parent Company each year.

As at December 31, 2014, the Company has deposited RMB927,255,000 (2013: RMB103,464,000) (2012: RMB1,719,621,000) to the Company's associate, Yankuang Group Finance Company Limited. The interest income received and finance cost paid during the year amounted to RMB3,217,000 (2013: RMB4,756,000) (2012: RMB7,986,000) and RMB100,000 (2013: RMB1,645,000) (2012: RMB1,411,000) respectively.

In addition to the above, the Company participates in a retirement benefit scheme of the Parent Company in respect of retirement benefits (note 51).

Balances and transactions with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a large group of companies under the Parent Company which is controlled by the PRC government. Apart from the transactions with the Parent Company and its subsidiaries disclosed above, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

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

	Year ended December 31,		
	2014	2013	2012
	RMB'000	RMB'000	RMB'000
Trade sales	4,518,295	5,986,611	10,503,203
Trade purchases	1,357,757	5,078,834	4,500,994

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

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Amounts due to other state-controlled entities	201,797	328,474
Amounts due from other state-controlled entities	440,387	804,906

Amounts due to and from state-controlled entities are trade nature of which terms are not different from other customers (notes 18 and 32).

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

48. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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 are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

Balances and transactions with joint ventures

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Due from a joint venture (note 28)	1,705,757	1,587,001

The amount due from a joint venture is unsecured and interest is calculated at commercial rate, interest received by the Group in the current year amounting to RMB100,345,000 (2013: RMB 106,373,000).

For the year ended December 31, 2014, the trade balances between the Group and joint ventures are disclosed in notes 18 and 32. During the last year, the Group's Australian subsidiaries sold coal products and provided marketing and administrative services to the joint ventures of the Group amounted to RMB796,212,000 and RMB1,530,000 respectively. The Group has acquired 100% of the shares of the joint ventures and consolidated in the Group account.

Compensation of key management personnel

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

	Year ended December 31,		
	2014	2013	2012
	RMB'000	RMB'000	RMB'000
Directors' fee	520	520	520
Salaries, allowance and other benefits in kind	10,663	5,987	5,850
Retirement benefit scheme contributions	1,772	1,020	1,033
	<u>12,955</u>	<u>7,527</u>	<u>7,403</u>

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

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

49. COMMITMENTS

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
Acquisition of property, plant and equipment		
- the Group	2,725,021	2,375,634
- share of joint operations	5,515	27,254
Acquisition of intangible assets		
- share of joint operations	—	504
Exploration and evaluation		
- the Group	—	1,094
- share of joint operations	1,382	9,977
	<u>2,731,918</u>	<u>2,414,463</u>

Pursuant to the regulations issued by the Shandong Province Finance Bureau, the Group has to pay a deposit of RMB2,636 million (2013: RMB2,636 million) to the relevant government authority, which secured for the environmental protection work done by the Company. As at December 31, 2014, deposit of RMB1,052 million (2013: RMB1,052 million) were made and the Company is committed to further make security deposit of RMB1,584million (2013: RMB1,584 million).

50. 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 March 21, 2014 (2013: March 22, 2013), the monthly contribution rate is at 20% (2013: 20%; 2012: 20%) of the total monthly basic salaries and wages of the Company's employees for the period from January 1, 2014 to December 31, 2014. 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 RMB722,111,000, RMB874,753,000, and RMB857,352,000 for the years ended December 31, 2014, 2013, and 2012, 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.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

50. RETIREMENT BENEFITS (continued)

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.

51. HOUSING SCHEME

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 three years ended December 31, 2014, 2013 and 2012. Such expenses, amounting to RMB137,200,000, RMB80,042,000 and RMB137,200,000 for each of the three years ended December 31, 2014, 2013 and 2012 respectively, have been included as part of the social welfare and support services expenses summarized in note 50.

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 utilizes 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.

52. POST BALANCE SHEET EVENT

Moolarben Stage 2 expansion project

Subsequent to the financial year, as announced on 2 February 2015, the NSW PAC approved Yancoal Australia's Moolarben Stage 2 expansion application. Once the Moolarben Stage Two project is completed the operation at Mudgee will produce up to 15 million tonnes per annum of raw coal for a period of 24 years and extend the life of the operation.

53. OPERATING LEASE COMMITMENTS

	At December 31,	
	2014	2013
	RMB'000	RMB'000
Within one year	152,981	13,296
More than one year, but not more than five years	132,547	47,265
	<u>285,528</u>	<u>60,561</u>

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

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

54. CONTINGENT LIABILITIES

(i) Guarantees

	At December 31,	
	2014	2013
	RMB'000	RMB'000
(a) The Group		
Guarantees secured over deposits	136,080	81,670
Performance guarantees provided to daily operations	979,025	921,275
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	171,892	146,826
(b) Joint operations		
Performance guarantees provided to daily operations	528,262	417,352
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	46,487	48,477
	<u>1,861,746</u>	<u>1,615,600</u>

- (ii) The Australia Taxation Office (“ATO”) commenced an audit of the Group during the previous financial year. The audit has progressed during the current financial year with a range of issues under review now closed. The Group is currently in discussion with the ATO. Seeking to reach a mutually agreeable resolution of the remaining outstanding issues. The audit is expected to conclude during the first half of 2015 and is not expected to have a material impact on the Group’s financial position.
- (iii) Yancoal Australia will provide financial support to joint venture, Middlemount Coal Pty Ltd, confirming that Yancoal Australia will not demand the repayment of any loan due from Middlemount, except to the extent that Middlemount agrees otherwise provided in the loan agreement; and provide financial support to Middlemount to enable it to meet its debts as and when they become due and payable, by way of new shareholder loans in proportion to its share of the net assets of Middlemount.
- (iv) The Company was sued by Zhongxin Daxie Fuel Co., Ltd. (“Zhongxin Daxie”) at the Shandong Provincial Higher People’s Court for not performing the duty of delivering goods pursuant to the Coal Sales Contract. It requested the termination of the Coal Sales Contract signed by both sides, the return of payments for goods and compensation for economic losses of RMB163.6 million in total. Zhongxin Daxie’s claim was rejected by the first instance judgment of the Shandong Provincial Higher People’s Court. On June 30, 2014, the Company received the Notice of the Decision on Appeal from the Supreme People’s Court of the People’s Republic of China (the “Supreme Court”). As at report date, the case is still being tried in court and has not yet been heard.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

55. INFORMATION OF THE COMPANY

Details of the Company's major subsidiaries at December 31, 2014 and 2013 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 held		Principal activities
			2014		2013		2014	2013	
			Directly	Indirectly	Directly	Indirectly			
Austar Coal Mine Pty, Limited ("Austar")	Australia	AUD 64,000,000	—	100%	—	100%	100%	100%	Coal mining business in Australia
Heze (note 1)	PRC	RMB 3,000,000,000	98.33%	—	98.33%	—	98.33%	98.33%	Coal mining and sales
Yancoal Australia (note2)	Australia	AUD 656,700,717	78%	—	78%	—	78%	78%	Investment holding
Shandong Yanmei Shipping Co., Ltd. ("Yanmei Shipping") (note1)	PRC	RMB 5,500,000	92%	—	92%	—	92%	92%	Transportation via rivers and lakes and the sales of coal and construction materials
Yulin (note 1)	PRC	RMB 1,400,000,000	100%	—	100%	—	100%	100%	Methanol and electricity power business
Zhongyan Trade Co., Ltd ("Zhongyan") (note 1)	PRC	RMB 2,100,000	52.38%	—	52.38%	—	52.38%	52.38%	Trading and processing of mining machinery
Shanxi Neng Hua (note 1)	PRC	RMB 600,000,000	100%	—	100%	—	100%	100%	Investment holding
Shanxi Tianchi (note 1)	PRC	RMB 90,000,000	—	81.31%	—	81.31%	81.31%	81.31%	Coal mining business
Shanxi Tianhao (note 1)	PRC	RMB 150,000,000	—	99.89%	—	99.89%	99.89%	99.89%	Methanol and electricity power business
Hua Ju Energy (note 1)	PRC	RMB 288,589,774	95.14%	—	95.14%	—	95.14%	95.14%	Electricity and heat supply
Ordos (note 1)	PRC	RMB 8,100,000,000	100%	—	100%	—	100%	100%	Investment holding, coal mining and sales
Yize (note 1)	PRC	RMB 136,260,500	—	100%	—	100%	100%	100%	Development of methanol project
Rongxin Chemicals (note 1)	PRC	RMB 3,000,000	—	100%	—	100%	100%	100%	Development of methanol project
Daxin Industrial (note 1)	PRC	RMB 4,107,432	—	100%	—	100%	100%	100%	Development of methanol project
Xintai (note 1)	PRC	RMB 5,000,000	—	100%	—	100%	100%	100%	Coal mining and sales
Inner Mongolia Haosheng Coal Mining Co., Ltd (note 1)	PRC	RMB 800,000,000	74.82%	—	74.82%	—	74.82%	74.82%	Sales of coal mine machinery equipment and accessories
Rizhao (note 1)	PRC	RMB 300,000,000	51%	—	51%	—	51%	51%	Coal wholesale management and others

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

55. INFORMATION OF THE COMPANY (continued)

Details of the Company's major subsidiaries at December 31, 2014 and 2013 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 held		Principal activities
			2014		2013		2014	2013	
			Directly	Indirectly	Directly	Indirectly			
Yancoal International	Hong Kong	USD 689,313,091	100%	—	100%	—	100%	100%	Investment holding
Yancoal International Resources Development Co., Limited	Hong Kong	USD 600,000	—	100%	—	100%	100%	100%	Coal resource exploration development
Yancoal International Technology Development Co., Limited	Hong Kong	USD 1,000,000	—	100%	—	100%	100%	100%	Coal mining technology Development
Yancoal International Trading Co., Limited	Hong Kong	USD 1,000,000	—	100%	—	100%	100%	100%	Entrepot trade
Yancoal Technology (Holdings) Co., Ltd.	Australia	AUD 75,407,506	—	100%	—	100%	100%	100%	Holdings company
Yancoal Resources	Australia	AUD 446,409,065	—	100%	—	100%	100%	100%	Coal mining business in Australia
Trading Centre (Note 1)	PRC	RMB100,000,000	51%	—	51%	—	51%	51%	Coal sales
Beisheng Industry and Trade (Note 1)	PRC	RMB 2,404,000	100%	—	100%	—	100%	100%	Coal Mining and sales
Ashton Coal Operations Pty Limited	Australia	AUD 5	—	100%	—	100%	100%	100%	Management of operations
Athena Coal Mine Pty Ltd	Australia	AUD 2	—	100%	—	100%	100%	100%	Coal exploration
Felix NSW Pty Ltd	Australia	AUD 2	—	100%	—	100%	100%	100%	Investment holding
Moolarben Coal Mines Pty Limited	Australia	AUD 1	—	100%	—	100%	100%	100%	Coal business development
Moolarben Coal Operations Pty Ltd	Australia	AUD 2	—	100%	—	100%	100%	100%	Management of coal operations
Moolarben Coal Sales Pty Ltd	Australia	AUD 2	—	100%	—	100%	100%	100%	Coal sales
Proserpina Coal Pty Ltd	Australia	AUD 1	—	100%	—	100%	100%	100%	Coal mining and sales
Syntech Holdings Pty Ltd	Australia	AUD 223,470,552	—	100%	—	100%	100%	100%	Investment holding and management of coal operation
Duralie Coal Pty Ltd	Australia	AUD 2	—	100%	—	100%	100%	100%	Coal mining

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

55. INFORMATION OF THE COMPANY (continued)

Details of the Company's major subsidiaries at December 31, 2014 and 2013 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 held		Principal activities
			2014		2013		2014	2013	
			Directly	Indirectly	Directly	Indirectly			
Gloucester	Australia	AUD 719,720,808	—	100%	—	100%	100%	100%	Coal resource exploration development
Auriada Limited	Northern Ireland	AUD 5	—	100%	—	100%	100%	100%	No business in Australia, to be liquidated
Ballymoney Power Limited	Northern Ireland	AUD 5	—	100%	—	100%	100%	100%	No business in Australia, to be liquidated
Balhoil Nominees Pty Ltd	Australia	AUD 7,270	—	100%	—	100%	100%	100%	No business in Australia
SASE Pty Limited	Australia	AUD 9,650,564	—	90%	—	90%	100%	100%	No business in Australia, to be liquidated
CIM Mining Pty Ltd	Australia	AUD 30,180,720	—	100%	—	100%	100%	100%	No business in Australia
Donaldson Coal Holdings Ltd	Australia	AUD 204,945,942	—	100%	—	100%	100%	100%	Holdings company
Monash Coal Holdings Pty Ltd	Australia	AUD 100	—	100%	—	100%	100%	100%	Dormant
CIM Stratford Pty Ltd	Australia	AUD 21,558,606	—	100%	—	100%	100%	100%	Dormant
CIM Services Pty Ltd	Australia	AUD 8,400,002	—	100%	—	100%	100%	100%	Dormant
Donaldson Coal Pty Ltd	Australia	AUD 6,688,782	—	100%	—	100%	100%	100%	Coal mining and sales
Agrarian Finance Pty Ltd	Australia	AUD 2	—	100%	—	100%	100%	100%	Dormant
Monash Coal Pty Ltd	Australia	AUD 200	—	100%	—	100%	100%	100%	Coal mining and sales
Newcastle Coal Company Pty Ltd	Australia	AUD 2,300,999	—	100%	—	100%	100%	100%	Coal mining and sales
Syntech Holdings II Pty Ltd	Australia	AUD 6,318,490	—	100%	—	100%	100%	100%	Investment holding
Tonford Pty Ltd	Australia	AUD 2	—	100%	—	100%	100%	100%	Coal exploration
UCC Energy Pty Limited	Australia	AUD 2	—	100%	—	100%	100%	100%	Ultra clean coal technology
Wesfarmers Char	Australia	AUD 1,000,000	—	100%	—	100%	100%	100%	Research and development of the technology and procedures of processing coal
Wesfarmers Premier Coal Limited	Australia	AUD 8,779,250	—	100%	—	100%	100%	100%	Exploration, production and processing of coal
White Mining (NSW) Pty Limited	Australia	AUD 10	—	100%	—	100%	100%	100%	Coal mining and sales

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

55. INFORMATION OF THE COMPANY (continued)

Details of the Company's major subsidiaries at December 31, 2014 and 2013 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 held		Principal activities
			2014		2013		2014	2013	
			Directly	Indirectly	Directly	Indirectly			
White Mining Research Pty Ltd	Australia	AUD 2	—	100%	—	100%	100%	100%	No business in Australia, to be liquidated
White Mining Services Pty Limited	Australia	AUD 2	—	100%	—	100%	100%	100%	No business in Australia, to be liquidated
White Mining Limited	Australia	Ordinary shares AUD 3,300,000 A Shares AUD 200	—	100%	—	100%	100%	100%	Investment holding and management of operations
Yancoal Canada	Canada	USD 290,000,000	—	100%	—	100%	100%	100%	Potash exploration
Mountfield Properties Pty Ltd	Australia	AUD 100	—	100%	—	100%	100%	100%	Investment holding
AMH (Chinchilla Coal) Pty Ltd	Australia	AUD 2	—	100%	—	100%	100%	100%	Coal exploration
Syntech Resources Pty Ltd	Australia	AUD 1,251,431	—	100%	—	100%	100%	100%	Coal mining and sales
Yancoal Luxembourg	Luxembourg	USD 500,000	—	100%	—	100%	100%	100%	Investment holding
Yarrabee Coal Company Pty Ltd	Australia	AUD 92,080	—	100%	—	100%	100%	100%	Coal mining and sales
Westralian Prospectors NL	Australia	AUD 93,001	—	100%	—	100%	100%	100%	No business in Australia
Eucla Mining NL	Australia	AUD 707,500	—	100%	—	100%	100%	100%	No business in Australia
CIM Duralie Pty Ltd	Australia	AUD 665	—	100%	—	100%	100%	100%	No business in Australia
Duralie Coal Marketing Pty Ltd	Australia	AUD 2	—	100%	—	100%	100%	100%	No business in Australia
Gloucester (SPV) Pty Ltd	Australia	AUD 2	—	100%	—	100%	100%	100%	Holdings company
Gloucester (Sub Holdings 1) Pty Ltd	Australia	AUD 2	—	100%	—	100%	100%	100%	Holdings company
Gloucester (Sub Holdings 2) Pty Ltd	Australia	AUD 2	—	100%	—	100%	100%	100%	Holdings company
Donaldson Coal Finance Pty Ltd	Australia	AUD 10	—	100%	—	100%	100%	100%	Investment company
Stradford Coal Pty Ltd	Australia	AUD 10	—	100%	—	100%	100%	100%	Coal mining
Stradford Coal Marketing Pty Ltd	Australia	AUD 10	—	100%	—	100%	100%	100%	Coal sales
Abakk Pty Ltd	Australia	AUD 6	—	100%	—	100%	100%	100%	No business in Australia, to be liquidated

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

55. INFORMATION OF THE COMPANY (continued)

Details of the Company's major subsidiaries at December 31, 2014 and 2013 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 held		Principal activities
			2014		2013		2014	2013	
			Directly	Indirectly	Directly	Indirectly			
Primecoal International Pty Ltd	Australia	AUD 1	—	100%	—	100%	100%	100%	No business in Australia, to be liquidated
Athena Holdings P/L	Australia	AUD 24,450,405	—	100%	—	100%	100%	100%	Holding company
Premier Coal Holdings P/L	Australia	AUD 321,613,108	—	100%	—	100%	100%	100%	Holdings company
Tonford Holdings P/L	Australia	AUD 46,407,917	—	100%	—	100%	100%	100%	Holdings company
Wilpeena Holdings P/L	Australia	AUD 3,457,381	—	100%	—	100%	100%	100%	Holdings company
Yancoal Energy P/L	Australia	AUD 202,977,694	—	100%	—	100%	100%	100%	Holdings company
Yancoal Technology Development Pty Ltd	Australia	AUD 2	—	100%	—	100%	100%	100%	LTCC technical development and equipment rental
Qingdao Yanmei Dongqi Energy Co., Ltd ("Dongqi") (Note 1)	PRC	RMB 50,000,000	—	100%	—	—	100%	—	Coal and Related Products Wholesale
Shangdong Zhongyin Logistics & Trade Co., Ltd. ("Zhongyin Logistics") (Note 1)	PRC	RMB 300,000,000	100%	—	—	—	100%	—	Trade Broker and Agent
Zhongyin Financial Leasing Co., Ltd. ("Zhongyin Financial") (Note 1)	PRC	RMB 500,000,000	75%	25%	—	—	100%	—	Financial Leasing
Duanxin Investment Holding (Beijing) Co., Ltd ("Duanxin") (Note 1)	PRC	RMB 10,000,000	100%	—	—	—	100%	—	Investment and assets management
Yancoal Australia Sales Pty Ltd	Australia	AUD 100	—	100%	—	—	100%	—	Coal sales
Yancoal SCN Ltd	Australia	AUD 5	—	100%	—	—	100%	—	Issue subordinated capital note
Ashton Coal mines Limited	Australia	AUD 5	—	100%	—	—	100%	—	Coal sales
Advanced Clean Coal Technology Pty Limited	Australia	AUD 1	—	100%	—	—	100%	—	No business in Australia
Premier Char Pty Ltd	Australia	AUD 1,000,000	—	100%	—	—	100%	—	Charcoal Product Development

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES

55. INFORMATION OF THE COMPANY (continued)

Unless otherwise specified, the capital of the above subsidiaries are registered capital (those established in the PRC) or ordinary shares (those established in other countries).

Note 1: Yanmei Shipping, Yulin, Zhongyan, Heze, Shanxi Neng Hua, Shanxi Tianchi, Shanxi Tianhao, Hua Ju Energy, Ordos, Yize, Rongxin Chemical, Daxin Industrial, Xintai, Haosheng, Rizhao, Dongqi, Zhongyin Logistics, Zhongyin Financial and Duanxin are established in the PRC as limited liability companies.

Note 2: The investment cost of RMB3,781,606,000 in respect of investment in Yancoal Australia was included in investment in subsidiaries. As at December 31, 2014, the market value of these shares was approximately RMB622,550,000 (AUD124,078,000) (2013: RMB3,200,344,000 (AUD775,489,000)).

This English version is translated from the Chinese version. In case of any discrepancy between the English translation and the original Chinese text, the Chinese text shall prevail.

ARTICLES OF ASSOCIATION

OF

YANZHOU COAL MINING COMPANY LIMITED

(As approved by the 2013 annual general meeting of the Company)

ARTICLES OF ASSOCIATION

OF YANZHOU COAL MINING COMPANY LIMITED

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ARTICLES OF ASSOCIATION OF
YANZHOU COAL MINING COMPANY LIMITED

CHAPTER 1: GENERAL PROVISIONS

- Article 1. These Articles of Association are drawn up in accordance with the “Company Law of the People’s Republic of China” (the “Company Law”), the “Securities Law of the People’s Republic of China”, the “Mandatory Provisions for the Articles of Association of the Company to be Listed Overseas” (“Mandatory Provisions”) and other relevant laws and regulations with the aims of protecting the legitimate interests of Yanzhou Coal Mining Company Limited (the “Company”) and its shareholders and creditors, and regulating the organization and conducts of the Company.
- Article 2. The Company is a joint stock limited company established in accordance with the Company Law, “State Council’s Special Regulations Regarding the Issue of Shares Overseas and the Listing of Shares Overseas by Companies Limited by Share” (the “Special Regulations”) and other relevant laws and regulations of the State.
- The Company was established by way of promotion with the approval of the People’s Republic of China’s State Commission for Restructuring the Economic System on 24 September 1997, as evidenced by approval document *Ti Gai Sheng [1997]* no. 154 of 1997. It is registered with and has obtained a business licence from China’s State Administration Bureau of Industry and Commerce on 25 September 1997. The Company’s business licence number is: 370000400001016.
- The promoter of the Company is: Yankuang (Group) Corporation Ltd.
- Article 3. The Company’s registered Chinese name: 兖州煤業股份有限公司
The Company’s registered English name: Yanzhou Coal Mining Company Limited
- Article 4. The Company’s address : 298 South Fushan Road
Zoucheng
Shandong Province
China
Telephone number : 0537-5383310
Facsimile number : 0537-5383311
Postal code : 273500
- Article 5. The Company’s legal representative is the Chairman of the board of directors of the Company.
- Article 6. The Company is a joint stock limited company which has perpetual existence.

- Article 7. The Company's Articles of Association shall take effect from the date of incorporation of the Company.
From the date on which these Articles of Association come into effect, this Articles of Association shall constitute a legally binding document regulating the Company's organisation and activities, and the rights and obligations between the Company and each shareholder and among the shareholders inter se.
- Article 8. These Articles of Association are binding on the Company and its shareholders, directors, supervisors, general manager, deputy general managers and other senior officers of the Company; all of whom are entitled, according to these Articles of Association, to make suggestions in respect of rights concerning the affairs of the Company.
A shareholder may take action against the Company pursuant to these Articles of Association and vice versa. A shareholder may also take action against another shareholder, the directors, supervisors, general manager, deputy general managers and other senior officers of the Company pursuant to these Articles of Association.
The actions referred to in the preceding paragraph include court proceedings and arbitration proceedings.
- Article 9. All assets of the Company are divided into shares of equal value. The shareholders are liable for the Company up to the amount of shares they subscribed and all the Company's assets are made liable for its debts.
The Company may invest in other limited liability companies or limited stock companies. The Company is liable for an invested company up to the amount of capital it contributes to the invested company.
- Article 10. Senior officers of the Company refer to the Company's general manager, deputy general manager, financial controller, chief engineer and secretary to the board of directors.

CHAPTER 2: THE COMPANY'S OBJECTIVES AND SCOPE OF BUSINESS

- Article 11. The Company's objectives are:
- (a) To comply with the laws and regulations in the market;
 - (b) To continue to explore business opportunities which are suitable for the Company;

- (c) To fully utilise every resource of the Company;
- (d) To place emphasis on the training of its employees and technological development;
- (e) To provide the society with products which are competitive; and
- (f) To use its best endeavours to maximise its profits.

Article 12. The Company's scope of business shall be consistent with and subject to the scope of business approved by the authority responsible for the registration of the Company.

The business scope of the company includes: selection and sale of coal (among others, the export of coal should be made through companies with coal export right according to the existing state regulations); transportation of goods through self-owned railway within the mining area; transportation of goods through highway; operation of ports; manufacture, sale, lease, repair, installation and dismantlement of machinery and equipments in the mining area; production and sale of other mining materials; sale and lease of electronic equipments and sale of parts; sale of metallic materials, electronic products, construction materials, timber, rubber products and methanol; composition of mining, science and technological services; property development within the mining areas, property leasing and provision of services such as dining and accommodation; production and sale of coal residual stones as construction materials; sale of coke and iron ore; import and export of goods and technology; warehousing; automobile repairs; labour dispatch.

CHAPTER 3: SHARES AND REGISTERED CAPITAL

Article 13. There must, at all times, be ordinary shares in the Company. Subject to the approval of the companies approving department authorised by the State Council, the Company may, according to its requirements, create different classes of shares.

Article 14. Shares of the Company are in the form of share certificates.

Article 15. The issue of shares by the Company shall adhere to the principles of openness, fairness and equitable. Every share of the same class shall rank pari passu to every other share of the same class.

Shares of the same class issued at the same time shall have the same terms and price. The same amount of money is payable by a unit or an individual subscribing the share.

- Article 16. The shares issued by the Company shall each have a par value of Renminbi one yuan. “Renminbi” means the legal currency of the PRC.
- Article 17. Subject to the approval of the State Council Securities Policy Committee, the Company may issue shares to Domestic Investors and Foreign Investors.
- “Foreign Investors” mean those investors who subscribe for the Company’s shares and who are located in foreign countries and in the regions of Hong Kong, Macau and Taiwan. “Domestic Investors” mean those investors who subscribe for the Company’s shares and who are located within the territory of the PRC.
- Article 18. Shares which the Company issues to Domestic Investors for subscription in Renminbi shall be referred to as “Domestic-Invested Shares”. Shares which the Company issues to Foreign Investors for subscription in foreign currencies shall be referred to as “Foreign-Invested Shares”. Foreign-Invested Shares which are listed overseas are called “Overseas-Listed Foreign-Invested Shares”. “Foreign currencies” mean the legal currencies of countries or districts outside the PRC which are recognised by the foreign exchange authority of the State and which can be used to pay the share price to the Company.
- Domestic-Invested Shares issued by the Company shall be referred to as “A Shares”. Overseas-Listed Foreign-Invested Shares issued by the Company and which are listed in Hong Kong shall be referred to as “H Shares”. H Shares as shares which have been admitted for listing on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the par value of which is denominated in Renminbi and which are subscribed for and traded in Hong Kong dollars. H Shares can also be listed on a stock exchange in the United States in the form of American Depository Receipts.
- Article 19. Subject to the approval of the companies approving department authorised by the State Council, the Company has issued a total of 4,918,400,000 ordinary shares, of which 1,670,000,000 ordinary shares were issued to the promoters at the time of establishment.
- Article 20. The share capital structure of the Company is as follows: 4,918,400,000 ordinary shares, of which (a) 2,600,000,000 shares, which represent 52.86% of the Company’s share capital, are held by Yankuang (Group) Corporation Ltd. as domestic legal person shares; (b) 1,958,400,000 shares, which represent 39.82% of the Company’s share capital, are held by the H Shares shareholders; and (c) 360,000,000 shares, which represent 7.32% of the Company’s share capital, are held by the A Shares shareholders.
- Article 21. The Company’s board of directors may take all necessary action for the issuance of Overseas-Listed Foreign-Invested Shares and Domestic-Invested Shares after proposals for issuance of the same have been approved by the State Council’s securities authorities.

The Company may implement its proposal to issue Overseas-Listed Foreign-Invested Shares and Domestic-Invested Shares pursuant to the preceding paragraph within fifteen (15) months from the date of approval by the State Council's securities authorities.

Article 22. Where the total number of shares stated in the proposal for the issuance of shares include Overseas-Listed Foreign-Invested Shares and Domestic-Invested Shares, such shares should be fully subscribed for at their respective offerings. If the shares cannot be fully subscribed for all at once due to special circumstances, the shares may, subject to the approval of the State Council's securities authorities, be issued in separate branches.

Article 23. The registered capital of the Company shall be RMB4,918,400,000. The Company shall register its registered capital with the state industry and commerce department and make the necessary filings with the companies approving department authorised by the State Council and the State Council's securities authorities.

Article 24. The Company may, based on its operating and development needs, authorise the increase of its capital pursuant to these Articles of Association.

The Company may increase its capital in the following ways:

- (1) by offering new shares for subscription by specified or unspecified investors;
- (2) by issuing new shares to its existing shareholders;
- (3) by allotting bonus shares to its existing shareholders;
- (4) to increase the capital by way of transfer from reserve;
- (5) by any other means which is permitted by law and administrative regulation.

After the Company's increase of share capital by means of the issuance of new shares has been approved in accordance with the provisions of these Articles of Association, the issuance thereof should be made in accordance with the procedures set out in the relevant laws and administrative regulations.

Article 25. Unless otherwise stipulated in the relevant laws or administrative regulations, shares in the Company shall be freely transferable and are not subject to any lien.

Article 26 The Directors, Supervisors and Senior Officers of the Company shall declare to the Company their holdings in the Company's shares and inform the same if there are any changes in their holdings subsequently. During their terms of office, shares being transferred every year must not exceed 25% of their holdings in the Company's shares. No transfer of their holdings shall be made within one year after the Company's shares were listed. No transfer of their holdings in the Company's shares shall be made within six months after they cease to hold their respective offices.

Article 27 When Directors, Supervisors or Senior Officers of the Company or shareholders holding more than 5% of the shares of the Company sell their shares within six months after they are acquired or purchase shares within six months after they are disposed of, the board of directors shall repatriate any profits derived from such dealings and the profits derived shall belong to the Company. However, for securities companies which have acquired shares underwritten and become shareholders having more than 5% of the shares of the Company shall not be restricted by the six-month restriction mentioned above when they sell their shares.

If the board of directors fails to enforce the provisions as set out above, the shareholders are entitled to request the board of directors to enforce them within thirty days. If the board of directors still fails to enforce within the said timeline, the shareholders are entitled to commence legal proceeding at the People's Court directly in their own names in the interests of the company.

If the board of directors fails to enforce the first clause, the directors responsible shall be liable pursuant to the laws.”

Article 28 The Company shall not accept the Company's shares as the object of a pledge.

CHAPTER 4: REDUCTION OF CAPITAL AND REPURCHASE OF SHARES

Article 29. The Company may reduce its registered share capital. In so doing, it shall act according to the Company Law, other relevant provisions and these Articles of Association.

Article 30. The Company must prepare a balance sheet and an inventory of assets when it reduces its registered capital.

The Company shall notify its creditors within ten (10) days of the date of the Company's resolution for reduction of capital and shall publish an announcement in a newspaper at least three (3) times within thirty (30) days of the date of such resolution. A creditor has the right within thirty (30) days of receipt of the notice from the Company or, in the case of a creditor who does not receive such notice, within forty-five (45) days of the date of the first public announcement, to require the Company to repay its debts or to provide a corresponding guarantee for such debt.

- Article 31. The Company may, in accordance with the procedures set out in these Articles of Association and with the approval of the relevant governing authority of the State, repurchase its issued shares under the following circumstances:
- (1) cancellation of shares for the purposes of reducing its capital;
 - (2) merging with another company that holds shares in the Company;
 - (3) to grant the shares as incentives to the Company's staff;
 - (4) shareholders who disagree with the resolutions for the merger and separation of the Company made in a general meeting may demand the Company to purchase their shares."
 - (5) other circumstances permitted by laws and administrative regulations.

Apart from the above, the Company is not allowed to engage in trading of its own shares.

- Article 32. The Company may repurchase shares in one of the following ways, with the approval of the relevant governing authority of the State:

- (1) by making a general offer for the repurchase of shares to all its shareholders on a pro rata basis;
- (2) by repurchasing shares through public dealing on a stock exchange;
- (3) by repurchasing shares outside of the stock exchange by means of an off-market agreement;
- (4) other means as authorized by the competent securities authorities under the State Council.

- Article 33. The Company must obtain the prior approval of the shareholders in a general meeting (in the manner stipulated in these Articles of Association) before it can repurchase shares outside of the stock exchange by means of an off-market agreement. The Company may, by obtaining the prior approval of the shareholders in a general meeting (in the same manner), release, vary or waive its rights under an agreement which has been so entered into.

An agreement for the repurchase of shares referred to in the preceding paragraph includes (without limitation) an agreement to become liable to repurchase shares or an agreement to have the right to repurchase shares.

The Company may not assign an agreement for the repurchase of its shares or any right contained in such an agreement.

Article 34

The Company must obtain the prior approval of the shareholders in a general meeting before it can repurchase shares pursuant to the reasons set out in these Articles of Association 31 (1) to (3). Following shares being repurchased by the Company pursuant to the provisions in Article 31, in the case of (1), the shares repurchased shall be cancelled within 10 days of the completion of the repurchase. In the case of (2) and (4), the shares repurchased shall be transferred or cancelled within six months of the completion of the repurchase.

The aggregate par value of the cancelled shares shall be deducted from the Company's registered share capital.

The shares the Company repurchases in accordance with the provisions in Article 31(3) shall not be more than 5% of the total issued shares of the Company. The funding for the repurchase shall be provided from the profit after tax. The shares repurchased shall be transferred to the staff within one year.

Article 35.

Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued shares:

- (1) where the Company repurchases shares at par value, payment shall be made out of book surplus distributable profits of the Company or out of proceeds of a new issue of shares made for that purpose;
- (2) where the Company repurchases shares of the Company at a premium to its par value, payment up to the par value may be made out of the book surplus distributable profits of the Company or out of the proceeds of a new issue of shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:
 - (i) if the shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;
 - (ii) if the shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a new issue of shares made for that purpose, provided that the amount paid out of the proceeds of the new issue shall not exceed the aggregate amount of premiums received by the Company on the issue of the shares repurchased nor shall it exceed the book value of the Company's capital common reserve fund account (including the premiums on the new issue) at the time of the repurchase;

- (3) the Company shall make the following payments out of the Company's distributable profits:
 - (i) payment for the acquisition of the right to repurchase its own shares;
 - (ii) payment for variation of any contract for the repurchase of its shares;
 - (iii) payment for the release of its obligation(s) under any contract for the repurchase of shares;
- (4) after the Company's registered capital has been reduced by the aggregate par value of the cancelled shares in accordance with the relevant provisions, the amount deducted from the distributable profits of the Company for payment of the par value of shares which have been repurchased shall be transferred to the Company's capital common reserve fund account.

CHAPTER 5: FINANCIAL ASSISTANCE FOR ACQUISITION OF SHARES

Article 36. The Company and its subsidiaries shall not, at any time, provide any form of financial assistance to a person who is acquiring or is proposing to acquire shares in the Company. This includes any person who directly or indirectly incurs any obligations as a result of the acquisition of shares in the Company (the "Obligor").

The Company and its subsidiaries shall not, at any time, provide any form of financial assistance to the Obligor for the purposes of reducing or discharging the obligations assumed by such person.

This Article shall not apply to the circumstances specified in Article 38 of this Chapter.

Article 37. For the purposes of this Chapter, "financial assistance" includes (without limitation) the following:

- (1) gift;
- (2) guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the Obligor), compensation (other than compensation in respect of the Company's own default) or release or waiver of any rights;

- (3) provision of loan or any other agreement under which the obligations of the Company are to be fulfilled before the obligations of another party, or the change in parties to, or the assignment of rights under, such loan or agreement;
- (4) any other form of financial assistance given by the Company when the Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.

For the purposes of this Chapter, “assumption of obligations” includes the assumption of obligations by way of contract or by way of arrangement (irrespective of whether such contract or arrangement is enforceable or not and irrespective of whether such obligation is to be borne solely by the Obligor or jointly with other persons) or by any other means which results in a change in his financial position.

Article 38. The following actions shall not be deemed to be activities prohibited by Article 36 of this Chapter:

- (1) the provision of financial assistance by the Company where the financial assistance is given in good faith in the interests of the Company, and the principal purpose of which is not for the acquisition of shares in the Company, or the giving of the financial assistance is an incidental part of some larger purpose of the Company;
- (2) the lawful distribution of the Company’s assets by way of dividend;
- (3) the allotment of bonus shares as dividends;
- (4) a reduction of registered capital, a repurchase of shares of the Company or a reorganisation of the share capital structure of the Company effected in accordance with these Articles of Association;
- (5) the lending of money by the Company within its scope of business and in the ordinary course of its business, where the lending of money is part of the scope of business of the Company (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits);
- (6) contributions made by the Company to the employee share ownership schemes (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits).

CHAPTER 6: SHARE CERTIFICATES AND
REGISTER OF SHAREHOLDERS

Article 39. Share certificates of the Company shall be in registered form.

The share certificate of the Company shall, aside from matters required by the Company Law and the Special Regulations, also contain other matters required to be stated therein by the stock exchange(s) on which the Company's shares are listed.

Article 40. Share certificates of the Company shall be signed by the Chairman of the Company's board of directors. Where the stock exchange(s) on which the Company's shares are listed require other senior officer(s) of the Company to sign on the share certificates, the share certificates shall also be signed by such senior officer(s). The share certificates shall take effect after being sealed or imprinted with the seal of the Company. The share certificate shall only be sealed with the Company's seal under the authorisation of the board of directors. The signatures of the Chairman of the board of directors or other senior officer(s) of the Company may be printed in mechanical form.

Article 41. The Company shall keep a register of shareholders based on the evidence provided by the share registration institution which shall contain the following particulars:

- (1) the name (title) and address (residence), the occupation or nature of each shareholder;
- (2) the class and quantity of shares held by each shareholder;
- (3) the amount paid-up on or agreed to be paid-up on the shares held by each shareholder;
- (4) the share certificate number(s) of the shares held by each shareholder;
- (5) the date on which each person was entered in the register as a shareholder;
- (6) the date on which any shareholder ceased to be a shareholder.

Unless there is evidence to the contrary, the register of shareholders shall be sufficient evidence of the shareholders' shareholdings in the Company.

Article 42. The Company may, in accordance with the mutual understanding and agreements made between the State Council Securities Policy Committee and overseas securities regulatory organisations, maintain the register of shareholders of Overseas-Listed Foreign-Invested Shares overseas and appoint overseas agent(s) to manage such register of shareholders. The original register of shareholders for holders of H Shares shall be maintained in Hong Kong.

A duplicate register of shareholders for the holders of Overseas-Listed Foreign-Invested Shares shall be maintained at the Company's residence. The appointed overseas agent(s) shall ensure consistency between the original and the duplicate register of shareholders at all times.

If there is any inconsistency between the original and the duplicate register of shareholders for the holders of Overseas-Listed Foreign-Invested Shares, the original register of shareholders shall prevail.

- Article 43. The Company shall have a complete register of shareholders which shall comprise the following parts:
- (1) the register of shareholders which is maintained at the Company's residence (other than those share registers which are described in sub-paragraphs (2) and (3) of this Article);
 - (2) the register of shareholders in respect of the holders of Overseas-Listed Foreign-Invested Shares of the Company which is maintained in the same place as the overseas stock exchange on which the shares are listed; and
 - (3) the register of shareholders which are maintained in such other place as the board of directors may consider necessary for the purposes of the listing of the Company's shares.
- Article 44. Different parts of the register of shareholders shall not overlap. No transfer of any shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register.
- Amendments or rectification of the register of shareholders shall be made in accordance with the laws of the place where the register of shareholders is maintained.
- Article 45. All Overseas-Listed Foreign-Invested Shares listed in Hong Kong which have been fully paid-up may be freely transferred in accordance with these Articles of Association. However, unless such transfer complies with the following requirements, the board of directors may refuse to recognise any instrument of transfer and would not need to provide any reason therefor:
- (1) a fee of HK\$2.50 per instrument of transfer or such higher amount as may be agreed by the Stock Exchange has been paid to the Company for registration of the instrument of transfer and other documents relating to or which will affect the right of ownership of the shares;
 - (2) the instrument of transfer only relates to Foreign-Listed Foreign-Invested Shares listed in Hong Kong;

- (3) the stamp duty which is chargeable on the instrument of transfer has already been paid;
- (4) the relevant share certificate(s) and any other evidence which the board of directors may reasonably require to show that the transferor has the right to transfer the shares have been provided;
- (5) if it is intended that the shares be transferred to joint owners, the maximum number of joint owners shall not be more than four (4);
- (6) the Company does not have any lien on the relevant shares.

If the Company refuses to register any transfer of shares, the Company shall within two (2) months of formal application for the transfer provide the transferor and transferee with a notice of refusal to register such transfer.

- Article 46. No change may be made in the register of shareholders as a result of a transfer of shares within thirty (30) days prior to the date of a shareholders' general meeting or within five (5) days before the record date for the Company's distribution of dividends.
- Article 47. The board of directors or the convenor of the general meeting shall decide on a date for the determination of rights attaching to shares in the Company when the Company convenes a shareholders' meeting, distributes dividend, liquidates or engages in activities that required the determination of rights attaching to shares in the Company. The shareholders of the Company shall be such persons who appear in the register of shareholders at the close of such determination date.
- Article 48. Any person aggrieved and claiming to be entitled to have his name (title) entered in or removed from the register of shareholders may apply to a court of competent jurisdiction for rectification of the register.
- Article 49. Any person who is a registered shareholder or who claims to be entitled to have his name (title) entered in the register of shareholders in respect of shares in the Company may, if his share certificate (the "original certificate") relating to the shares is lost, apply to the Company for a replacement share certificate in respect of such shares (the "Relevant Shares").

Application by a holder of Domestic-Invested Shares, who has lost his share certificate, for a replacement share certificate shall be dealt with in accordance with Article 144 of the Company Law."

Application by a holder of Overseas-Listed Foreign Shares, who has lost his share certificate, for a replacement share certificate may be dealt with in accordance with the law of the place where the original register of shareholders of holders of Overseas-Listed Foreign-Invested Shares is maintained, the rules of the stock exchange or other relevant regulations.

The issue of a replacement share certificate to a holder of H Shares, who has lost his share certificate, shall comply with the following requirements:

- (1) The applicant shall submit an application to the Company in a prescribed form accompanied by a notarial certificate or a statutory declaration (i) stating the grounds upon which the application is made and the circumstances and evidence of the loss; and (ii) declaring that no other person is entitled to have his name entered in the register of shareholders in respect of the Relevant Shares.
- (2) The Company has not received any declaration made by any person other than the applicant declaring that his name shall be entered into the register of shareholders in respect of such shares before it decides to issue a replacement share certificate to the applicant.
- (3) The Company shall, if it intends to issue a replacement share certificate, publish a notice of its intention to do so at least once every thirty (30) days within a period of ninety (90) consecutive days in such newspapers as may be prescribed by the board of directors.
- (4) The Company shall, prior to publication of its intention to issue a replacement share certificate, deliver to the stock exchange on which its shares are listed, a copy of the notice to be published and may publish the notice upon receipt of confirmation from such stock exchange that the notice has been exhibited in the premises of the stock exchange. Such notice shall be exhibited in the premises of the stock exchange for a period of ninety (90) days.

In the case of an application which is made without the consent of the registered holder of the Relevant Shares, the Company shall deliver by mail to such registered shareholder a copy of the notice to be published.

- (5) If, by the expiration of the 90 day period referred to in paragraphs (3) and (4) of this Article, the Company has not have received any challenge from any person in respect of the issuance of the replacement share certificate, it may issue a replacement share certificate to the applicant pursuant to his application.
- (6) Where the Company issues a replacement share certificate pursuant to this Article, it shall forthwith cancel the original share certificate and document the cancellation of the original share certificate and issuance of a replacement share certificate in the register of shareholders accordingly.

- (7) All expenses relating to the cancellation of an original share certificate and the issuance of a replacement share certificate shall be borne by the applicant and the Company is entitled to refuse to take any action until reasonable security is provided by the applicant therefor.

Article 50. Where the Company issues a replacement share certificate pursuant to these Articles of Association and a bona fide purchaser acquires or becomes the registered owner of such shares, his name (title) shall not be removed from the register of shareholders.

Article 51. The Company shall not be liable for any damages sustained by any person by reason of the cancellation of the original share certificate or the issuance of the replacement share certificate unless the claimant is able to prove that the Company has acted in a deceitful manner.

CHAPTER 7: SHAREHOLDERS' RIGHTS AND OBLIGATIONS

Article 52. A shareholder of the Company is a person who lawfully holds shares in the Company and whose name (title) is entered in the register of shareholders. A shareholder shall enjoy rights and assume obligations according to the class and amount of shares held by him; shareholders who hold shares of the same class shall enjoy the same rights and assume the same obligations.

Article 53. The ordinary shareholders of the Company shall enjoy the following rights:

- (1) the right to receive dividends and other distributions in proportion to the number of shares held;
- (2) the right to attend or appoint a proxy to attend shareholders' meeting and to vote thereat;
- (3) the right of supervisory management over the Company's business operations and the right to present proposals or to raise queries;
- (4) the right to transfer, grant or pledge shares so held in accordance with laws, administrative regulations and provisions of these Articles of Association;
- (5) the right to obtain relevant information in accordance with these Articles of Association, including:
 - (i) the right to obtain a copy of these Articles of Association, subject to payment of costs;

- (ii) the right to inspect and copy, subject to payment of a reasonable fee:
 - (a) all parts of the register of shareholders;
 - (b) personal particulars of each of the Company's directors, supervisors and other senior officers, including:
 - (aa) present and former name and alias;
 - (bb) principal address (place of residence);
 - (cc) nationality;
 - (dd) primary and all other part-time occupations and duties;
 - (ee) identification documents and the numbers thereof;
 - (c) report on the state of the Company's share capital;
 - (d) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and the aggregate amount paid by the Company for this purpose;
 - (e) minutes of shareholders' general meetings;
 - (f) the copies of the Company's debentures, resolutions of the meetings of the board of directors, resolutions of the meetings of the Supervisory Committee, financial and accounting reports
- (6) in the event of the termination or liquidation of the Company, the right to participate in the distribution of surplus assets of the Company in accordance with the number of shares held;
- (7) shareholders who disagree with the resolutions for the merger and separation of the Company made in a general meeting may demand the Company to purchase their shares.
- (8) other rights conferred by laws, administrative regulations and these Articles of Association.

- Article 54 Shareholders proposing to inspect the relevant information as set out in the previous Articles or collect information shall produce the relevant proofs of the type and quantity of shares that they are holding to the Company. The Company shall provide the shareholders such information as required after verification of the identities of the shareholders.
- Article 55 In the event that the resolution of a shareholders' meeting or a board meeting is against the law or administrative rules and has infringed the legitimate interest of a shareholder, the shareholder shall have the right to submit to the People's Court to declare the resolution invalid.
- In the event the procedures for convening the shareholders' meeting and the board of directors meeting and voting thereat violate the law, administrative regulations or the provisions of these Articles, or the content resolved being in contrary to these Articles, the shareholder shall have the right to submit to the People's Court to rescind the resolution within 60 days after the resolution is made.
- Article 56 In the event the directors and senior officers violate the law, administrative regulations or the provisions of these Articles in performing the Company's duties, and incur a loss to the Company, shareholder(s), either individually or jointly holding more than 1% of the Company's shares for more than 180 consecutive days shall have the right to submit a written request to the Supervisory Committee for commencing legal proceedings in the People's Court. In the event the Supervisory Committee violates the law, administrative regulations or the provisions of these Articles in performing the Company's duties, and incur a loss to the Company, the shareholders shall have the right to submit a written request to the board of directors for commencing legal proceedings in the People's Court.
- In the event the Supervisory Committee or the board of directors refuses to commence legal proceedings after receiving the written request from the shareholders as provided in the paragraph above, or has not commenced legal proceedings 30 days after receiving the written request, or in case of emergency, without commencing legal proceedings forthwith will result in damages in the interests of the Company considerably difficult to rectify, the shareholders as provided in the paragraph above shall have the right to commence legal proceedings directly in the People's Court in their own names for the interests of the Company.
- In the event the legal interests of the Company are being violated by other parties and incur a loss to the Company, the shareholders as provided in the first paragraph of this Article shall commence legal proceedings in the People's Court in accordance with the provisions in the earlier two paragraphs.
- Article 57 In the event the directors and senior officers violate the law, administrative regulations or the provisions of these Articles, and the rights of shareholders are prejudicially affected, the shareholders shall have the right to commence legal proceeding in the People's Court.

Article 58. The ordinary shareholders of the Company shall assume the following obligations:

- (1) to comply with these Articles of Association;
- (2) to pay subscription monies according to the number of shares subscribed and the method of subscription;
- (3) no return of capital is allowed apart from those as provided in the laws and regulations;
- (4) The right of the shareholder shall not be abused to infringe the interests of the Company or other shareholders. The independent status of corporate legal person and the limited liabilities of the shareholder shall not be abused to infringe the interests of the Company's creditors;

The Company's shareholder who abuses his rights and result in losses to the Company or its other shareholders shall assume indemnity liabilities pursuant to the laws.

The Company's shareholder who abuses the independent status of corporate legal person and the limited liabilities of the shareholder to avoid debts and seriously infringe the interests of the Company's creditors shall assume incidental liabilities to the Company's debts.

- (5) other obligations imposed by laws, administrative regulations and these Articles of Association.

Shareholders are not liable to make any further contribution to the share capital other than according to the terms which were agreed by the subscriber of the relevant shares at the time of subscription.

Article 59. Shareholder holding more than 5% of the shares with voting right in the Company shall submit a written report to the Company when creating a pledge over its shares on the date the same is effected.

Article 60. In addition to the obligations imposed by laws and administrative regulations or required by the listing rules of the stock exchange on which the Company's shares are listed, a controlling shareholder (as such term is defined in the following Article) shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of all or part of the shareholders of the Company:

- (1) to relieve a director or supervisor of his duty to act honestly in the best interests of the Company;

- (2) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person) of the Company's assets in any way, including (without limitation) opportunities which are beneficial to the Company;
- (3) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (without limitation) rights to distributions and voting rights (save pursuant to a restructuring which has been submitted for approval by the shareholders in a general meeting in accordance with these Articles of Association).

Article 61. For the purpose of the foregoing Article, a "controlling shareholder" means a person who satisfies any one of the following conditions:

- (1) a person who, acting alone or in concert with others, has the power to elect more than half of the board of directors;
- (2) a person who, acting alone or in concert with others, has the power to exercise or to control the exercise of 30 % or more of the voting rights in the Company;
- (3) a person who, acting alone or in concert with others, holds 30 % or more of the issued and outstanding shares of the Company;
- (4) a person who, acting alone or in concert with others, has de facto control of the Company in any other way.

Article 62. The controlling shareholders of the Company and persons in actual control of the Company shall not damage the lawful rights of the Company and the public shareholders by means of connected transaction.

Those who violate the provisions in the paragraph above resulting in loss on the Company shall assume indemnity liabilities.

The controlling shareholders of the Company and persons in actual control of the Company have fiduciary duties towards the Company and the public shareholders. The controlling shareholders shall exercise his rights as investors strictly in accordance with the laws. The controlling shareholders shall not damage the lawful rights of the Company and the public shareholders by means of profit distribution, assets restructuring, external investment, use of capital and loan guarantee etc and shall not take advantage of its controlling position to damage the interest of the Company and the public shareholders.

Article 63. In operational fund transactions between the controlling shareholder of the Company and its related parties, appropriation of funds of the Company shall be strictly restricted. The controlling shareholder of the Company and its related parties shall not require the Company to pay advance fees such as salary, benefits, insurance, advertising, and they shall not undertake costs and other expenses on each other's behalf.

Article 64. The Company shall establish a special system to prevent the appropriation of assets of the Company by the controlling shareholder of the Company and its related parties. The Company shall conduct periodic self-inspections as to whether the controlling shareholder of the Company and its related parties have engaged in non-operational appropriations of funds of the Company and report such matters to the relevant regulatory authorities within 10 business days before publication of its quarterly- reports, interim reports and annual reports.

If there are non-operational appropriations of funds of the Company conducted by the controlling shareholder of the Company and the Company fails to prevent such appropriations of funds or fails to recover such funds so appropriated in a timely manner, the Board shall be entitled to realize the repayment of such by, among others, applying to a court for an injunction and auction of equities of the Company held by its controlling shareholder.

Article 65. A sound investor relationship management working system shall be established, and the communication and interaction with the shareholders especially the public shareholders shall be initiated and strengthened through various ways.

CHAPTER 8: SHAREHOLDERS' GENERAL MEETINGS

Section 1 General Rules for Shareholders' General Meetings

Article 66. The shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law.

Article 67. The shareholders' general meeting shall have the following functions and powers:

- (1) to decide on the Company's operational policies and investment plans;
- (2) to elect and replace directors who are not staff representatives and to decide on matters relating to the remuneration of directors;
- (3) to elect and replace supervisors who represent the shareholders and to decide on matters relating to the remuneration of supervisors;
- (4) to examine and approve the board of directors' reports;
- (5) to examine and approve the supervisory committee's reports;

- (6) to examine and approve the Company's proposed annual preliminary and final financial budgets;
- (7) to examine and approve the Company's profit distribution plans and loss recovery plans;
- (8) to decide on the increase or reduction of the Company's registered capital;
- (9) to decide on matters such as merger, division, dissolution, liquidation or amendment to the method of operation of the Company;
- (10) to decide on the issue of debentures by the Company;
- (11) to decide on the appointment, dismissal and non-reappointment of the accountants of the Company;
- (12) to amend these Articles of Association;
- (13) to consider and approve issues of guarantee as provided in Article 66;
- (14) to consider issues on acquisitions and disposals of assets during a year which exceeds 30% of the latest audited total assets of the Company;
- (15) to consider the mutual provision of loans among overseas subsidiaries of the Company, where the accumulative amount of such mutual loans in 12 consecutive months account for more than 50% of the latest audited net asset value of the Company calculated on the basis of PRC accounting standards, provided that such mutual loans are in compliance with the laws, rules and relevant regulations of the relevant place(s) of incorporation of such overseas subsidiaries;
- (16) to consider and approve issues on the change in use of proceeds;
- (17) to consider share incentive schemes;
- (18) other matters to be decided in shareholders' general meeting as provided by the laws, administrative regulations, departmental rules or these Articles of Association

Article 68. The provision of guarantees by the Company to its shareholders, persons in actual control of the Company and their associates shall be considered and approved by the shareholders in a general meeting.

The provision of guarantee by the Company to its subsidiaries shall be subject to consideration and approval by the shareholders in a general meeting if:

- (1) the provision of any guarantee where the amount of the external guarantee by the Company and its subsidiaries reaches or exceeds 50% of the latest audited net assets;
- (2) the provision of any guarantee where the amount of the external guarantee by the Company reaches or exceeds more than 30% of the latest audited net assets;
- (3) the provision of any single guarantee in which the amount exceeds 10% of the latest audited net assets.
- (4) Provision of guarantee to any guaranteed party with an assets to liabilities ratio exceeding 70%.

The Company shall not provide guarantee to any natural person, legal person, institutions and other entities not referred to in (1) and (2) above.

Article 69.

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Annual general meetings are held once every year and within six months from the end of the preceding financial year.

The Company shall convene an extraordinary general meeting within two

(2) months of the occurrence of any one of the following events:

- (1) where the number of directors is less than the number stipulated in the Company Law or two-thirds of the number specified in the Company's Articles of Association or is less than eight (8);
- (2) where the unrecovered losses of the Company amount to one-third of the total amount of its paid-up share capital;
- (3) where shareholder(s) singly or jointly holding 10 % or more of the Company's issued and outstanding voting shares request(s) in writing for the convening of an extraordinary general meeting;
- (4) whenever the board of directors deems necessary or the supervisory committee so requests;
- (5) other cases as provided in laws, administrative regulations and these Articles of Association.

More than half of the independent directors shall have the right to request the board of directors to convene the extraordinary general meeting.

Article 70. The shareholders' general meeting will be held at a location for meeting with the presence of those who are entitled to attend. The location where the Company convenes its shareholders' general meeting will be the registered address of the Company or other places as set out in the notice convening the meeting.

Article 71. At a shareholders' general meeting, the Company shall retain legal advisers and obtain legal advice in relation to the following issues which shall be incorporated into the shareholders' resolutions for announcement purpose:

- (1) Whether the procedures for convening and holding a general meeting comply with the requirements of the laws, administrative regulations and these Articles of Association;
- (2) Whether attendees or the convenor of a general meeting meet the requisite legal requirements;
- (3) Whether the voting procedures for and the voting results of the general meeting are lawful and valid; and
- (4) Issuance of legal opinions on other relevant issues at the request of the Company.

Article 72. The Company shall formulate rules of the shareholders' general meeting, which shall be drawn up by the board of directors and be considered as well as approved in the shareholders' general meeting.

Section 2 Calling for Shareholders' General Meetings

Article 73. The board of directors, Supervisory Committee and qualified shareholders as provided in these Articles of Association shall have the right to convene the shareholders' general meeting in accordance with the relevant laws, regulations and the provisions of these Articles of Association.

The board of directors shall timely convene the shareholders' general meeting within the timeframe as provided in Article 67 of these Articles of Association.

Article 74. Pursuant to the stipulation under the laws, administrative rules and these Articles of Association, the board of directors shall give a written feedback on whether to approve or disapprove of the convening of the extraordinary general meeting within 10 days after the receipt of the independent directors' proposal.

If the board of directors agrees to convene the extraordinary general meeting, a notice for convening the shareholders' general meeting shall be issued within 5 days after the resolution of convening the extraordinary general meeting has been made by the board of directors; an announcement with relevant explanation shall be made if the board of directors does not agree to convene the extraordinary general meeting.

- Article 75. The supervisory committee may propose to the board of directors in writing for convening the extraordinary general meeting. Pursuant to the stipulation under the laws, administrative regulations and these Articles of Association, the board of directors shall give a written feedback on whether to approve or disapprove of the convening of the extraordinary general meeting within 10 days after the receipt of the supervisory committee's proposal.
- If the board of directors agrees to convene the extraordinary general meeting, a notice for convening the extraordinary general meeting shall be issued within 5 days after the decision has been made by the board of directors. Consent of the supervisory committee has to be obtained for making any alternation on the original proposed resolution in the notice.
- If the board of directors does not agree to convene the extraordinary general meeting, or no feedback is given within 10 days after receiving the request, it will be deemed that the board of directors is unable to fulfill or fails to fulfill its responsibilities to convene the shareholders' general meeting. The Supervisory Committee hereby can convene and preside the meeting by itself.
- Article 76. The necessary costs for convening the shareholders' general meeting by the supervisory committee shall be borne by the Company.
- Article 77. Shareholders who request for of an extraordinary general meeting or a class meeting shall comply with the following procedures:
- (1) Shareholders who individually or together hold 10% or more of the shares carrying the right to vote in the meeting are entitled to propose to convene an extraordinary general meeting or a class meeting to the board of directors in writing and state the motions and resolutions proposed. Within 10 days of receiving such proposal, the board of directors shall provide its written decision as to whether it agrees to convene such general meeting in accordance with the laws, administrative regulations and the Articles of Association.
 - (2) If the board of directors agrees to convene an extraordinary general meeting or a class meeting, it shall issue a notice of meeting within 5 days of its decision, and any changes to the proposal shall be made only with the consent of the proposing shareholders.
 - (3) If the board of directors decides against convening the proposed extraordinary general meeting or class meeting, or if it fails to provide its written decision within 10 days of receipt of the proposal, shareholders individually or in aggregate holding 10% or more of the shares of the Company are entitled to propose to convene general meeting to the supervisory committee in writing.

- (4) If the Supervisory Committee agrees to convene the proposed extraordinary meeting or class meeting, it shall issue the notice of meeting within 5 days of receipt of the proposal, and any changes to the original proposal shall be made only with the consent of the shareholders.
- (5) If the Supervisory Committee fails to issue a notice of meeting within the prescribed period, the supervisory committee shall be deemed not to convene and chair the meeting. Shareholders individually or in aggregate holding 10% or more of the shares of the Company for 90 consecutive days may convene and chair the meeting on their own.

All reasonable expenses incurred for such meeting convened by the Supervisory Committee or shareholders as a result of the failure of the board of directors to convene a meeting as required by the above request(s) shall be borne by the Company.

Article 78. If the Supervisory Committee or the shareholders decides/decide to convene the shareholders' general meeting by itself/themselves, a written notice shall be given to the board of directors and in the meantime report shall be made to the local representative office of the competent securities authorities under the State Council and the stock exchange for record.

The convening shareholder(s) shall submit the relevant documents to the local representative office of the competent securities authorities under the State Council and the stock exchange before issuing the notice for convening of the shareholders' general meeting and the announcement on resolution proposed to the shareholders' general meeting.

Article 79. The Board and the secretary to the board of directors should accommodate to the shareholders' general meeting convened by the Supervisory Committee or the shareholders. The board of directors shall provide the list of shareholders on the record day.

Section 3 Proposing Resolutions for and Notices of Shareholders' General Meetings

Article 80. When the Company convenes a shareholders' general meeting, the board of directors, the supervisory committee and shareholder(s) individually and jointly holding more than 3% of the Company's shares have the right to propose resolutions to the Company.

Shareholder(s) individually and jointly holding more than 3% of the Company's shares may propose special resolutions in writing to the convenor 10 days before the shareholders' general meeting is convened. The convenor shall issue a supplementary notice of the general meeting within two days after receiving the resolutions to announce the contents of the resolutions.

Apart from the above, no amendment to the resolutions as set out in the notice of general meeting or proposal of new resolutions shall be made after the convenor has issued the notice of general meeting.

The resolutions not set out in the notice of general meeting or failing to comply with Article 79 of these Articles of Association shall be not voted and resolved in the shareholders' general meeting.

- Article 81. The contents of the resolutions shall fall within the scope of authority of the shareholders' general meeting, with questions defined and specific issues to be resolved, and shall also comply with the laws, regulations, administrative regulations and relevant provisions of these Articles of Association.
- Article 82. At the annual shareholders' general meeting, the board of directors and the supervisory committee shall report on their work for the previous year.
- Article 83. The board of directors must explain to the shareholders in the shareholders' general meeting when a registered accountancy firm issues a qualified audit opinion in respect of the Company's financial statements.
- Article 84. The candidates for the directors and supervisors shall submit to the shareholders' general meeting for voting by way of resolutions.
- Article 85. Unless otherwise provided by the relevant laws and regulations, the listing rules issued at the listing place of the Company and the Articles of Association in respect of the means of receipt of corporate communication, when the Company convenes a shareholders' general meeting, written notice of the meeting shall be given forty-five (45) days before the date of the meeting (when calculating the 45 days' period, the date on which the meeting is held shall not be included) to notify all of the shareholders whose names appear in the share register of the matters to be considered and the date and place of the meeting. A shareholder who intends to attend the meeting shall deliver to the Company his written reply concerning his attendance at such meeting twenty (20) days before the date of the meeting.
- Article 86. A notice of a meeting of the shareholders of the Company shall satisfy the following criterion:
- (1) Unless otherwise provided by the relevant laws and regulations, the listing rules issued at the listing place of the Company and the Articles of Association in respect of the means of receipt of corporate communication, be in writing;
 - (2) specify the place, date and time of the meeting;
 - (3) state the matters to be discussed at the meeting;

- (4) provide such information and explanation as are necessary for the shareholders to make an informed decision on the proposals put before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another, to repurchase the shares of the Company, to reorganise its share capital, or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;
- (5) contain a disclosure of the nature and extent, if any, of the material interests of any director, supervisor and senior officer in the proposed transaction and the effect which the proposed transaction will have on them in their capacity as shareholders in so far as it is different from the effect on the interests of shareholders of the same class;
- (6) contain the full text of any special resolution to be proposed at the meeting;
- (7) contain a conspicuous statement that a shareholder entitled to attend and vote at such meeting is entitled to appoint one (1) or more proxies to attend and vote at such meeting on his behalf and that a proxy need not be a shareholder;
- (8) specify the time and place for lodging proxy forms for the relevant meeting;
- (9) state the registration date of the shares of shareholders who are entitled to attend the general meeting.
- (10) State the name and telephone number of the contact person for the meeting.

In the event the opinion of independent directors is required for the issues to be discussed, such opinion and the reasons for such opinion shall be disclosed in the notice or supplementary notice of the general meeting being issued.

Article 87.

Unless otherwise provided by the relevant laws and regulations, the listing rules issued at the listing place of the Company and the Articles of Association in respect of the means of receipt of corporate communication, notice of shareholders' general meetings shall be served on each shareholder (whether or not such shareholder is entitled to vote at the meeting), by personal delivery or prepaid airmail to the address of the shareholder as shown in the register of shareholders. For the holders of Domestic-Invested Shares, notice of the meetings may also be issued by way of public announcement.

The public announcement referred to in the preceding paragraph shall be published in one (1) or more national newspapers designated by the State Council Securities Policy Committee within the interval of forty-five (45) days to fifty (50) days before the date of the meeting; after the publication of such announcement, the holders of Domestic-Invested Shares shall be deemed to have received the notice of the relevant shareholders' general meeting.

- Article 88. If matters relating to election of directors and supervisors are proposed to be discussed at a shareholders' general meeting, detailed information concerning the candidates shall be fully disclosed in the notice of the general meeting, which shall at least include the following:
- (1) Personal information relating to the candidates, including educational background, work experience and all other positions undertaken on a part-time basis;
 - (2) Whether the candidates are connected with the Company, its controlling shareholders or de facto controllers;
 - (3) The candidates' shareholding in the Company;
 - (4) Whether the candidates have been subject to any punishment by the competent securities authorities under the State Council or other relevant department or to any sanction by any stock exchange.
- Article 89. After the issue of the notice of general meeting, the shareholders' general meeting shall not be postponed or cancelled or the resolutions set out in the notice of general meeting shall not be cancelled without any proper reason. In the event that there is any delay or cancellation, the convenor shall announce the reasons for such delay or cancellation at least two business days before the date the general meeting is originally scheduled to be held.
- Article 90. The Company shall, based on the written replies which it receives from the shareholders twenty (20) days before the date of the shareholders' general meeting, calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting amount to more than one-half of the Company's total voting shares, the Company may hold the meeting; if not, then the Company shall, within five (5) days, notify the shareholders by way of public announcement the matters to be considered at, and the place and date for, the meeting. The Company may then hold the meeting after publication of such announcement.

Section 4 Qualifications of Shareholders Attending Shareholders' General Meeting

- Article 91 All shareholders or their proxies who are named in the shareholders' register on the record date shall have the right to attend the shareholders' general meeting, and exercise their voting rights in accordance with the laws, regulations and these Articles of Association.
- Article 92 An individual shareholder who attends the shareholders' general meeting in person shall produce his identification documents or other valid document or certificate which can prove his identity and his stock account card. Where a proxy is appointed to attend the meeting, the proxy shall produce his own identification documents and the proxy form.
- A legal person shareholder shall attend the meeting by its authorized representative or the attorney as appointed by such authorized representative. An authorized representative who attends the shareholders' general meeting in person shall produce his identification documents, valid certificate which can prove his identity. Where an attorney is appointed to attend the meeting, the attorney shall produce his own identification documents and the relevant power of attorney executed by such authorized representative pursuant to the laws.
- Article 93. Any shareholder who is entitled to attend and vote at a general meeting of the Company shall be entitled to appoint one (1) or more persons (whether such person is a shareholder or not) as his proxies to attend and vote on his behalf, and a proxy so appointed shall be entitled to exercise the following rights pursuant to the authorisation from that shareholder:
- (1) the shareholders' right to speak at the meeting;
 - (2) the right to demand or join in demanding a poll;
 - (3) the right to vote by hand or on a poll, but a proxy of a shareholder who has appointed more than one (1) proxy may only vote on a poll.
- Article 94. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a legal entity, either under seal or under the hand of a director or a duly authorised attorney.
- Article 95. The proxy form appointing a proxy of a shareholder shall be in writing. Such written form shall state the following:
- (1) The name of the proxy;
 - (2) Whether or not the proxy has any voting right;
 - (3) An indication to vote for or against each and every matter included in the agenda, (except the proxy of H Shareholders);

- (4) The date of issue and the valid period of the proxy form;
- (5) The signature (or seal) of the principal; if the principal is a legal person, supplemented with the seal of the legal person.

Article 96. The proxy form shall state clearly if the proxy is entitled to vote at his discretion in the absence of specific instruction from the principal.

Article 97. The instrument appointing a voting proxy and, if such instrument is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority shall be deposited at the residence of the Company or at such other place as is specified for that purpose in the notice convening the meeting, not less than twenty-four (24) hours before the time for holding the meeting at which the proxy propose to vote or the time appointed for the passing of the resolution.

If the appointor is a legal person, its legal representative or such person as is authorised by resolution of its board of directors or other governing body may attend any meeting of shareholders of the Company as a representative of the appointor.

Article 98. Any form issued to a shareholder by the directors for use by such shareholder for the appointment of a proxy to attend and vote at meetings of the Company shall be such as to enable the shareholder to freely instruct the proxy to vote in favour of or against the motions, such instructions being given in respect of each individual matter to be voted on at the meeting. Such a form shall contain a statement that, in the absence of specific instructions from the shareholder, the proxy may vote as he thinks fit.

The Company has the right to request a proxy who attends a shareholders' meeting to provide evidence of his or its identity.

If a shareholder which is a legal person appoints its legal representative to attend a meeting on its behalf, the Company has the right to request such legal representative to produce evidence of his or its identity and a notarially certified copy of the resolutions of such shareholder's board of directors in respect of the appointment of the proxy or the power of attorney executed by such other organisation which has the capacity to appoint the proxy.

Article 99. A vote given in accordance with the terms of a proxy shall be valid notwithstanding the death or loss of capacity of the appointor or revocation of the proxy or the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that the Company did not receive any written notice in respect of such matters before the commencement of the relevant meeting.

Section 5 Convening Shareholders' General Meetings

- Article 100. The board of directors of the Company together with other convenors shall adopt necessary measures to maintain the normal order of the shareholders' general meeting. Measures shall be taken to stop any act which interferes with or causes nuisance at a general meeting and any act which infringes the lawful interests of the shareholders. Timely report of these acts shall be made to the relevant authority for investigation.
- Article 101. The Company shall prepare a log book to record the parties attending the shareholders' general meeting. The log book shall set out the name of the person or unit attending the meeting, their identification document numbers, resident address, the number of voting shares they have and the name of the principals (if the parties attending the meeting is a proxy/attorney).
- Article 102. The convenor and the legal advisers retained by the Company shall jointly verify the eligibility of the shareholders to vote based on the Company's shareholder register provided by the securities registration and clearing authority and shall register the name of the shareholders together with the numbers of voting shares they have. Registration shall come to a close before the chairman of the meeting announces the number of shareholders and proxies physically present at the meeting as well as the total number of voting shares represented by the shareholders who are entitled to vote.
- Article 103. When convening shareholders' general meeting, all directors, supervisors and senior officers should attend the meeting.
- Article 104. The chairman of the board of directors shall chair every shareholders' general meeting. If the chairman is unable to attend the meeting for any reason, the vice-chairman of the board of directors appointed by the chairman of the board of directors shall chair the meeting. If the vice-chairman of the board of directors is unable or fail to perform his duty, then a director may be nominated by more than half of all the directors to chair the meeting. If no director is nominated to chair the meeting, shareholders present shall choose one (1) person to act as the chairman of the meeting. If for any reason, the shareholders shall fail to elect a chairman, then the shareholder (including a proxy) holding the largest number of shares carrying the right to vote thereat shall be the chairman of the meeting.
- The chairman of the Supervisory Committee shall chair shareholders' general meeting being convened by the Supervisory Committee and act as the chairman of the meeting. If the chairman of the Supervisory Committee is unable to attend the meeting for any reason, the vice-chairman of the Supervisory Committee shall chair the meeting. If the vice-chairman of the Supervisory Committee is unable or fail to perform his duty, then a Supervisor may be nominated by more than half of all Supervisors to chair the meeting.

The convenor of a shareholders' general meeting being convened by the shareholders shall nominate a representative to chair the meeting.

During the shareholders' general meeting is being held, in the event the chairman of the meeting violates the proceedings of the meeting such that the shareholders' general meeting is unable to proceed, the shareholders' general meeting may nominate one person which is agreed by the shareholders attending the meeting and carrying more than half of the voting rights in the shareholders' general meeting to be the chairman and proceed to transact business in the meeting.

Article 105. Except for trade secrets of the Company which cannot be disclosed at the general meeting, the board of directors, the Supervisory Committee and the senior officers should make an explanation or statement regarding the shareholders' queries and suggestions.

Article 106. The convenor shall ensure that a shareholders' general meeting is held on a continuous basis until a final resolution is adopted. If a general meeting is suspended or no resolution can be adopted due to force majeure or other exceptional reasons, necessary measures shall be taken so as to promptly re-convene the general meeting or to directly terminate the then general meeting, and public announcement relating thereto shall also be made on a timely basis. At the same time, the convenor shall report the same to the local office of the competent securities authorities under the State Council and to the relevant stock exchanges.

Section 6 Voting in and Resolutions of Shareholders' General Meeting

Article 107. Resolutions of shareholders' general meetings shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution must be passed by votes representing more than one-half of the voting rights represented by the shareholders (including proxies) present at the meeting.

A special resolution must be passed by votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting.

Article 108. The following matters shall be resolved by an ordinary resolution at a shareholders' general meeting:

- (1) work reports of the board of directors and the supervisory committee;
- (2) to decide on the Company's operational policies and investment plans;

- (3) profit distribution plans and loss recovery plans formulated by the board of directors;
- (4) removal of members of the board of directors and members of the supervisory committee, their remuneration and manner of payment;
- (5) annual preliminary and final budgets, balance sheets and profit and loss accounts and other financial statements of the Company;
- (6) the Company's annual report;
- (7) mutual provision of loans among the Company's overseas subsidiaries of which a resolution is required to be passed at the shareholders' general meeting;
- (8) matters other than those which are required by the laws and administrative regulations or by these Articles of Association to be adopted by special resolution.

Article 109. The following matters shall be resolved by a special resolution at a shareholders' general meeting:

- (1) the increase or reduction in share capital and the issue of shares of any class, warrants and other similar securities;
- (2) the issue of debentures of the Company;
- (3) the division, merger, dissolution and liquidation of the Company, as well as the alteration of the form of the Company;
- (4) the amendment of the Company's Articles of Association;
- (5) the repurchase of the Company's shares;
- (6) the Company's significant acquisition or disposal of material assets or provision of guarantees conducted within the period of one year with a value exceeding 30% of the latest audited total assets of the Company;
- (7) share incentive schemes;
- (8) other matters which are provided by the laws, administrative regulations or these Articles of Association, and resolved by shareholders by ordinary resolution and are considered by the shareholders to be material to the Company and are required to be passed by special resolution."

- Article 110. Unless otherwise under special emergency circumstances, and with prior approval of shareholders in the form of a special resolution obtained in a general meeting, the Company shall not enter into any contract with any person other than the directors and senior officers of the Company pursuant to which such person shall be responsible for the management and administration of the whole or any substantial part of the Company's business.
- Article 111. A shareholder (including a proxy), when voting at a shareholders' general meeting, may exercise such voting rights as are attached to the number of voting shares which he represents. Each share shall have one (1) vote.
- The Company's shares held by the Company do not carry any voting rights, and shall not be counted into the total number of shares carrying voting rights in the shareholders' general meeting.
- Article 112. When connected transactions are voted at the general meeting, the connected shareholders shall not participate in voting. The voting rights represented by the shares held by them shall not be counted in the total number of shares validly voted. The announcement on the resolutions passed by the general meeting should fully disclose the details of voting by unconnected shareholders.
- Article 113. Where any shareholder is, under the Hong Kong Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any vote cast or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.
- Article 114. The board of directors, independent directors and shareholders qualified under the relevant regulation may also collect from other shareholders of the Company the rights to vote in a shareholders' general meeting.
- Article 115. At any shareholders' general meeting, a resolution shall be decided on a show of hands unless a poll is demanded:
- (1) by the chairman of the meeting;
 - (2) by at least two (2) shareholders present in person or by proxy entitled to vote thereat;
 - (3) by one (1) or more shareholders present in person or by proxy and representing 10 % or more of all shares carrying the right to vote at the meeting,
- before or after a vote is carried out by a show of hands.

Unless a poll is demanded, a declaration by the chairman that a resolution has been passed on a show of hands and the record of such in the minutes of the meeting shall be conclusive evidence of the fact that such resolution has been passed. There is no need to provide evidence of the number or proportion of votes in favour of or against such resolution.

The demand for a poll may be withdrawn by the person who demands the same.

Article 116. A poll demanded on the election of the chairman of the meeting, or on a question of adjournment of the meeting, shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs, and any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll. The result of the poll shall be deemed to be a resolution of the meeting at which the poll was demanded.

Article 117. On a poll taken at a meeting, a shareholder (including a proxy) entitled to two (2) or more votes need not cast all his votes in the same way.

Article 118. Election of directors of the Company (including independent directors but not staff representatives) and Supervisors (who are not staff representatives) shall take place in the form of cumulative voting system.

When electing directors at the shareholders' general meeting, the independent directors shall be elected separately with other members of the board of directors. Each share having voting rights held by a shareholder has the number of votes equal to the number of nominated directors. A shareholder may freely allocate his votes among the nominated directors, either to allocate to a number of persons, or to vote all his/her votes in favour of one person.

When electing supervisors at the shareholders' general meeting, each share having voting rights held by a shareholder has the number of votes equal to the number of nominated supervisors. A shareholder may freely allocate his votes among the nominated supervisors, either to allocate to a number of persons, or to vote all his/her votes in favour of one person.

Article 119. Except for the cumulative voting system, each of the proposed resolution shall be decided by the voting in the shareholders' general meeting in sequence. Should there be more than one resolution on the same issue, voting shall be conducted according to the chronology of the resolutions proposed. No proposed resolution should be set aside or remained undecided unless the shareholders' general meeting is terminated or resolutions cannot be made due to exceptional reasons including force majeure.

Article 120. No amendment shall be made to the resolutions being considered by the shareholders' general meeting. Otherwise, the relevant amendments shall be treated as a new resolution and shall not be voted in the prevailing shareholders' general meeting.

- Article 121 Prior to voting, the chairman of the meeting shall announce the number of shareholders and proxies physically present at the meeting as well as the total number of voting shares represented by shareholders who are entitled to vote. The number of shareholders and proxies physically present at the meeting as well as the total number of voting shares represented by the shareholders who are entitled to vote shall be determined in accordance with those registered during the meeting.
- Article 122 When considering the resolutions being submitted for voting, shareholders attending the meeting shall deliver their opinion in respect of approval or objection to such motions or abstention from voting. (Voting by H Shareholders may not include abstention from voting.)
- Failure to or wrongly complete the ballot paper, or the ballot paper being illegible, and ballot paper not voted shall be deemed as the voter abstaining from voting. The votes represented by such shares shall be counted as “abstention”.
- Article 123. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be have a casting vote.
- Article 124 Each vote can only be exercised once either physically at a meeting, via Internet or through other permitted means. If the same vote is exercised more than once, only the first vote will be accounted for.
- Article 125 Before a resolution is decided on a motion at a shareholders’ general meeting, two representatives of the shareholders shall be nominated to participate in counting the votes as well as supervising the counting process. If a shareholder is interested in the matters under consideration, the relevant shareholders and his proxies shall not participate in counting the votes or supervising the counting process.
- At the time of deciding on a motion by voting at a general meeting, legal advisers, representatives of shareholders and representatives of supervisors shall participate in counting the votes as well as supervising the counting process. They shall announce the voting results at the meeting. The voting results in connection with the resolution shall be recorded in the minutes.
- Shareholders of the Company or their proxies who cast their votes via Internet or through other permitted means shall have the right to monitor the voting results by the corresponding voting platform.

- Article 126 A shareholders' general meeting shall not be declared closed for shareholders who attend in person at a time earlier than for those shareholders who attend via Internet or other permitted means. The chairman of the meeting shall announce at the meeting the voting details and results of each motion and shall declare whether or not a motion is adopted on the basis of relevant voting results.
- The Company, persons responsible for counting the votes, persons responsible for supervising the counting process, Internet service providers and other relevant parties shall have the obligation to keep matters related to voting confidential.
- Article 127 If the chairman of the meeting has any doubt as to the result of a resolution which has been put to vote at a shareholders' meeting, he may have the votes counted. If the chairman of the meeting has not counted the votes, any shareholder who is present in person or by proxy and who objects to the result announced by the chairman of the meeting may, immediately after the declaration of the result, demand that the votes be counted and the chairman of the meeting shall have the votes counted immediately.
- Article 128 If votes are counted at a shareholders' general meeting, the result of the count shall be recorded in the minute book.
- Article 129 The chairman of the meeting shall be responsible for determining whether a resolution has been passed. His decision, which shall be final and conclusive, shall be announced at the meeting and recorded in the minute book.
- Article 130 Resolutions of the shareholders' general meeting shall be announced timely. The announcement shall state the number of the shareholders and proxies present at the meeting, the total number of shares carrying the right to vote held by them and the percentage of such shares out of the total number of shares carrying the right to vote of the Company, the method of voting, the voting result of each motion and details of each resolutions passed in the meeting.
- When the five issues set out in paragraph 2 of Article 136 of the Articles of Association are proposed to be considered at the shareholders' general meeting of the Company, the announcement of the resolutions of the shareholders' general meeting shall set out the number of public shareholders voting, the total number of shares held by them and the proportion in the total number of shares held by them and disclose the shareholdings of the 10 largest public shareholders voting as well as the result of their votes.
- Article 131 Where a resolution of the meeting is not adopted, or a resolution passed at the previous shareholders' general meeting is changed at the current shareholders' general meeting, specific note shall be given in the announcement for the resolutions passed in the shareholders' general meeting.

- Article 132 The motion for the new session of the board of directors and the Supervisory Committee being passed by the shareholders' general meeting shall commence office after the resolution being passed by the shareholders' general meeting.
- In the event the election of the staff representative (hereinafter referred to as the "Staff director") in the new session of the board of directors and the staff representative (hereinafter referred to as the "Staff Supervisor") in the new session of the Supervisory Committee by the staff is earlier than the terms the new session of the board of directors and the Supervisory Committee commence, their offices will commence when the terms of the new session of the board of directors of director and the supervisory committee commence. If the election by staff is later than the terms of the new session of the board of directors and the Supervisory Committee commence, their offices will commence on the date when they are elected by the staff.
- Article 133 If a motion in respect of the distribution of cash or bonus shares, or in connection with the capital increase by conversion from common reserve funds, is adopted at a shareholders' general meeting, the Company shall implement such distribution within two months of the relevant general meeting.
- Article 134 Minutes of a shareholders' general meeting shall be kept and such minutes shall be prepared by the Secretary to the board of directors. Minutes of the shareholders' general meetings should set out the following:
- (1) the date and venue for convening the meeting, meeting agenda and the name of the convenor;
 - (2) the name of the chairman of the meeting as well as those of the directors, supervisors and senior officers who attend the meeting as attendees and participants;
 - (3) the number of shareholders and proxies attending the meeting, the total number of voting shares represented by the shareholders who are entitled to vote; the proportion of the number of voting shares represented by the shareholders who are entitled to vote out of the total number of shares of the Company;

- (4) a description of the considerations taken for each motion, the main points put forward by each speaker relating thereto and the voting results thereof;
- (5) details of queries and recommendations of the shareholders and the corresponding response or explanation in relation thereto;
- (6) the names of the legal advisers and persons responsible for counting the votes and for supervising the counting process; and
- (7) other contents which should be recorded in the minutes as provided for in these Articles of Association.

Article 135 The convenor shall ensure that the content of the minutes shall be true, accurate and complete. Minutes shall be signed by attendees of the meeting, including the directors, supervisors, secretary to the board of directors, the convenor or its representative and the chairman of the meeting. Minutes shall, together with the register relating to the shareholders present at the meeting in person and the proxy form if present by proxy, or via Internet or other permitted means be kept by the Company for a period of not less than ten years.

Article 136. Copies of the minutes of proceedings of any shareholders' meeting shall, during business hours of the Company, be open for inspection by any shareholder without charge. If a shareholder requests for a copy of such minutes from the Company, the Company shall send a copy of such minutes to him within seven (7) days after receipt of reasonable fees therefor.

Section 7 Voting platform through internet

Article 137 The Company shall, with its priority to ensure that the shareholders' general meeting is legal and effective, enlarge the proportion of public shareholders participating in the shareholders' general meeting through various manner and means including providing modern information technological means such as voting platform through internet. Attendance shall be accepted for shareholders who attend the general meeting through the above means.

When the five issues set out in paragraph 2 of Article 136 of the Articles of Association are proposed to be considered at the shareholders' general meeting of the Company, domestic shareholders shall be given an online voting platform in addition to live meetings.

Online voting access for domestic shareholders shall be provided through internet service providers designated by China Securities Regulatory Commission and Shanghai Stock Exchange. The holders of Overseas Listed Foreign Invested Shares will not be provided with online voting access.

Upon completion of the voting process at the shareholders' general meeting, the Company shall consolidate, in respect of each proposal, the voting results of live meeting, online voting and other forms of voting in accordance with the relevant regulation before making any announcement.

Article 138. The Company shall establish and perfect the voting system for public shareholders in respect of significant issues.

The following issues or the relevant applications in relation to such issues proposed to the shareholders' general meeting shall be only carried out upon approval at the shareholders' general meeting and approval by the public shareholders representing more than half of the votes cast by the public shareholders present at the shareholders' general meeting:

- (1) Any issue of new shares by the Company to the public (including issue of Overseas Listed Foreign Invested Shares or other equity securities), issue of convertible debentures, placing of shares to existing shareholders (except those for which the controlling shareholders have undertaken to fully subscribe in cash before the shareholders' general meeting is convened);
- (2) Substantial assets restructuring of the Company where the total consideration for the assets proposed to be acquired is or higher than 20% of the audited net book value of such assets;
- (3) Repayment of debts owing to the Company by any shareholder by means of his/her equity interests in the Company;
- (4) Overseas listing of any subsidiaries of the Company which have a significant impact on the Company;
- (5) Other relevant issues which may have a significant impact on the interests of the public shareholders in respect of the development of the Company.

Article 139. Under circumstances as prescribed in the above article, after the Company making public announcement of the notice of shareholders' general meeting, the notice of the shareholders' general meeting shall be published once again within 3 days after the share registration day.

CHAPTER 9: SPECIAL PROCEDURES FOR VOTING BY A CLASS OF SHAREHOLDERS

Article 140. Those shareholders who hold different classes of shares are class shareholders.

Class shareholders shall enjoy rights and assume obligations in accordance with laws, administrative regulations and these Articles of Association.

Article 141. Rights conferred on any class of shareholders (“class rights”) may not be varied or abrogated save with the approval of a special resolution of shareholders in a general meeting and by holders of shares of that class at a separate meeting conducted in accordance with Articles 141 to 145.

Article 142. The following circumstances shall be deemed to be variation or abrogation of the rights attaching to a particular class of shares:

- (1) to increase or decrease the number of shares of that class, or to increase or decrease the number of shares of a class having voting or equity rights or privileges equal or superior to those of shares of that class;
- (2) to exchange all or part of the shares of that class for shares of another class or to exchange or to create a right to exchange all or part of the shares of another class for shares of that class;
- (3) to remove or reduce rights to accrued dividends or rights to cumulative dividends attached to shares of that class;
- (4) to reduce or remove preferential rights attached to shares of that class to receive dividends or to the distribution of assets in the event that the Company is liquidated;
- (5) to add, remove or reduce conversion privileges, options, voting rights, transfer or pre-emptive rights, or rights to acquire securities of the Company attached to shares of that class;
- (6) to remove or reduce rights to receive payment payable by the Company in particular currencies attached to shares of that class;
- (7) to create a new class of shares having voting or equity rights or privileges equal or superior to those of the shares of that class;
- (8) to restrict the transfer or ownership of shares of that class or to increase the types of restrictions attaching thereto;
- (9) to allot and issue rights to subscribe for, or to convert the existing shares into, shares in the Company of that class or another class;
- (10) to increase the rights or privileges of shares of another class;
- (11) to restructure the Company in such a way so as to result in the disproportionate distribution of obligations between the various classes of shareholders;

(12) to vary or abrogate the provisions of this Chapter.

Article 143. Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders' general meetings, have the right to vote at class meetings in respect of matters concerning sub-paragraphs (2) to (8), (11) and (12) of Article 140, but interested shareholder(s) shall not be entitled to vote at such class meetings.

“(An) interested shareholder(s)”, as such term is used in the preceding paragraph, means:

- (1) in the case of a repurchase of shares by way of a general offer to all shareholders of the Company or by way of public dealing on a stock exchange pursuant to Article 32, a “controlling shareholder” within the meaning of Article 61;
- (2) in the case of a repurchase of shares by an off-market agreement pursuant to Article 32, a holder of the shares to which the proposed agreement relates;
- (3) in the case of a restructuring of the Company, a shareholder who assumes a relatively lower proportion of obligation than the obligations imposed on shareholders of that class under the proposed restructuring or who has an interest in the proposed restructuring different from the general interests of the shareholders of that class.

Article 144. Resolutions of a class of shareholders shall be passed by votes representing more than two-thirds of the voting rights of shareholders of that class represented at the relevant meeting who, according to Article 141, are entitled to vote thereat.

Where any shareholder is, under the Hong Kong Listing Rules, required to abstain from voting any particular resolution in a class meeting or restricted to voting only for or only against any particular resolution in a class meeting, any vote cast or on behalf of any shareholder in contravention of such requirement or restriction shall not be counted.

Article 145. Unless otherwise provided by the relevant laws and regulations, the listing rules issued at the listing place of the Company and the Articles of Association in respect of the means of receipt of corporate communication, written notice of a class meeting shall be given to all shareholders who are registered as holders of that class in the register of shareholders forty-five (45) days before the date of the class meeting. Such notice shall give such shareholders notice of the matters to be considered at such meeting, the date and the place of the class meeting. A shareholder who intends to attend the class meeting shall deliver his written reply in respect thereof to the Company twenty (20) days before the date of the class meeting.

If the shareholders who intend to attend such class meeting represent more than half of the total number of shares of that class which have the right to vote at such meeting, the Company may hold the class meeting; if not, the Company shall within five (5) days give the shareholders further notice of the matters to be considered, the date and the place of the class meeting by way of public announcement. The Company may then hold the class meeting after such public announcement has been made.

Article 146. Notice of class meetings need only be served on shareholders entitled to vote thereat.

Class meetings shall be conducted in a manner which is as similar as possible to that of shareholders' general meetings. The provisions of these Articles of Association relating to the manner for the conduct of shareholders' general meetings are also applicable to class meetings.

Article 147. Apart from the holders of other classes of shares, the holders of the Domestic-Invested Shares and holders of Overseas-Listed Foreign-Invested Shares shall be deemed to be holders of different classes of shares.

The special procedures for approval by a class of shareholders shall not apply in the following circumstances:

- (1) where the Company issues, upon the approval by special resolution of its shareholders in a general meeting, either separately or concurrently once every twelve (12) months, not more than 20% of each of its existing issued Domestic-Invested Shares and Overseas-Listed Foreign-Invested Shares; or
- (2) where the Company's plan to issue Domestic-Invested Shares and Overseas-Listed Foreign-Invested Shares at the time of its establishment is carried out within fifteen (15) months from the date of approval of the State Council's securities authorities.

CHAPTER 10: BOARD OF DIRECTORS

Section I Directors

Article 148 Directors who are not staff representative shall be elected or removed at the shareholders' general meeting.

The staff directors shall be elected by the staff in the staff representative meeting or by other ways democratically.

Directors shall be elected for a term of three years. At the expiry of the term, it shall be renewable upon re-election. A director may not be removed by the shareholders in a general meeting without any reason before his term of office expires.

The Chairman and Vice-chairman shall be elected and removed by more than one-half of all members of the board of directors. The term of office of the Chairman and Vice-chairman shall be three (3) years respectively, which is renewable upon re-election.

The directors shall not be required to hold qualifying shares.

If a director fails to attend the two consecutive board meetings in person or by another director appointed as his representative (an independent director shall comply with the provisions in "Section II Independent Directors"), he shall be deemed to be in default of performing his duty. The board of directors should recommend his removal to a shareholders' general meeting.

Article 149. The tenure of a director shall commence from the date when he takes office until the end of the tenure of the existing board of directors. If an election is not conducted before the termination of the tenure of a director, the original director(s) shall continue to assume the responsibilities in accordance with the laws, administrative regulations, departmental rules and these Articles of Association before the new director(s) take office.

Article 150. A director may submit his resignation before the expiry of his term. He should deliver a written resignation letter to the board of directors. The board of directors shall disclose such resignation within two days.

Article 151. If a director's resignation will result in the number of directors falling below the legally prescribed minimum, his resignation shall not come into force until his vacancy is filled by another person. The original director(s) shall continue to assume the responsibilities in accordance with the laws, administrative regulations, departmental rules and these Articles of Association before the new director(s) take office.

Apart from the above, the resignation of a director shall become effective when the written resignation letter is submitted to the board of directors

Article 152. When a director resigns or his term of office expires, his obligation of confidentiality relating to the Company's trade secrets remains in force after the end of his office until such secrets become public information.

Article 153. A director whose term of office has not expired shall be held responsible for the Company's loss due to his departure without permission.

Article 154. Under normal circumstances, the board of directors will nominate candidates for directors who are not staff representative who shall be voted on at a shareholders' general meeting. The Company's shareholders and the supervisory committee may nominate candidates for directors who are not staff representative in accordance with these Articles of Association.

A shareholder's written notice of the intention to nominate a person for election as a director who are not staff representative and a notice in writing by that person indicating his acceptance of such nomination shall have been given to the Company seven (7) days before the date of such shareholders' general meeting. Such written notice(s) by the shareholder(s) of the Company shall be made no earlier than the day after the despatch of the notice of the general meeting appointed for election of directors who are not staff representative and no later than 7 days prior to the date of such meeting.

Where a person is proposed for election as a director who are not staff representative by the board of directors, a written notice of the intention to nominate a person for election as a director who are not staff representative and a notice in writing by that person indicating his acceptance of such nomination by board of directors shall have been given to the Company seven (7) days prior to the date of the board meeting appointed for determining the proposed directors who are not staff representative.

Under the premises of complying with the relevant laws and administrative regulations, the general meeting of the shareholders may remove any director who are not staff representative before his term expires by way of ordinary resolution provided that the claims that may be proposed pursuant to any contract shall not be affected therefrom.

Section II Independent Directors

Article 155. Independent Directors are directors who do not hold any positions in the Company other than as director and do not maintain with the Company and its substantial shareholders a connection which may hamper their independent and objective judgments.

Article 156. The independent directors should possess the following basic qualifications:

- (1) having the qualifications to assume the office of a director in a listed company according to the laws, administrative rules and other relevant provisions;
- (2) being independent as specified in Article 155 of these Articles of Association;
- (3) having the basic knowledge of the operation of a listed company and being familiar with relevant laws, administrative rules and regulations;
- (4) having not less than five years' working experience in the legal or economic field or other experiences required for performing the duty of an independent director;
- (5) other qualifications specified by these Articles of Association.

- Article 157. An independent director should be independent. The following persons shall not act as independent directors:
- (1) persons working in the Company or its subsidiaries, as well as their spouses, parents, children, siblings, parents-in-law, sons or daughters-in-law, spouses of their siblings and siblings of their spouses;
 - (2) natural person shareholders who directly or indirectly hold more than 1% of the issued shares of the Company or who rank in the top ten shareholders of the Company, as well as their spouses, parents and children;
 - (3) persons who work in entities being shareholders who directly or indirectly hold more than 5% of the issued shares of the Company who rank in the top five shareholders of the Company, as well as their spouses, parents and children;
 - (4) persons who fell within the above three categories within the past year;
 - (5) persons who provide financial, legal and consulting services to the Company or its subsidiaries or persons who work in the relevant organisations;
 - (6) other people specified in these Articles of Association;
 - (7) other people specified by the China Securities Regulatory Commission.
- Article 158. The board of directors, the supervisory committee, and the shareholders who hold more than 1% issued shares individually or jointly may nominate candidates for independent directors to be elected at the shareholders' general meeting.
- More than one third of the members of the board of directors shall be independent directors, and at least one of the independent directors shall have accounting expertise.
- Article 159. The term of office of the independent directors is the same with that of the other directors of the Company. The term is renewable upon re-election after expiry, but shall not be more than six (6) years.
- Any independent director shall not be removed before the expiry of his term of office without appropriate reason. Any removal before the expiry of term shall be disclosed by the Company as a special discloseable matter.

- Article 160. Apart from the powers granted to directors by the Company Law and other relevant laws, regulations and these Articles of Association, the independent directors shall have the following special powers:
- (1) Substantial connected transactions (determined in accordance with the standard promulgated from time to time by the regulatory organizations of the place where the Company's shares are listed), and engaging or ceasing to engage an accounting firm, shall be agreed by more than one-half of the independent directors before submitting to the board of directors for discussion.
 - (2) The independent directors may request the board of directors to convene an extraordinary general meeting, and suggest the convening of a board meeting, and publicly collect voting rights from the shareholders before the shareholders' general meeting, which shall all be agreed by more than one-half of the independent directors.
 - (3) With the consent of more than half of the members of the independent directors, the independent directors may engage external audit institutions or consultative institutions independently to provide audit and consultation for specific matters of the Company, the relevant costs of which shall be undertaken by the Company.

If the above recommendation are not accepted or the above powers can not be exercised ordinarily, the Company shall disclose the circumstances accordingly.

- Article 161. Apart from exercising the above powers, the independent directors shall express their independent views to the board of directors or the shareholders' general meeting in respect of :
- (1) nomination, appointment and dismissal of directors;
 - (2) appointment or dismissal of senior management personnel;
 - (3) remuneration of the Company's directors and senior management personnel;
 - (4) existing or new loans or other transactions involving funds which are substantial (determined in accordance with the standard promulgated from time to time by the regulator organizations of the place where the Company's shares are listed) between the Company and the Company's shareholders, persons in actual control of the Company and their affiliates, and whether the Company has taken effective measures to recover the moneys owed to it;
 - (5) a plan of profit distribution in cash which has not yet been formulated by the board of directors of the Company;

- (6) actions which, in the opinion of the independent directors, may prejudice the interests of minority shareholders;
- (7) other matters specified by these Articles of Association.

The independent directors should express one of the following views on the above-mentioned issues: consent; reservation with the reasons thereof; objection with the reasons thereof; inability to express their opinions and the impediments thereto.

In case of matters requiring disclosure, the Company should make a public announcement of the independent directors' opinion. If the independent directors fail to reach a consensus in their opinions, the board of directors should disclose each independent director's respective opinion.

Article 162. Independent directors shall attend the meetings of the board of directors on time understand the production business and operation of the Company, and initiate investigation to gain information required for making decision.

Independent directors shall submit an annual report for at the annual general meeting of the Company providing explanation in respect of the performance of their duties.

Article 163. The independent directors shall perform their duties honestly and faithfully, and protect the Company's interests, especially paying attention to the protection of the legal rights of public shareholders.

The independent directors shall perform his duties independently, without being affected by major shareholders of the Company, persons in actual control or other entities or individuals which have conflicting interest with the Company, its major shareholders and persons in actual control.

Article 164. If an independent director fails to attend three consecutive board meeting in person, the board of directors shall recommend his removal to a shareholders' general meeting.

Article 165. The Company shall set up a work system for the independent directors, ensuring that they have the same right of being informed as the other directors. The Company shall promptly provide the independent directors with relevant materials and information, regularly notify them of the operation of the Company, and organise on-site visit by the independent directors if necessary.

Article 166. An independent director may tender his resignation before the expiry of his term of office. He should deliver a written resignation letter to the board of directors, which explains any circumstances that are relevant to his resignation or that he considered necessary for the shareholders and creditors to pay attention.

If an independent director's resignation results in the number of independent directors or member of the board of directors falling below the legally prescribed minimum or the minimum under these Articles of Association, before the appointment of a new independent director, the independent director shall perform his duties according to the laws, administrative regulations and requirements under this Article of Association. The board of directors shall convene a shareholders' general meeting within two months to elect a replacement. If not within two months, the independent director may not continue to perform his duties.

Article 167. Matters relating to the system of independent directors which have not been set out in this section shall be handled according to the relevant laws and regulations.

Section III The Board of Directors

Article 168. The Company shall have a board of directors consisting of eleven (11) directors, of which is one shall be a staff representative, with one (1) chairman and one (1) vice-chairmen.

The Board may establish special committees such as Strategic Committee, Audit Committee, Nomination Committee and Remuneration Committee as it deems appropriate. The special committees are to be comprised solely of Directors. The independent directors of the Company should take up the majority of the Audit Committee, the Nomination Committee and the Remuneration Committee and be responsible for as conveners of meetings. The members of the Audit Committee should have at least one independent director who is an accounting professional.

Article 169. The board of directors is accountable to the shareholders in general meeting and exercises the following functions and powers:

- (1) to be responsible for the convening of the shareholders' general meeting and to report on its work to the shareholders in general meetings;
- (2) to implement the resolutions passed by the shareholders in general meetings;
- (3) to determine the Company's business plans and investment proposals;
- (4) to formulate the Company's annual preliminary and final financial budgets;
- (5) to formulate the Company's profit distribution proposal and loss recovery proposal;

- (6) to formulate proposals for the increase or reduction of the Company's registered capital and for the issuance of the Company's debentures;
- (7) to draw up plans for the substantial acquisition, repurchase of shares, merger, division or dissolution of the Company;
- (8) to decide on the Company's internal management structure;
- (9) to appoint or remove the Company's general manager and secretary of the board and to appoint or remove the deputy general manager(s) and other senior officers (including the financial controller(s) of the Company) based on the recommendations of the general manager, to decide on their remuneration and matters relating to awards and penalty;
- (10) to formulate the Company's basic management system;
- (11) to formulate proposals for any amendment of these Articles of Association;
- (12) to decide on matters relating to foreign investment, purchase or sale of assets, mortgage of assets, provision of guarantees, entrusted assets management and connected transactions by the Company within the scope of authority conferred by the general meeting;
- (13) to manage disclosure of the Company's information;
- (14) to recommend to the shareholders' general meeting the appointment or replacement of the Company's accounting firm;
- (15) to receive the working report by the Company's management and examine their performance;
- (16) to approve an aggregate amount of provision for impairment of assets not more than 10% of the latest audited consolidated net asset value of the Company, to clear an amount of provision for impairment of assets not more than 5% of the latest audited consolidated net asset value of the Company, and to execute in compliance with the relevant regulations on connected transaction if any provision and clearance of impairment of assets involves any connected transactions.
- (17) to exercise any other powers specified by the law, administrative regulations, departmental rules, these Articles of Association and as authorised by the shareholders' general meeting.

Except as otherwise provided in these Articles of Association, other than the board of directors' resolutions in respect of the matters specified in sub-paragraphs (6), (7) and (11) of this Article which shall be passed by the affirmative vote of more than two-thirds of all the directors, the board of directors' resolutions in respect of all other matters may be passed by the affirmative vote of a simple majority of the directors.

Article 170 The board of directors shall lay down strict procedures to inspect and decide on the approval limit for foreign investment, purchase or sale of assets, mortgage of assets, provision of guarantees, entrusted assets management and connected transactions. For major investment projects, the board of directors shall organize the relevant experts and professional officers to conduct assessment for approval of the shareholders in a general meeting.

Article 171. With the approval of over two-thirds of all directors, the board of directors may make decisions on the following matters:

(1) transactions falling within the following limit (whichever is stricter) with respect to purchase or sale of assets, external investment (including entrusted financial management and entrusted loans, etc.), provision of financial assistance, leasing of assets as lessor or lessee, restructuring of claims or debts, giving or receiving assets as a gift, entrusted or trusted asset or business management, entering of licence agreement, transferring or accepting the transfer of research and development projects:

1. the aggregated assets value (where book value and assessed value are available, whichever is higher) involved in a single transaction with amount more than 10% and below 50% of the Company's latest audited total asset value prepared in accordance with the PRC Generally Accepted Accounting Principles (GAAP); or more than 5% and less than 25% of the Company's latest published total assets value prepared in accordance with the International Financial Reporting Standards;

2. a single transaction of which the completion consideration (including liabilities and expenses) accounts for more than 10% and below 50% of the Company's latest audited net asset value prepared in accordance with the PRC GAAP; or more than 5% and less than 25% of the total market capitalization of the Company (which is calculated by the average closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of a transaction);

3. the latest annual income from principal operations of the subject of a single transaction accounted for more than 10% and less than 50% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the PRC GAAP; or more than 5% and less than 25% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the International Financial Reporting Standards;

4. the latest annual net profit of the subject of a single transaction accounted for more than 10% and less than 50% of the Company's latest audited net profit for the latest financial year prepared in accordance with the PRC GAAP; or more than 5% and less than 25% of the Company's latest audited net profit for the latest financial year prepared in accordance with the International Financial Reporting Standards;

The above transactions which involve public offer of securities that requires the approval of the China Securities Regulatory Commission shall be subject to approval of the shareholders' general meeting;

(2) a single loan of more than 10% and less than 25% of the Company's latest audited net asset value and the debt ratio to the Company's assets remains under 80% after such financing;

the mutual provision of loans among overseas subsidiaries of the Company, where the accumulative amount of such mutual loans in 12 consecutive months account for more than 25% and less than 50% of the latest audited net asset value of the Company calculated on the basis of PRC accounting standards, provided that such mutual loans are in compliance with laws, rules and relevant regulations of the relevant place(s) of incorporation of such overseas subsidiaries;

(3) mortgages or pledges of assets the cumulative outstanding amount of which is less than 30% of the Company's most recently audited net asset value;

(4) external guarantees not within the approval limit of the shareholders' general meeting as provided in the Articles of Association;

(5) transactions involving connected transactions, which have to be conducted in accordance with the relevant regulations of competent securities authorities and the listing rules of the stock exchanges.

The transactions referred to in (1) of the first paragraph involving the provision of financial assistance and entrusted financial management, shall be calculated on accrued basis for twelve consecutive months according to the transaction categories and applicable approval limit proportion of the board of directors. When the Company conducts other transactions apart from the provision of financial assistance and entrusted financial management, applicable approval limit proportion of the board of directors regarding each transaction which is under the same category shall be calculated on the principle of accrued basis for twelve consecutive months. Transactions already approved by the Company in accordance with the principle of accrued basis shall not be included in the scope of accrual calculation.

Provision of regulatory authorities the Company is subject to within and outside the PRC that is of a stricter standard than this Article of Association shall apply accordingly.

- Article 172 The directors of the Company shall ensure that the information disclosed by the Company is true, accurate and complete.
- The directors of the Company shall sign a written confirmation of opinion in connection with the regular report of the Company.
- Article 173. The Company has established a strict internal control system over external guarantee. The whole board of directors shall cautiously handle and strictly control the risk of debt created by external guarantee. In connection with the losses resulting from an inappropriate external guarantee or an external guarantee given not in compliance with the relevant laws and regulations the directors who shall be held responsible shall bear joint and several liabilities.
- (I) Review on guarantee and decision limitation
- Before making any decision on external guarantee, the Company shall understand the creditability of the debtor and make a thorough analysis on the benefit and risk of such guarantee.
- Any external guarantee given by the Company shall be approved by two-thirds of the board of directors or by the shareholders in a general meeting. Any connected director(s), shareholder(s) or shareholders controlled by de facto controllers being interested in a guarantee shall excuse himself from voting on resolution relating to such guarantee.
- The approval limit of the Company for an external guarantee shall be executed in accordance with (13) in the first paragraph of Article 65, Article 66 and (6) in the first paragraph of Article 107.
- (II) Management in guarantee procedures
- The external guarantee of the Company shall be made in form of written contract, and at the same time the supervisory committee, the secretary to the board of directors and the financial department shall be notified.
- The external guarantee of the Company shall be arranged under risk avoidance measures such as a counter guarantee given by the guaranteed party, and the party giving the counter guarantee shall have actual ability to perform its obligation under the counter guarantee.
- (III) Disclosure on provision of guarantee
- The provision of external guarantee as approved by the Board or shareholders in general meetings should be disclosed in a preliminary report in a true, accurate, complete and timely manner. The obligation to disclose such matters should not be fulfilled by way of periodic reports.

The contents to be disclosed should include: (i) the respective resolutions passed by the Board or general meetings; (ii) the aggregate amount of external guarantee provided by the Company and its subsidiaries as at the date of disclosure; (iii) the aggregate amount of guarantees provided by the Company to its subsidiaries.

The above disclosure obligation should apply equally to the subsidiaries of the Company when providing external guarantees.

Within ten days upon the approval of the provision of external guarantee by the Company, the Company should file the relevant resolutions of the Board or the general meeting, minutes of the relevant meeting and financial statements of the guaranteed party with Shandong Provincial Securities Regulatory Bureau of the China Securities Regulatory Commission; and within ten days upon the signing of the guarantee agreement, file the relevant agreement(s) in respect of the external guarantee stamped with the Company's chop with Shandong Provincial Securities Regulatory Bureau of the China Securities Regulatory Commission .”

Article 174 The board of directors shall not, without the prior approval of shareholders in a general meeting, dispose or agree to dispose of any fixed assets of the Company where the aggregate of the amount or value of the consideration for the proposed disposition, and the amount or value of the consideration for any such disposition of any fixed assets of the Company that has been completed in the period of four (4) months immediately preceding the proposed disposition, exceeds 33 % of the value of the Company's fixed assets as shown in the latest balance sheet which was tabled at a shareholders' general meeting.

For the purposes of this Article, “disposition” includes an act involving the transfer of an interest in assets but does not include the usage of fixed assets for the provision of security.

The validity of a disposition by the Company shall not be affected by any breach of the first paragraph of this Article.

Article 175 The Chairman of the board of directors shall exercise the following powers:

- (1) to preside over shareholders' general meetings and to convene and preside over meetings of the board of directors;
- (2) to check on the implementation of resolutions passed by the board of directors at directors' meetings;
- (3) to sign the securities certificates issued by the Company;
- (4) to sign the important documents of the board and other documents which should be signed by the Company's legal representative;
- (5) to exercise the rights of the legal representative;

- (6) in the event of emergency situations such as the occurrence of large-scale natural disasters, to take special steps in handling the Company's business according to the laws and the Company's interest; and to report to the Company's board of directors and shareholders' general meeting afterwards;
- (7) to exercise other powers conferred by the board of directors .

- Article 176 The vice chairman shall assist the chairman in his work. Where the chairman is unable to or does not perform the duty, the vice chairman shall preside the meeting. Where the vice chairman is unable to or does not perform the duty, a director nominated by more than one-half of the directors shall perform the duty.
- Article 177 Meetings of the Board shall be held at least three times every year and shall be convened by the chairman of the board of directors. All of the directors and supervisors should be notified about the meeting fourteen (14) days beforehand. An extraordinary meeting of the board of directors may be held under the following circumstances:
- (1) when the Chairman thinks it is necessary;
 - (2) Shareholders carrying voting rights of more than 10%;
 - (3) when more than one-third directors so request;
 - (4) when the supervisory committee so requests;
 - (5) when the general manager so requests;
 - (6) when more than a half of the independent directors so request.
- Article 178 Notice of meetings and extraordinary meetings of the board of directors shall be delivered in person, by facsimile, by express delivery service, by registered mail, or by other means of electronic communication. The time limits for the delivery of such notices are: for a board meeting, at least fourteen (14) days before the meeting; and for an extraordinary meeting, at least three (3) days before the meeting.
- A notice of meetings shall contain the following contents: (1) date and place of the meeting; (2) duration of the meeting; (3) business to be discussed; and (4) date of notice.
- Article 179 Notice of a meeting shall be deemed to have been given to any director who attends the meeting without protesting against, before or at its commencement, any lack of notice.
- Article 180 Resolution of the board of directors may be decided on a poll or show of hands.

As long as all directors can fully express their opinions, a board meeting or an extraordinary meeting of the board of directors may be held by way of facsimile, during which resolutions may be passed and signed by participating directors. All such directors shall be deemed to be present in person at the meeting. When the number of directors who have signified their consent to a resolution reaches the number set out in Article 179, a valid resolution shall be deemed to have been passed.

Article 181 Meetings of the board of directors shall be held only if more than half of the directors (including any alternate director appointed pursuant to Article 180 of the Company's Articles of Association) are present.

Each director shall have one (1) vote. A resolution of the board of directors must be passed by more than half of all of the directors of the Company.

Where there is an equality of votes cast both for and against a resolution, the Chairman of the board of directors shall have a casting vote.

When passing a resolution in relation to connected transaction at a board meeting, or where any director or any of its Associates (as defined under the Listing Rules of the Stock Exchange of Hong Kong) is connected with such resolution, such connected director shall excuse himself from the Board meeting, shall not have any voting rights in respect thereof, shall not exercise any voting right on behalf of other directors and shall not be counted as part of the quorum of the board meeting. Such board meeting can be convened where not less than half of the disinterested directors of the Company attend the meeting and any such resolutions shall be passed by at least half of the disinterested directors of the Company. If the number of disinterested directors present at is less than 3, the matter shall be presented to the shareholders for consideration at a general meeting.

Article 182 Directors shall attend the meetings of the board of directors in person. Where a director is unable to attend a meeting for any reason, he may by a written power of attorney appoint another director to attend the meeting on his behalf. The power of attorney shall set out the name of the attorney, issues under authorisation, scope of authorisation and valid period, which will be signed or sealed with the chop by the appointing director.

A Director appointed as a representative of another director to attend the meeting shall exercise the rights of a director within the scope of authority conferred by the appointing director. Where a director is unable to attend a meeting of the board of directors and has not appointed a representative to attend the meeting on his behalf, he shall be deemed to have waived his right to vote at the meeting

Article 183 The board of directors shall keep minutes of resolutions passed at meetings of the board of directors. The minutes shall be signed by the directors present at the meeting, the board's secretary and the person who recorded the minutes. The directors shall be liable for the resolutions of the board of directors. If a resolution of the board of directors violates the laws, administrative regulations or the Company's Articles of Association and the Company suffers serious losses as a result thereof, the directors who participated in the passing of such resolution are liable to compensate the Company therefor. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from such liability.

The minutes of the board meeting shall include the following contents: (1) date and place of the meeting and name of the convener; (2) names of participating directors and proxies; (3) agenda; (4) main points of directors' speeches; (5) voting method for each matter and its result (the voting result should specify the number of votes for and against and abstentions).

Minutes of the board meeting shall be kept as the Company's record for a period of not less than ten years.

Article 184 The board of directors shall formulate its rules of meetings to ensure its working efficiency and scientific decision. The rules of meetings of the board of directors shall be drawn up by the board of director of the Company and be considered and approved at the shareholders' general meeting.

CHAPTER 11: SECRETARY OF THE BOARD OF DIRECTORS

Article 185 The Company shall have one (1) secretary to the board of directors. The secretary shall be a senior officer of the Company, who is nominated by the chairman of the board of directors, appointed or removed by the board of directors and accountable to the board of directors.

Article 186 The secretary of the Company's board of directors shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the board of directors. His primary responsibilities are as follows:

- (1) to prepare and deliver the board's and general meeting's reports and documents required by competent authorities in China;
- (2) to prepare and organise board meetings and shareholders' general meetings; to take minutes of the meetings and to keep the meetings' documents and records;
- (3) to be responsible for the Company's information disclosure and to ensure the timeliness, accuracy, legality, authenticity and completeness of the Company's disclosure;

- (4) to be responsible for the Company's management for investors relation;
- (5) to actively co-operate with the independent directors in performing their duties;
- (6) to ensure that the Company's registers of members are properly established, and that persons entitled to receive the Company's records and documents are furnished therewith without delay;
- (7) other responsibilities specified in these Articles of Association and the listing rules of the stock exchanges where the Company's shares are listed.

Article 187 A director or senior officer of the Company may also act as the secretary of the board of directors. The certified public accountancy firm which has been appointed by the Company to act as its auditors shall not act as the secretary of the board of directors.

Where the office of secretary is held concurrently by a director, and an act is required to be done by a director and a secretary separately, the person who holds the office of director and secretary may not perform the act in a dual capacity.

CHAPTER 12: GENERAL MANAGER AND SENIOR OFFICERS ETC

Article 188 The Company shall have a general manager who shall be appointed or dismissed by the board of directors. The Company shall have six to ten deputy general managers who will assist the general manager in his work, a financial controller and a chief engineer.

The board of directors may decide to appoint a member of the board of directors to act concurrently as the senior officers. However, the number of directors and staff director who act concurrently as the senior officers shall not exceed one half of the total number of directors. Any person serving as officers (excluding directors) at the Company's controlling shareholder and de factor controller unit shall not act as the senior officer of the Company.

The senior officers shall serve for a term of three (3) years. The term is renewable upon re-election.

The tenure of a senior officer shall commence from the date when he takes office until the end of the tenure. If an appointment is not made in time upon the termination of the tenure of the senior officer, the original senior officer(s) shall assume the responsibilities in accordance with the laws, administrative regulations, departmental rules and these Articles of Association before the new senior officer(s) take office.

- Article 189 The general manager shall be accountable to the board of directors and shall exercise the following functions and powers:
- (1) to be in charge of the Company's production, operation and management, to organise the implementation of the resolutions of the board of directors and report to the board of directors;
 - (2) to organise the implementation of the Company's annual business plan and investment proposal;
 - (3) to draft plans for the establishment of the Company's internal management structure;
 - (4) to draft the Company's basic management system;
 - (5) to formulate basic rules and regulations for the Company;
 - (6) to propose the appointment or dismissal of the Company's senior officers;
 - (7) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the board of directors;
 - (8) to draw up a package of staff's salary, benefits, awards and penalty, as well as to decide the appointment and dismissal of the staff of the Company;
 - (9) to request the convening of an extraordinary meeting of the board; (10) other powers conferred by these Articles of Association and the board of directors.

Article 190 The general manager may, by means such as through the manager's meeting of the Company, make decisions on the following operational matters:

(1) transactions falling within the following limit (whichever is stricter) with respect to purchase or sale of assets, external investment (including entrusted financial management and entrusted loans, etc.), provision of financial assistance, leasing of assets as lessor or lessee, restructuring of claims or debts, giving or receiving assets as a gift, entrusted or trusted asset or business management, entering of licence agreement, transferring or accepting the transfer of research and development projects:

1. the aggregate assets value (where book value and assessed value are available, whichever is higher) involved in a single transaction with amount below 10% of the Company's latest audited total asset value prepared in accordance with the PRC GAAP; or less than 5% of the Company's latest published total asset prepared in accordance with the International Financial Reporting Standard;

2. a single transaction of which the completion consideration (including liabilities and expenses) accounts for less than 10% of the Company's latest audited net asset value prepared in accordance with the PRC GAAP; or less than 5% of the total market capitalization of the Company (which is calculated by the average closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the transaction);
3. the latest annual income from principal operations of the subject of a single transaction accounts for less than 10% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the PRC GAAP; or less than 5% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the International Financial Reporting Standards;
4. the latest annual net profit of the subject of a single transaction accounted for less than 10% of the Company's latest audited net profit for the latest financial year prepared in accordance with the PRC GAAP; or less than 5% of the Company's latest audited net profit for the latest financial year prepared in accordance with the International Financial Reporting Standards.

The transactions referred to in (1) of the first paragraph involving the provision of financial assistance and entrusted financial management, shall be calculated on accrued basis for twelve consecutive months according to the transaction categories and applicable approval limit proportion of the board of directors. When the Company conducts other transactions apart from the provision of financial assistance and entrusted financial management, applicable approval limit proportion of the board of directors regarding each transaction which is under the same category shall be calculated on the principle of accrued basis for twelve consecutive months. Transactions already approved by the Company in accordance with the principle of accrued basis shall not be included in the scope of accrual calculation.

The above transactions which involve public offer of securities that requires the approval of the China Securities Regulatory Commission shall be subject to approval of the shareholders' general meeting of shareholders.

- (2) a single loan of less than 10% of the Company's latest audited net asset value and the debt ratio to the Company's assets ratio of the Company remains under 50% after such financing;

the mutual provision of loans among overseas subsidiaries of the Company, where the accumulative amount of such mutual loans in 12 consecutive account for not more than 25% of the latest audited net asset value of the Company calculated on the basis of PRC accounting standards, provided that such mutual loans are in compliance with laws, rules and relevant regulations of the relevant place(s) of incorporation of such overseas subsidiaries;

(3) security or pledges of assets, a single amount of which is less than 5%, and a cumulative amount of which is less than 20% , of the Company's latest audited net asset value.

Where decisions on operational matters involve connected transactions, such decisions shall be implemented in accordance with the relevant requirements of connected transactions.

Provision of regulatory authorities the Company is subject to within and outside the PRC that is of a stricter standard than this Article will be applicable accordingly.

- Article 191 The general manager shall attend meetings of the board of directors. The general manager, who is not a director, does not have any voting rights at board meetings.
- Article 192 The general manager shall, upon requests of the board of directors or supervisory committee, report to the board of directors or the supervisory committee on the signing and implementation of the Company's material contracts, usage of capital and profit and loss. The general manager shall ensure authenticity of the reports.
- Article 193 Before drawing up a package concerning staff's immediate interests, such as staff's salary, benefits, safe production and labour, labour insurance, and dismissal of staff, the general manager should consult the trade union and the meeting of staff representatives.
- Article 194 The general manager shall formulate working rules of general manager and submit them to the board of directors for approval.
- Article 195 The general manager's working rules shall include the following: (1) conditions and procedures of convening a general manager's meeting, as well as the participants; (2) specific duties and division of labour among the senior officers; (3) the Company's usage of funds and assets, limits on signing of material contracts and reporting system to the board of directors and supervisory committee; and (4) other matters which the board considers necessary.
- Article 196 The general manager and deputy general managers, in performing their functions and powers, shall act honestly and diligently and in accordance with laws, administrative regulations and these Articles of Association.

- Article 197 The senior officers of the Company shall ensure that the information disclosed by the Company is true, accurate and complete.
The senior officers of the Company shall sign a written confirmation of opinion in connection with the regular report of the Company.
- Article 198 The fiduciary duties concerning the directors in Article 215 and the duties of diligence in Article 216 (4) - (6) are also applicable to the senior officers.
- Article 199 A senior officer may submit his resignation before the expiry of his term. The specific procedures and measures for resignation by the senior officers shall be governed by the labour contract being entered into by the senior officer and the Company.

CHAPTER 13: SUPERVISORY COMMITTEE

- Article 200 The Company shall have a supervisory committee.
Each supervisor shall serve for a term of three (3) years, which term is renewable upon re-election and re-appointment.
- Article 201 The supervisory committee shall have one chairman and one vice chairman.
The election or removal of the chairman and vice chairman of the supervisory committee shall be determined by two-thirds or more of the members of the supervisory committee.
The chairman and vice chairman shall serve for a term of three (3) years, which term is renewable upon re-election and re-appointment.
- Article 202 The tenure of a supervisor shall commence from the date when he takes office until the end of the tenure. If an appointment is not made in time upon the termination of the tenure of the senior officer so that a quorum of the supervisory committee is not met, the original senior officer(s) shall assume the responsibilities in accordance with the laws, administrative regulations, departmental rules and these Articles of Association before the new senior officer(s) take office.
- Article 203 The supervisors of the Company shall ensure that the information disclosed by the Company is true, accurate and complete.
- Article 204 The Supervisory Committee is to be comprised of six members. Members of the Supervisory Committee should be comprised of shareholder representative supervisors and an appropriate proportion of employee representative supervisors. The number of employee representative supervisors should not be less than one-third of the total number of the members of the Supervisory Committee. Shareholders representative supervisors are elected and removed by general meetings and employee representative supervisors are elected and removed by democratic elections of the employees.”

Article 205 Under normal circumstances, the Company's supervisory committee shall submit a list of candidates for supervisors (except for staff candidates for supervisors) to the shareholders' general meeting. The Company's shareholders and board of directors may nominate the candidates for supervisors according to these Articles of Association.

Article 206 The directors and senior managers shall not act concurrently as supervisors.

Article 207 Meetings of the supervisory committee shall be held at least once every six months, and shall be convened by the chairman of the supervisory committee. The supervisors may propose to convene the extraordinary meeting of the supervisory committee.

Where the chairman of the supervisory committee is unable to or does not perform the duty, the vice chairman of the supervisory committee shall preside the meeting. Where the vice chairman of the supervisory committee is unable to or does not perform the duty, a supervisor nominated by more than one-half of the supervisors shall perform the duty.

If a supervisor fails to attend two consecutive meetings of supervisory committee, he shall be deemed to have failed to discharge his duties. The shareholders' general meeting or staff representatives' meeting shall replace him.

Article 208 The supervisory committee shall be accountable to the shareholders in a general meeting and shall exercise the following functions and powers in accordance with law:

(1) to review the regular reports of the Company prepared by the board of directors and give its opinion of review;

(2) to inspect the Company's financial position;

(3) to supervise the directors and senior officers and to propose removal of a director or a senior officer who has contravened any law, administrative regulation, these Articles of Association or resolutions passed at a shareholders' general meeting;

(4) to demand any director or senior officer who acts in a manner which is harmful to the Company's interest to rectify such behaviour;

(5) to check the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the board of directors to the shareholders' general meetings and to authorise, in the Company's name, publicly certified and practising accountants to assist in the re-examination of such information should any doubt arise in respect thereof;

(6) to propose to convene a shareholders' extraordinary general meeting and an extraordinary board meeting. Where the board of directors fails to convene or hold the general meeting of shareholders in accordance with the provisions of the Company Law, to convene and hold the shareholders' general meeting;

(7) to propose resolutions to the shareholders' general meeting;

(8) to initiate proceedings against the directors and senior officers in accordance with the relevant provisions of the Company Law;

(9) to conduct investigation into any identified irregularities in the Company's operations;

(10) other functions and powers specified in these Articles of Association.

Supervisors shall attend meetings of the board of directors, and make queries or recommendations to the matters resolved by the board of directors.

Article 209

Notices of meetings and extraordinary meetings of the supervisory committee shall be delivered in person, by facsimile, by express delivery service, by registered mail or by other means of electronic communication. The time limits for the delivery of such notices are: for a supervisory meeting, at least five (5) days before the meeting; and for an extraordinary supervisory meeting, at least two (2) days before the meeting.

Resolutions of the supervisory committee shall be passed by the affirmative vote of more than two-thirds of all of its members. Resolutions may be passed by a show of hands or by poll.

Notice of meetings shall contain the following contents: date and place of meeting; duration of meeting; business to be discussed; and date of notice.

Minutes shall be taken of the meetings of the supervisory committee. The participating supervisors and the person who records the minutes should sign the minutes. The supervisors shall have the right to request the record of his speech in the meeting for a particular illustrative description. The minutes of the meetings of the supervisory committee shall be kept as the Company's record for at least ten years.

Article 210

All reasonable fees incurred in respect of the employment of professionals (such as, lawyers, certified public accountants or practising auditors) which are required by the supervisory committee in the exercise of its functions and powers shall be borne by the Company.

Article 211 The supervisory committee shall formulate its rules of meetings to ensure its working efficiency and scientific decision.

The rules of meetings of the supervisory committee shall be drawn up by the supervising committee of the Company and be considered and approved at the shareholders' general meeting.

CHAPTER 14: THE QUALIFICATIONS AND DUTIES
OF THE DIRECTORS, SUPERVISORS AND SENIOR OFFICERS OF
THE COMPANY

Article 212 A person may not serve as a director, supervisor or senior officer of the Company if any of the following circumstances apply:

- (1) a person who does not have or who has limited capacity for civil conduct;
- (2) a person who has been sentenced for corruption, bribery, infringement of property or misappropriation of property or other crimes which destroy the social economic order, where less than a term of five (5) years has lapsed since the sentence was served, or a person who has been deprived of his political rights and not more than five (5) years have lapsed since the sentence was served;
- (3) a person who is a former director, factory manager or manager of a company or enterprise which has been dissolved or put into liquidation as a result of mismanagement and who was personally liable for the winding up of such company or enterprise, where less than three (3) years have elapsed since the date of completion of the insolvent liquidation of the company or enterprise;
- (4) a person who is a former legal representative of a company or enterprise the business licence of which was revoked due to violation of law and who are personally liable therefor, where less than three (3) years have elapsed since the date of the revocation of the business licence;
- (5) a person who has a relatively large amount of debts which have become overdue;
- (6) a person who is currently under investigation by judicial organs for violation of criminal law;
- (7) a person who, according to laws and administrative regulations, cannot act as a leader of an enterprise;
- (8) a person other than a natural person;

- (9) a person who has been convicted by the competent authority for violation of relevant securities regulations and such conviction involves a finding that such person has acted fraudulently or dishonestly, where not more than five (5) years have lapsed from the date of such conviction;
- (10) a person who has been restricted to enter the market by the China Securities Regulatory Commission and such restriction has not been lifted.
- (11) a person who has been declared by a Stock Exchange in less than 2 years as an unsuitable candidate.

Article 213 The validity of an act carried out by a director and senior officer of the Company on its behalf shall, as against a bona fide third party, shall not be affected by any irregularity in his office, election or any defect in his qualification.

Article 214 In addition to the obligations imposed by laws, administrative regulations or the listing rules of the stock exchange on which shares of the Company are listed, each of the Company's directors and senior officers owes a duty to each shareholder, in the exercise of the functions and powers of the Company entrusted to him:

- (1) to act honestly and in the best interests of the Company;
- (2) not to expropriate the Company's property in any way, including (without limitation) usurpation of opportunities which benefit the Company;
- (3) not to expropriate the individual rights of shareholders, including (without limitation) rights to distribution and voting rights, save and except pursuant to a restructuring of the Company which has been submitted to the shareholders for approval in accordance with these Articles of Association.

Article 215 Each of the Company's directors, and senior officers owes a duty, in the exercise of his powers and in the discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Article 216 Each of the Company's directors, supervisors and senior officers shall exercise his powers or perform his duties in accordance with the fiduciary principle; and shall not put himself in a position where his duty and his interest may conflict. This principle includes (without limitation) discharging the following obligations:

- (1) to act honestly in the best interests of the Company;

- (2) to act within the scope of his powers and not to exceed such powers;
- (3) to exercise the discretion vested in him personally and not to allow himself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of shareholders given in a general meeting, not to delegate the exercise of his discretion;
- (4) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- (5) unless otherwise provided for in these Articles of Association or except with the informed consent of the shareholders given in a general meeting, not to enter into any contract, transaction or arrangement with the Company;
- (6) not to use the Company's property for his own benefit, without the informed consent of the shareholders given in a general meeting;
- (7) not to exploit his position to accept bribes or other illegal income or expropriate the Company's property in any way, including (without limitation) opportunities which benefit the Company;
- (8) not to accept commissions in connection with the Company's transactions, without the informed consent of the shareholders given in a general meeting;
- (9) to comply with these Articles of Association, to perform his official duties faithfully, to protect the Company's interests and not to exploit his position and power in the Company to advance his own interests;
- (10) not to release any confidential information which he has obtained during his term of office, without the informed consent of the shareholders in a general meeting; nor shall he use such information otherwise than for the Company's benefit, save that disclosure of such information to the court or other governmental authorities is permitted if:

- (i) disclosure is made under compulsion of law;
- (ii) public interests so warrants;
- (iii) the interests of the relevant director, supervisor, general manager, deputy general manager or other senior officer so requires.

Article 217 The fiduciary duties to be discharged by directors in complying with the laws, administrative regulations and these Articles are as follows:

- (1) not to misappropriate the Company's funds;
- (2) not to use the Company's assets or funds to set up deposit accounts in his own name or in the any other name;
- (3) not to violate the provisions of these Articles and lend the Company's funds or to use the Company's assets to guarantee the debts of others with the approval of the shareholders' general meeting or the board of directors;
- (4) not to abuse his positions to obtain business opportunities for himself or others which should belong to the Company, to engage in same business of the Company by himself or for others;
- (5) not to hamper the Company's interests through its connected relationships;
- (6) to perform other fiduciary duties as required by the laws, administrative regulations, departmental rules and these Articles of Association.

The income derived by the directors in violating this Article shall belong to the Company. Any loss incurred by the Company as a result of violating this Article shall be indemnified by the directors.

Article 218 The duties of diligence to be discharged by directors in complying with the laws, administrative regulations and these Articles of Association are as follows:

- (1) to exercise the rights conferred upon them in a prudent, serious and diligent manner so as to ensure that the commercial activities carried out by the Company are in compliance with the laws and administrative regulations, as well as the requirements of various economic policies of the State and falls within the scope of business provided for in the business license;
- (2) to treat all shareholders equally;

- (3) to keep informed of the business operation and management of the Company in a timely manner;
- (4) to sign a written confirmation or opinion in connection with the regular reports of the Company and to ensure that the information disclosed by the Company is true, accurate and complete;
- (5) to inform the supervisory committee of the relevant circumstances and information that is in accordance with the facts, and shall not impede the supervisory committee or a supervisor from exercising their powers;
- (6) to perform other fiduciary duties as required by the laws, administrative regulations, departmental rules and these Articles of Association.

Article 219

Each director, supervisor and senior officers of the Company shall not direct the following persons or institutions (“associates”) to do which he is prohibited from so doing:

- (1) the spouse or minor child of the director , supervisor or senior officer;
- (2) the trustee of the director supervisor or senior officer or of any person described in sub-paragraph (1) above;
- (3) the partner of that director, supervisor or senior officer or any person referred to in sub-paragraphs (1) and (2) of this Article;
- (4) a company in which that director , supervisor or senior officer, whether alone or jointly with one (1) or more of the persons referred to in sub-paragraphs (1), (2) and (3) of this Article and other directors, supervisors, general manager, deputy general managers and other senior officers, has de facto controlling interest;
- (5) the directors, supervisors and senior officers of a company which is being controlled in the manner set out in sub-paragraph (4) above.

Article 220 Directors, supervisors and senior management of the Company shall have legal responsibilities and obligations with regard to the safe-keeping of the funds of the Company.

The Company shall not provide, directly or indirectly, funds to the controlling shareholder of the Company and its related parties in the following manner:

1. To lend funds of the Company to the controlling shareholder and its related parties, irrespective of whether it is interest-free;
2. To provide entrusted loan to related parties through banks or other financial institutions;
3. To entrust the controlling shareholder of the Company and its related parties with investments;
4. To issue commercial bill of exchange not substantiated by actual transactions for the controlling shareholder of the Company and its related parties;
5. To repay debts for the controlling shareholder of the Company and its related companies; and
6. In other manners prescribed by the China Securities Regulatory Commission.

Article 221 Shall directors, senior management of the Company assist, connive the controlling shareholder of the Company and its related parties to appropriate assets of the Company, the Board shall, subject to the seriousness of such events, take internal disciplinary actions, serve monetary punishments, pursue legal responsibilities against directly responsible persons; In case of serious events, the materially responsible senior management shall be removed from office, and such materially responsible director shall be proposed to the shareholders' general meeting to be removed from office.

Shall there be events in which the controlling shareholder of the Company and its related parties have appropriated funds of the Company or its subsidiaries for non-operational purposes which impose adverse impacts on the Company, the Company shall, with reference to the preceding paragraph and subject to the seriousness of such events, impose punishments on such directly responsible person(s).

Article 222 The fiduciary duties and duties of diligence of the directors, supervisors and senior officers may not necessarily be discharged by the resignation of the directors, supervisors, and senior officers of the Company becoming effective or expiry of the term with the procedures for handover having been duly completed. The duty of confidentiality in respect of trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period as the principle of fairness may require depending on the amount of time which has lapsed between the termination and the act concerned and the circumstances and the terms under which the relationship between the relevant director, supervisor, general manager, deputy general manager and the senior officer on the one hand and the Company on the other hand was terminated.

- Article 223 Subject to Article 50, a director, supervisor or senior officer of the Company may be relieved of liability for specific breaches of his duty with the informed consent of the shareholders given at a general meeting, except in the circumstances as provided under Article 60.
- Article 224 Where a director , supervisor or senior officer of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (other than his contract of service with the Company), he shall declare the nature and extent of his interests to the board of directors at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal therefor is otherwise subject to the approval of the board of directors.
- Unless the interested director , supervisor or senior officer discloses his interests in accordance with the preceding sub-paragraph of this Article and the contract, transaction or arrangement is approved by the board of directors at a meeting in which the interested director , supervisor or senior officer is not counted as part of the quorum and refrains from voting, a contract, transaction or arrangement in which that director, supervisor, or senior officer is materially interested is voidable at the instance of the Company except as against a bona fide party thereto who does not have notice of the breach of duty by the interested director, supervisor or senior officer.
- For the purposes of this Article, a director, supervisor or senior officer of the Company is deemed to be interested in a contract, transaction or arrangement in which his associate is interested.
- Article 225 Where a director , supervisor or senior officer of the Company gives to the board of directors a notice in writing stating that, by reason of the facts specified in the notice, he is interested in contracts, transactions or arrangements which may subsequently be made by the Company, that notice shall be deemed for the purposes of the preceding Article to be a sufficient declaration of his interests, so far as the content stated in such notice is concerned, provided that such notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company.
- Article 226 The Company shall not pay taxes for or on behalf of a director , supervisor or other officer in any manner.
- Article 227 The Company shall not directly or indirectly make a loan to or provide any guarantee in connection with the making of a loan to a director , supervisor or senior officer of the Company or of the Company's holding company or any of their respective associates.

The foregoing prohibition shall not apply to the following circumstances:

- (1) the provision by the Company of a loan or a guarantee in connection with the making of a loan to its subsidiary;
- (2) the provision by the Company of a loan or a guarantee in connection with the making of a loan or any other funds available to any of its directors supervisor and senior officers to meet expenditure incurred or to be incurred by him for the purposes of the Company or for the purpose of enabling him to perform his duties properly, in accordance with the terms of a service contract approved by the shareholders in a general meeting;
- (3) if the ordinary course of business of the Company includes the lending of money or the giving of guarantees, the Company may make a loan to or provide a guarantee in connection with the making of a loan to any of the relevant directors , supervisor and senior officers or their respective associates in the ordinary course of its business on normal commercial terms.

Article 228 Any person who receives funds from a loan which has been made by the Company acting in breach of the preceding Article shall, irrespective of the terms of the loan, forthwith repay such funds.

Article 229 A guarantee for the repayment of a loan which has been provided by the Company acting in breach of Article 223(1) shall not be enforceable against the Company, save in respect of the following circumstances:

- (1) the guarantee was provided in connection with a loan which was made to an associate of any of the directors, supervisor and senior officers of the Company or of the Company's holding company and the lender of such funds did not know of the relevant circumstances at the time of the making of the loan; or
- (2) the collateral which has been provided by the Company has already been lawfully disposed of by the lender to a bona fide purchaser.

Article 230 For the purposes of the foregoing provisions of this Chapter, a "guarantee" includes an undertaking or property provided to secure the obligor's performance of his obligations.

Article 231 In addition to any rights and remedies provided by the laws and administrative regulations, where a director, supervisor or senior officer of the Company breaches the duties which he owes to the Company, the Company has a right:

- (1) to demand such director, supervisor or senior officer to compensate it for losses sustained by the Company as a result of such breach;

- (2) to rescind any contract or transaction which has been entered into between the Company and such director, supervisor or senior officer or between the Company and a third party (where such third party knows or should have known that such director, supervisor or senior officer representing the Company has breached his duties owed to the Company);
- (3) to demand such director, supervisor or senior officer to account for profits made as result of the breach of his duties;
- (4) to recover any monies which should have been received by the Company and which were received by such director, supervisor or senior officer instead, including (without limitation) commissions; and
- (5) to demand repayment of interest earned or which may have been earned by such director, supervisor or senior officer on monies that should have been paid to the Company.

Article 232 The Company shall, with the prior approval of shareholders in a general meeting, enter into a contract in writing with a director or supervisor wherein his emoluments are stipulated. The aforesaid emoluments include:

- (1) emoluments in respect of his service as director, supervisor or senior officer of the Company;
- (2) emoluments in respect of his service as director, supervisor or senior officer of any subsidiary of the Company;
- (3) emoluments in respect of the provision of other services in connection with the management of the affairs of the Company and any of its subsidiaries;
- (4) payment by way of compensation for loss of office, or as consideration for or in connection with his retirement from office.

No proceedings may be brought by a director or supervisor against the Company for anything due to him in respect of the matters mentioned in this Article except pursuant to the contract mentioned above.

Article 233 The contract concerning the emoluments between the Company and its directors or supervisors should provide that in the event that the Company is acquired, the Company's directors and supervisors shall, subject to the prior approval of shareholders in a general meeting, have the right to receive compensation or other payment in respect of his loss of office or retirement. For the purposes of this paragraph, the acquisition of the Company includes any of the following:

- (1) an offer made by any person to the general body of shareholders;

- (2) an offer made by any person with a view to the offeror becoming a “controlling shareholder” within the meaning of Article 61.

If the relevant director or supervisor does not comply with this Article, any sum so received by him shall belong to those persons who have sold their shares as a result of such offer. The expenses incurred in distributing such sum on a pro rata basis amongst such persons shall be borne by the relevant director or supervisor and shall not be paid out of such sum.

- Article 234 Without lawful authorization of these Articles or the board of directors, a director of the Company may not act personally on behalf of the Company or the board of directors. If he acts personally, he shall declare his own position and identity in advance where the acting would cause a third party to believe reasonably that he is acting on behalf of the Company or the board of directors.
- Article 235 Any loss incurred by the Company as a result of the violation of laws, administrative regulations, departmental rules and these Articles of Association by the directors, supervisors and senior officers in performing the Company’s duties shall be indemnified by the directors, supervisors and senior officers.

CHAPTER 15: FINANCIAL AND ACCOUNTING SYSTEMS, PROFIT DISTRIBUTION AND INTERNAL AUDIT

- Article 236 The Company shall establish its financial and accounting systems in accordance with laws, administrative regulations and PRC accounting standards formulated by the finance regulatory department of the State Council.
- Article 237 At the end of each fiscal year, the Company shall prepare a financial report which shall be examined and verified in a manner prescribed by law.
- Article 238 Unless otherwise provided by the relevant laws and regulations, the listing rules issued at the listing place of the Company and the Articles of Association in respect of the means of receipt of corporate communication, the board of directors of the Company shall place before the shareholders at every annual general meeting such financial reports which the relevant laws, administrative regulations and directives promulgated by competent regional and central governmental authorities require the Company to prepare.

- Article 239 The Company's financial reports shall be made available for shareholders' inspection at the Company twenty (20) days before the date of every shareholders' annual general meeting. Each shareholder shall be entitled to obtain a copy of the financial reports referred to in this Chapter.
- Unless otherwise provided by the relevant laws and regulations, the listing rules issued at the listing place of the Company and the Articles of Association in respect of the means of receipt of corporate communication, the Company shall deliver or send to each shareholder of Overseas-Listed Foreign-Invested Shares by prepaid mail at the address registered in the register of shareholders the said reports not later than twenty-one (21) days before the date of every annual general meeting of the shareholders.
- Article 240 The financial statements of the Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either international accounting standards, or that of the place outside the PRC where the Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in the financial statements. In distributing its after-tax profits, the lower of the two amounts shown in the financial statements shall be adopted.
- Article 241 The Company shall publish or disclose and prepare its half year status or financial report according to the Chinese, as well as the overseas, accountancy and legal principles.
- Article 242 The Company shall submit its annual financial reports, interim financial report and quarterly financial report to the competent securities authorities under the State Council and relevant stock exchange within four months after the expiration of each fiscal year, within two months after the expiration of the first six months of each fiscal year and within one month after the expiration of the first three (3) months and the first nine (9) months of each fiscal year, respectively.
- The above financial reports shall be prepared and announced in accordance with the provisions of the law, administrative regulations and departmental rules.
- Article 243 The Company shall not keep accounts other than those required by law. No assets of the Company shall be used to set up deposit accounts in any other name.
- Article 244 In the distribution of after-tax profits of a financial year, 10% of the profits shall be allocated to the statutory common reserve. No further allocation to the statutory common reserve is required where such reserve exceeds 50% of the registered capital of the Company.

Where the statutory common reserve is insufficient to make up losses of the previous financial year, the profits of a financial year shall be applied to make up such losses before allocation to the statutory common reserve shall be made in accordance with the above provision.

Upon the approval of the shareholders in general meeting, where the Company has made allocation to the statutory common reserve from the profits after tax, the Company may make allocation to the discretionary common reserve.

Any surplus of profits after the Company has made up losses and made allocations to the statutory common reserve may be distributed as dividends to shareholders in proportion to their shareholdings.

Where the Company or the board of directors, in breach of the above provisions, distribute dividends to shareholders before the Company has made up losses and made allocations to the statutory common reserve, such dividends distributed in breach of the above provisions shall be returned to the Company.

No profits shall be distributed in respect of the shares held by the Company.

Article 245 Capital common reserve fund includes the following items:

- (1) premium on shares issued at a premium price;
- (2) any other income designated for the capital common reserve fund by the regulations of the finance regulatory department of the State Council.

Article 246 The common reserve fund of the Company shall be applied for the following purposes:

- (1) to compensate losses;
- (2) to expand the Company's production and operation;
- (3) to convert the common reserve fund into share capital in order to increase its capital. The Company may convert its common reserve fund into share capital with the approval of shareholders in a general meeting. When such conversion takes place, the Company shall either distribute new shares in proportion to the existing shareholders' number of shares, or increase the par value of each share, provided, however, that when the statutory common reserve fund is converted to share capital, the balance of the statutory common reserve fund may not fall below 25 % of the registered capital before the conversion.

Capital reserve fund shall not be used to make up losses of the Company.

Article 247 The Company's profit distribution policy shall remain consistent and stable, whilst the Company's long-term interests, the overall interests of all shareholders, and the sustainable development of the Company shall also be considered.

Article 248 The profit distribution policies of the Company

1. Form and interval of profit distribution

The Company may distribute dividends in cash, in shares or in a combination of both cash and shares.

In the event that conditions for distribution of cash dividend are met, cash dividend shall be distributed prior to share dividend.

Final dividends shall be paid once a year. The shareholders shall by way of an ordinary resolution authorise the board of directors to declare and pay final dividends of the Company. The Company may distribute interim cash dividends upon obtaining approval from the board of directors and the shareholders at the general meeting. There should at least be a 6-month accounting period interval when the Company distributes cash dividends.

2. Conditions for distributing cash dividends and proportion 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 statutory reserve for that particular year, unless the Company has scheduled significant investments or significant cash requirements.

Significant investments or significant cash requirements mean investments or cash requirements scheduled for the next 12 months that are equivalent to or exceed 50% of the total profit of the Company realized in the most recent financial year.

3. Conditions for distributing share dividends

On the premises that the Company's operation is in good condition and that the Board considers the distribution of share dividends is beneficial to the overall interest of all shareholders of the Company due to a mismatch between the Company's stock price and its scale of share capital and in other necessary circumstances, the Company may distribute dividends in the form of shares.

Article 249 Procedures on approving the profit distribution plan

The Board is responsible for preparing the profit distribution plan. In the process of determining the profit distribution plan, the Board shall discuss with the independent directors and the supervisory committee adequately; the Board should also adopt different approaches to listen to the opinions of public shareholders, and examine the rationality of such plan. The main procedures on approving the profit distribution plan are as follows:

- (1) approved by more than half of the independent directors;
- (2) considered and approved by more than half of all directors;
- (3) considered and approved by more than half of all supervisors;
- (4) considered and approved at the shareholders' general meeting by way of an ordinary resolution. During the general meeting when discussing and considering the matters relating to profit distributing, various methods such as internet voting, and establishing an investors communication forum on the Company's website can be used to give public shareholders the opportunity to express their opinions and enquiries.

Article 250 Adjustment to profit distribution policy

When the Company's external operation environment experiences significant changes and thus significantly affect the Company's production operations, or when the Company experiences relatively major changes in its operations such that the implementation of the current profit distributing policy may severely affect the sustainable development of the Company, the Company can make adjustments to the profit distributing policy in that particular year in accordance with the procedures as follow:

- (1) the Board shall be responsible for preparing a written report setting out the reasons for the adjustments to be made to the profit distribution policy for that particular year;
- (2) independent directors shall give their independent opinion thereon, and adjustments must be approved by more than half of the independent directors;
- (3) considered and approved by not less than two-thirds of all directors;
- (4) considered and approved by not less than two-thirds of all supervisors;
- (5) considered and approved at the shareholders' general meeting by way of a special resolution. The Company should provide internet voting for the convenience of public shareholders.

- Article 251 If the conditions for distributing cash dividends are satisfied, but such cash distribution has not been made due to the special circumstances as set out in Article 248, the Company should disclose in periodic reports matters such as the reason for not distributing cash dividends, the exact use of the funds retained by the Company as well as the expected proceeds from the investment. Independent directors should give their independent opinion thereon.
- Article 252 The Company shall calculate, declare and pay dividends and other amounts which are payable to holders of Domestic-Invested Shares in Renminbi. The Company shall calculate and declare dividends and other payments which are payable to holders of Overseas-Listed Foreign-Invested Shares in Renminbi, and shall pay such amounts in the local currency of the place in which such Overseas-Listed Foreign-Invested Shares are listed (if such shares are listed in more than one place, then the currency of the principal place on which such shares are listed as determined by the board of directors).
- Article 253 The Company shall pay dividends and other amounts to holders of Foreign-Invested Shares in accordance with the relevant foreign exchange control regulations of the State. If there is no applicable regulation, the applicable exchange rate shall be the average exchange reference rate of Renminbi to the relevant foreign currency announced by the Bank of China during five (5) working days prior to the announcement of payment of dividend and other amounts.
- Article 254 The Company shall appoint receiving agents for holders of the Overseas-Listed Foreign-Invested Shares. Such receiving agents shall receive dividends which have been declared by the Company and all other amounts which the Company should pay to holders of Overseas-Listed Foreign-Invested Shares on such shareholders' behalf.
- The receiving agents appointed by the Company shall meet the relevant requirements of the laws of the place at which the stock exchange on which the Company's shares are listed or the relevant regulations of such stock exchange.
- The receiving agents appointed for holders of Overseas-Listed Foreign-Invested Shares listed in Hong Kong shall each be a company registered as a trust company under the Trustee Ordinance of Hong Kong.
- Article 255 In case of any use of the Company's capital not in compliance with the relevant laws and regulations by any shareholder, the cash dividends to be distributed to such shareholder shall be deducted by the Company in compensation for the shareholder's use of the Company's capital.
- Article 256 The Company implements an internal audit system. Special audit personnel will conduct internal audit supervision on the Company's income and expenditure and economic activities.

Article 257 The internal audit system and the duties of the audit personnel shall take effect upon approval by the board of directors. The person in charge of the audit shall be accountable and report to the board of directors.

CHAPTER 16: APPOINTMENT OF AUDITORS

Article 258 The Company shall appoint an independent firm of accountants which is qualified under the relevant regulations of the State with relevant qualifications in securities affairs to audit the Company's annual report and review the Company's other financial reports.

The first auditors of the Company may be appointed before the first annual general meeting of the Company at the inaugural meeting. Auditors so appointed shall hold office until the conclusion of the first annual general meeting.

If the inaugural meeting does not exercise the powers under the preceding paragraph, those powers shall be exercised by the board of directors.

Article 259 The auditors appointed by the Company shall hold office from the conclusion of the annual general meeting of shareholders at which they were appointed until the conclusion of the next annual general meeting of shareholders.

Article 260 The auditors appointed by the Company shall enjoy the following rights:

- (1) a right to review to the books, records and vouchers of the Company at any time, the right to require the directors or senior officers of the Company to supply relevant information and explanations;
- (2) a right to require the Company to take all reasonable steps to obtain from its subsidiaries such information and explanation as are necessary for the discharge of its duties;
- (3) a right to attend shareholders' general meetings and to receive all notices of, and other communications relating to, any shareholders' general meeting which any shareholder is entitled to receive, and to speak at any shareholders' general meeting in relation to matters concerning its role as the Company's accountancy firm.

Article 261 The Company shall ensure the provision of true and complete accounting evidences, accounting books, financial statements and other financial information to the accounting firm it has engaged with withheld, omission and fraud.

- Article 262 If there is a vacancy in the position of auditor of the Company, the board of directors may appoint an accountancy firm to fill such vacancy before the convening of the shareholders' general meeting. Any other accountancy firm which has been appointed by the Company may continue to act during the period during which a vacancy arises.
- Article 263 The shareholders in a general meeting may by ordinary resolution remove the Company's auditors before the expiration of its term of office, irrespective of the provisions in the contract between the Company and the Company's auditors. However, the accountancy firm's right to claim for damages which arise from its removal shall not be affected thereby.
- Article 264 The remuneration of an accountancy firm or the manner in which such firm is to be remunerated shall be determined by the shareholders in a general meeting. The remuneration of an accountancy firm appointed by the board of directors shall be determined by the board of directors.
- Article 265 The Company's appointment, removal or non-reappointment of an accountancy firm shall be resolved by the shareholders in a general meeting. Such resolution shall be filed with the State Council. The removal or non-reappointment of an accountancy firm shall be notified to the accounting firm seven days in advance.

Where a resolution at a general meeting of shareholders is passed to appoint as auditor a person other than an incumbent auditor, to fill a casual vacancy in the office of auditor, to reappoint as auditor a retiring auditor who was appointed by the board of directors to fill a casual vacancy or to remove an auditor before the expiration of his term of office, the following provisions shall apply:

- (1) A copy of the appointment or removal proposal shall be sent (before notice of meeting is given to the shareholders) to the firm proposed to be appointed or proposing to leave its post or the firm which has left its post in the relevant fiscal year (leaving includes leaving by removal, resignation and retirement).
- (2) If the auditor leaving its post makes representations in writing and requests the Company to give the shareholders notice of such representations, the Company shall (unless the representations have been received too late) take the following measures:
 - (a) in any notice of the resolution given to shareholders, state the fact of the representations having been made; and
 - (b) attach a copy of the representations to the notice and deliver it to the shareholders in the manner stipulated in these Articles of Association.
- (3) If the Company fails to send out the auditor's representations in the manner set out in sub-paragraph (2) above, such auditor may (in addition to his right to be heard) require that the representations be read out at the meeting.

- (4) An auditor which is leaving its post shall be entitled to attend the following shareholders' general meetings:
- (a) the general meeting at which its term of office would otherwise have expired;
 - (b) the general meeting at which it is proposed to fill the vacancy caused by its removal; and
 - (c) the general meeting which convened as a result of its resignation,

and to receive all notices of, and other communications relating to, any such meeting, and to speak at any such meeting which it attends on any part of the business of the meeting which concerns it as former auditor of the Company.

Article 266

Prior notice should be given to the accountancy firm if the Company decides to remove such accountancy firm or not to renew the appointment thereof. Such accountancy firm shall be entitled to make representations at the shareholders' general meeting. Where the accountancy firm resigns from its position as the Company's auditors, it shall make clear to the shareholders in a general meeting whether there has been any impropriety on the part of the Company.

An accountancy firm may resign its office by depositing at the Company's legal address a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall contain the following statements:

- (1) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; or
- (2) a statement of any such circumstances.

Where a notice is deposited under the preceding sub-paragraph, the Company shall within fourteen (14) days send a copy of the notice to the relevant governing authority. If the notice contains a statement under the preceding sub-paragraph (2), a copy of such statement shall be placed at the Company for shareholders' inspection. The Company should also send a copy of such statement by prepaid mail to every shareholder of Overseas-Listed Foreign Shares at the address registered in the register of shareholders.

Where the auditor's notice of resignation contains a statement in respect of the above, it may require the board of directors to convene a shareholders' extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

CHAPTER 17: INSURANCE

Article 267 The different types or items of the Company's insurance shall be insured in accordance with the relevant insurance law in China.

CHAPTER 18: LABOUR AND PERSONNEL MANAGEMENT SYSTEMS

Article 268 The Company may at its discretion employ and dismiss employees and enter into employment contracts with all employees based on the business development needs of the Company and in accordance with the requirements of the laws and administrative regulations of the State.

Article 269 The Company may formulate its labour and payroll systems and payment methods in accordance with the relevant laws and regulations of the State and the economical benefits of the Company.

Article 270 The Company shall endeavour to improve its employee benefits and to continually improve the working environment and living standards of its employees.

Article 271 The Company shall provide pension, medical, educational, occupier disability and unemployment insurance for its employees and put in place a social security system, in accordance with the relevant laws and regulations of the State.

CHAPTER 19: TRADE UNIONS

Article 272 The Company's employees may form trade unions, carry on trade union activities and protect their legal rights. The Company shall provide the necessary conditions for such activities.

CHAPTER 20: MERGER AND DIVISION OF THE COMPANY

Article 273 In the event of the merger or division of the Company, a plan shall be presented by the Company's board of directors and shall be approved in accordance with the procedures stipulated in these Articles of Association. The Company shall then go through the relevant approval process. A shareholder who objects to the plan of merger or division shall have the right to demand the Company or the shareholders who consent to the plan of merger or division to acquire such dissenting shareholders' shareholding at a fair price. The contents of the resolution of merger or division of the Company shall constitute special documents which shall be available for inspection by the shareholders of the Company.

Such special documents shall be sent by means as provided in Article 295 to holders of Overseas-Listed Foreign-Invested Shares.

Article 274 The merger of the Company may take the form of either merger by absorption or merger by the establishment of a new company.

A company that absorbs other company is known as merger by absorption whereby the company being absorbed shall be dissolved. The merger of two or more companies by the establishment of a new company is known as merger by the establishment of a new company, whereby the merged companies shall be dissolved.

In the event of a merger, the merging parties shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten (10) days of the date of the Company's merger resolution and shall publish a public notice in a newspaper at least three (3) times within thirty (30) days of the date of the Company's merger resolution. Within thirty days the creditors receive the notice, or within forty-five days the notice is announced, the creditors may demand the Company to settle its debts or to provide corresponding guarantee.

At the time of merger, rights in relation to debtors and indebtedness of each of the merged parties shall be assumed by the company which survives the merger or the newly established company.

Article 275 Where there is a division of the Company, its assets shall be divided up accordingly.

In the event of division of the Company, the parties to such division shall execute a division agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten (10) days of the date of the Company's division resolution and shall publish a public notice in a newspaper at least three (3) times within thirty (30) days of the date of the Company's division resolution.

Debts of the Company prior to division shall be assumed incidentally by the companies which exist after the division, except those debts that have otherwise separately agreed by the Company with the creditors in writing for the settlement of the debts before the division.

Article 276 The Company shall, in accordance with law, apply for change in its registration with the companies registration authority where a change in any item in its registration arises as a result of any merger or division. Where the Company is dissolved, the Company shall apply for cancellation of its registration in accordance with law. Where a new company is established, the Company shall apply for registration thereof in accordance with law.

When there is increase or reduction in the share capital of the Company, the Company shall apply for change in its registration with the company registration authority in accordance with the law.

CHAPTER 21: DISSOLUTION AND LIQUIDATION

Article 277 The Company shall be dissolved and liquidated upon the occurrence of any of the following events:

- (1) a resolution for dissolution is passed by shareholders at a general meeting;
- (2) dissolution is necessary due to a merger or division of the Company;
- (3) the Company is legally declared insolvent due to its failure to repay debts as they become due; and
- (4) the Company is ordered to close down because of its violation of laws and administrative regulations.

Sub-paragraphs (1) and (2) of the above shall be approved by the State Council's foreign trade and economic authorities.

(5) shareholders holding at least 10% of the shares of the Company may apply to the People's Court to dissolve the Company if the Company experiences extreme difficulties in respect of its operation and management, which cannot otherwise be resolved, such that if the Company continues to operate, its shareholders will suffer significant losses.

Article 278 A liquidation committee shall be set up within fifteen (15) days of the Company being dissolved pursuant to sub-paragraph (1) of the preceding Article, and the composition of the liquidation committee of the Company shall be determined by an ordinary resolution of shareholders in a general meeting. If a liquidation committee is not set up within the specified time limit, the creditors of the Company may apply to the people's court to appoint designated persons to carry out the liquidation.

Where the Company is dissolved under sub-paragraph (3) of the preceding Article, the People's Court shall in accordance with the provisions of relevant laws organise the shareholders, relevant organisations and relevant professional personnel to establish a liquidation committee to carry out the liquidation.

Where the Company is dissolved under sub-paragraph (4) of the preceding Article, the relevant governing authorities shall organise the shareholders, relevant organisations and professional personnel to establish a liquidation committee to carry out the liquidation.

Article 279 Where the board of directors proposes to liquidate the Company for any reason other than the Company's declaration of its own insolvency, the board shall include a statement in its notice convening a shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the board of directors is of the opinion that the Company will be able to pay its debts in full within twelve (12) months from the commencement of the liquidation.

Upon the passing of the resolution by the shareholders in a general meeting for the liquidation of the Company, all functions and powers of the board of directors shall cease.

The liquidation committee shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the shareholders' general meeting on the committee's income and expenses, the business of the Company and the progress of the liquidation; and to present a final report to the shareholders' general meeting on completion of the liquidation.

Article 280 The liquidation committee shall, within ten (10) days of its establishment, send notices to creditors and shall, within sixty (60) days of its establishment, publish a public announcement in a newspaper at least three (3) times.

A creditor shall, within thirty (30) days of receipt of the notice, or for creditors who have not personally received such notice, within forty five (45) days of the date of the first public announcement, report its rights to the liquidation committee. When reporting his rights, the creditor shall provide an explanation of matters which are relevant thereto and shall provide evidential material in respect thereof. The liquidation committee shall register the creditor's rights.

No repayment shall be made by the liquidation committee during the period of reporting creditors' rights.

Article 281 During the liquidation period, the liquidation committee shall exercise the following functions and powers:

- (1) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (2) to send notify the creditors or to publish public announcements;
- (3) to dispose of and liquidate any unfinished businesses of the Company;

- (4) to pay all outstanding taxes and taxes incurred in the process of liquidation;
- (5) to settle claims and debts;
- (6) to deal with the surplus assets remaining after the Company's debts have been repaid;
- (7) to represent the Company in any civil proceedings.

Article 282 After it has sorted out the Company's assets and after it has prepared the balance sheet and an inventory of assets, the liquidation committee shall formulate a liquidation plan and present it to a shareholders' general meeting or to the relevant governing authority or the people's court for confirmation.

The company's assets shall be distributed in accordance with law or regulation. If there is no applicable law, such distribution shall be carried out in accordance with a fair and reasonable procedure determined by the liquidation committee.

Any surplus assets of the Company remaining after its debts have been repaid in accordance with the provisions of the preceding paragraph shall be distributed to its shareholders according to the class of shares and the proportion of shares held.

During the liquidation period, the Company subsists but shall not commence any business activities not related to liquidation. Prior to the repayment in accordance of the previous paragraphs, the Company's assets shall not be distributed to the shareholders.

Article 283 If after putting the Company's assets in order and preparing a balance sheet and an inventory of assets in connection with the liquidation of the Company, the liquidation committee discovers that the Company's assets are insufficient to repay the Company's debts in full, the liquidation committee shall immediately apply to the People's Court for a declaration of insolvency.

After a Company is declared insolvent by a ruling of the People's Court, the liquidation committee shall transfer all matters arising from the liquidation to the People's Court.

Article 284 Following the completion of the liquidation, the liquidation committee shall prepare a liquidation report, a statement of income and expenses received and made during the liquidation period and a financial report, which shall be verified by a Chinese registered accountant and submitted to the shareholders' general meeting or the relevant governing authority or the people's court for confirmation.

The liquidation committee shall, within thirty (30) days after such confirmation, submit the documents referred to in the preceding paragraph to the companies registration authority and apply for cancellation of registration of the Company, and publish a public announcement relating to the termination of the Company.

- Article 285 The members of the liquidation committee shall act fiducially and perform the obligations of liquidation pursuant to the law.
- The members of the liquidation committee shall not take advantage of his office power, taking bribes or other illegal income or illegally taking possession of the assets of the Company.
- The members of the liquidation committee shall indemnify the loss incurred by the Company or the creditors as a result of his willful act or serious misconduct.
- Article 286 Where the Company is declared bankrupt pursuant to the law, bankruptcy liquidation shall be implemented pursuant to the relevant enterprise bankruptcy law.

CHAPTER 22: PROCEDURES FOR AMENDMENT OF THE COMPANY'S ARTICLES OF ASSOCIATION

- Article 287 The Company may amend its Articles of Association in accordance with the requirements of laws, administrative regulations and the Company's Articles of Association.
- The Company shall amend these Articles of Association on the occurrence of any of the following events:
- (1) The Company Law or the relevant laws or administrative regulations are amended and these Articles are in conflict with the amended laws or administrative regulations;
 - (2) There is change to the Company which makes it not consistent with these Articles of Association;
 - (3) It has been approved by the shareholders in a general meeting to amend these Articles.
- Article 288 The Company's Articles of Association shall be amended in the following manner:
- (1) The board of directors, supervisory committee and shareholders who individually or jointly hold 3% or more of the Company's voting shares shall propose the manner in which the Company's Article of Association shall be amended;

- (2) Unless otherwise provided by the relevant laws and regulations, the listing rules issued at the listing place of the Company and the Articles of Association in respect of the means of receipt of corporate communication, the foregoing proposal shall be furnished to the shareholders in writing and a shareholders' meeting shall be convened;
- (3) The amendments shall be approved by votes representing more than two-thirds of the voting rights represented by the shareholders present at the meeting.

Article 289 Amendment of the Company's Articles of Association shall become effective upon receipt of approvals from the foreign trade and economic authorities. Amendment involving the contents of the Mandatory Provisions of Overseas-Listed Companies' Articles of Association shall become effective upon receipt of approvals from the State Council's securities authorities and the companies approving department authorised by the State Council. If there is any change relating to the registered particulars of the Company, application shall be made for change in registration in accordance with law.

Article 290 The board of directors shall amend these Articles of Association pursuant to the resolutions of shareholders in a general meeting for amendment of these Articles and the approval opinions of the competent authority.

Article 291 If the amendment to the Articles of Association is a matter which is required by the relevant laws and regulations to be disclosed, an announcement shall be made in accordance with the provisions of those laws and regulations.

CHAPTER 23: DISPUTE RESOLUTION

Article 292 The Company shall abide by the following principles for dispute resolution:

- (1) Whenever any disputes or claims arise between: holders of the Overseas-Listed Foreign-Invested Shares and the Company; holders of the Overseas-Listed Foreign-Invested Shares and the Company's directors, supervisors or senior officers; or holders of the Overseas-Listed Foreign-Invested Shares and holders of Domestic-Invested Shares, in respect of any rights or obligations arising from these Articles of Association, the Company Law or any rights or obligations conferred or imposed by the Company Law and special regulations (including other relevant laws) or any other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall, where such person is the Company, the Company's shareholders, directors, supervisors or senior officers of the Company, comply with the arbitration.

Disputes in respect of the definition of shareholders and disputes in relation to the register of shareholders need not be resolved by arbitration.

- (2) A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its Rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects for arbitration to be carried out at Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

- (3) If any disputes or claims of rights are settled by way of arbitration in accordance with sub-paragraph (1) of this Article, the laws of the PRC shall apply, save as otherwise provided in the laws and administrative regulations.
- (4) The award of an arbitral body shall be final and conclusive and binding on all parties.

Article 293

Definitions:

(1) de facto controller means a party that is not a shareholder of the company, but shall be capable to control the act of the Company through investment relationship, agreement or other arrangements.

(2) Connected relationship means the relationship between the controlling shareholder of the Company, its de facto controller, directors, supervisors, senior officers and enterprises directly or indirectly controlled by it, as well as other relationships that may result in the transfer of the Company's interests. However, state-owned enterprises do not have connected relationship solely as a result of being controlled by the State.

CHAPTER 24: SUPPLEMENTARY

- Article 294 The rules of meetings of the shareholders' general meeting, the board of directors and the supervisory committee are attached as Appendices to these Articles. In the event that the rules of meetings of the shareholders' general meeting, the board of directors and the supervisory committee are in conflict with these Articles, these Articles shall prevail.
- Article 295 If a notice of the general meeting of shareholders, board meeting or meeting of the supervisory committee is issued by hand, the date when the recipient signed or stamped to acknowledge receipt of the same shall be regarded as the date of service of the notice. If the notice is issued by post, the seventh day from the date it is delivered to the post office shall be regarded as the date of service of the notice. If a notice of the Company is issued by public announcement, it shall be deemed received by the relevant officers once announced.
- Article 296 If a notice of meeting is accidentally omitted to be sent to any person who is entitled to receive pursuant to Article 168 of these Articles or that person has not received such a notice of meeting, it will not cause the meeting and any resolution made therein to be void.
- Article 297 Unless otherwise provided by the relevant laws and regulations, the listing rules issued at the listing place of the Company and the Articles of Association in respect of the means of receipt of corporate communication, notices, communications or other written documents of the Company (including but not limited to annual reports, interim reports, quarterly reports, notices of meetings, listing documents, circulars, proxy forms and holding announcements) shall be sent by the following means:
- (1) by hand;
 - (2) by mail;
 - (3) by fax , email or other electronic format;
 - (4) subject to laws, administrative regulations and relevant provisions of securities regulatory authority of the place where the Company is listed, by publishing on the website designated by the Company and the stock exchange;
 - (5) by announcement on one national newspaper which has been approved by the State Council Securities Policy Committee and other designated media;
 - (6) by other means acceptable to securities regulatory authority of the place wherethe Company is listed.
- Notwithstanding the requirements in relation to the means of sending notice, communications or other documents set out in this Articles of Association, the Company may use the means set out in sub-section (4) of this Article to replace the use of personal delivery or prepaid airmail to holders of Overseas-Listed Foreign Invested Shares, provided that the listing rules issued at the listing place of the Company is complied with.

- Article 298 In these Articles of Association, references to “accountancy firm” shall have the same meaning as “auditors”.
- Article 299 The Company’s Articles of Association are written in Chinese and English. Both text shall be equally valid. If there is any discrepancy between the two versions, the Chinese version of the Articles of Association most recently filed at the Shandong Administration of Industry and Commerce shall prevail.
- Article 300 The expressions of “above”, “within” and “below” shall include the figures mentioned whilst the expression of “less than” and “more than” shall not include the figures mentioned.
- Article 301 These Articles of Association shall be interpreted by the Company’s board of directors.

Provision of Materials Agreement

between

Yankuang Group Company Limited

and

Yanzhou Coal Mining Company Limited

24 OCTOBER 2014

This agreement is made and come into force of this day of 24 October 2014 in Zoucheng City, Shangdong Province, between:

Yankuang Group Company Limited, a wholly state-owned enterprise incorporated and validly exists under the laws of PRC with registry number of business license for legal person as 370000018019807 and registered office at 298 Fushannan Road Zoucheng, Shandong Province and its legal representative being Zhang Xinwen (hereinafter referred to as “Yankuang Group”).

Yanzhou Coal Mining Company Limited, a company with limited liability incorporated and validly exists under the laws of PRC listing in the Shanghai Stock Exchange, Hong Kong Stock Exchange and New York Stock Exchange, with registry number of business license for legal person as 370000400001016 and registered office at 298 Fushannan Road Zoucheng, Shandong Province and its legal representative being Li Xiyong (hereinafter referred to as “the Company”).

Where:

1. On 25 September 1997, Yankuang Group, as the only promoter, founded the Company pursuant to PRC laws. As part of its reorganization, Yankuang Group injected assets and liabilities relating to its major coal production business into the Company, and Yankuang Group retained the remaining assets and liabilities.
2. After successive IPO and listing of the Company in the Shanghai Stock Exchange, Hong Kong Stock Exchange and New York Stock Exchange, Yankuang Group remains the controlling stockholder of the Company, holding directly and indirectly a total of 56.52% of the stocks in the Company as at the date hereof.
3. On 23 April 2012 Yankuang Group and the Company entered into the Provision of Materials Agreement, which was ratified by the independent shareholders on 22 June 2012. This agreement was effective for 3 years from 1 January 2012 to 31 December 2014. Pursuant to the original Provision of Materials Agreement, Yankuang Group provided the Company with materials as a routine.
4. According to the latest development of Yankuang Group and the Company, Yankuang Group will continue to provide materials to the Company.

Pursuant to the Contract Law of the People's Republic of China, the relevant laws and regulations, and the local regulatory requirements in the listing locations of the Company, Yankuang Group and the Company, through friendly discussion, agree on provision of labour and services by Yankuang Group to the Company as follow:

1. **Definition and explanations**

1.1 Definition

Terms herein have the following meaning unless otherwise required by the context:

“Fiscal year”	refers to	each year from 1 January to 31 December;
“Half year”	refers to	from 1 January to 30 June or from 1 July to 31 December for each fiscal year;
“Agreed Provision”	refers to	the provision of materials;
“Hong Kong Stock Exchange”	refers to	the Stock Exchange of Hong Kong Limited;
“Market price”	refers to	the market price of agreed provision calculated pursuant to clause 4.2 of the agreement in applicable circumstances;
Materials	refers to	Production materials such as conveyor belts and mining cables, and equipments, materials and coal provided by Yankuang Group and its subsidiaries or associated persons to the Company and its subsidiaries pursuant to clause 2.1 of the agreement;
“PRC”	refers to	People's Republic of China;
“Previous Connected Transaction Agreement”	refers to	the Provision of Materials Agreement entered between Yankuang Group and the Company on 23 April 2012;
“State regulated price”	refers to	price of agreed provision set in accordance with clause 4.3; and
“Subsidiaries”	refers to	the holding subsidiaries and other affiliates of Yankuang Group and the Company.

1.2 Explanation

Unless the contrary intention appears,

(1) Where the provision of materials is involved herein, Yankuang Group and the Company shall include its respective subsidiaries. Yankuang Group also includes its associated persons from time to time (“associated persons” has the meaning ascribed to it in the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited). For the purpose of this agreement, the subsidiaries of Yankuang Group exclude the Company and the subsidiaries of the latter;

(2) Any party in the agreement and any other agreements includes its successors or approved assignees (if any);

(3) Clauses and appendixes refer to the clauses and appendixes hereof;

(4) Any clauses herein shall not be interpreted as the prohibition of postponing, revision, modification or supplement of the agreement;

(5) The title of the agreement is intended for convenience purpose only and shall not affect the content and explanation hereof.

2. Agreed provision

2.1 Agreed provision provided by Yankuang Group to the Company in accordance with the agreement includes but not limited to: materials including conveyor belt, mining cable, supporting roller, timber, bearing, and mining equipments including hydraulic support and belt conveyor, and other similar materials and coal.

2.2 Yankuang Group shall provide the Company with the agreed provision pursuant to the terms hereof and specific terms (including but not limited to quantity and quality) in written agreements entered into by both parties from time to time.

2.3 Yankuang Group undertakes that, in any case, the charge for provision of materials by Yankuang Group shall not be higher than that to an independent third party. In appropriate circumstances, Yankuang Group offers favourable price.

2.4 Pursuant to the clauses and terms in this agreement, the Company can purchase materials from Yankuang Group. For the avoidance of doubt, the Company shall not be obligated to purchase materials from Yankuang Group unless otherwise confirmed in written from time to time.

2.5 In the case of more favourable terms and conditions for provision of the same materials by any third party, or where the materials provided by Yankuang Group fail to satisfy the Company in any aspect (including quality, quantity), the Company shall have the right to purchase the same materials from a third party. For the avoidance of doubt, in any case, the Company shall not be obligated to purchase the agreed provision solely from Yankuang Group.

3. **Execution**

- 3.1 The Company shall submit the materials demand plan for the coming year or service adjustment plan for the current year (“annual provision plan”) to Yankuang Group prior to 31 November each year. The parties shall agree on the plan before 31 December of the year. Where the materials demand plan of the Company for the coming year is identical to that of the current year, Yankuang Group shall perform such plan.
- 3.2 The parties and their subsidiaries and associated person of Yankuang Group shall enter into specific materials provision contracts in accordance with this agreement (including the annual provision plan made under this agreement).
- 3.3 The annual provision plans or specific provision contracts can be adjusted during the course of execution upon agreement by both parties if necessary.
- 3.4 Payments for the agreed provision can be made in one time or by instalments.
- 3.5 Each of the two parties shall record the amount due and payable to one another for the current month or the amount due and receivable from one another for the current month regarding the continuing connected transactions on their respective account books before the last business day of each calendar month at the latest. The settlement of the transaction amounts of the continuing connected transactions incurred for each calendar month shall be completed within the following month, except for any amount of transactions not yet completed or any disputed amount.

4. **Pricing basis of agreed provision**

- 4.1 The prices of the agreed provision shall be determined in accordance with market prices, which should be calculated and estimated before the beginning of the fiscal year where possible.
- 4.2 The prices of the agreed provision shall be calculated at market prices, and shall be determined in accordance with the general commercial terms and following basis:

(1) The prices of identical or similar agreed provision that an independent third party in the area of provision or in its vicinity of identical or similar agreed provision should charge in accordance with general commercial terms during its daily business operation; or

(2) Where (1) above is not applicable, the prices that an independent third party within the PRC territory should charge when providing identical or similar agreed provision in accordance with general commercial terms during its daily business operation.

4.3 At any time, both parties agree to adopt any state regulated price effective and applicable to the agreed provision hereof. Such price is required for such agreed provision in accordance to the laws, regulations, decrees or pricing policies (as the case may be) made by the relevant Chinese government agencies.

5. **Representations, warranties and undertakings by Yankuang Group**

- 5.1 Yankuang Group, a wholly state owned enterprise with limited liability and a status of independent legal entity incorporated under the laws, currently holds a valid business license.

- 5.2 Yankuang Group has been engaging in business activities in accordance with the laws, and has never been involved in any business exceeding the scope set by laws.
- 5.3 The signing or performance of obligations hereof by Yankuang Group neither breaches nor legally conflicts with any other agreements it has entered into or its articles of association.
- 5.4 Yankuang Group undertakes to the Company that the terms of that provision of materials that the former provides to the latter shall be no less favourable than those provided to any independent third parties by itself, its subsidiaries or associated person (as the case may be)
- 5.5 Yankuang Group undertakes and guarantees to provide the Company with materials which are in accordance with and meet the requirements and standards as negotiated and set by the parties from time to time.
- 5.6 Yankuang Group undertakes to maintain adequate employees who have certain qualifications to provide the agreed provision, its employees can have adequate guidance and instructions to provide the Company with the agreed provision according to the reasonable requirements of the Company.
- 5.7 Yankuang Group guarantees to the Company that, when the former provides any agreed provision, it will grant a preferential right to the Company to receive any materials provision hereof and a preferential right to the Company to purchase materials provided by Yankuang Group to any third parties (including but not limited to any other third parties related to Yankuang Group) with identical terms.
- 5.8 Yankuang Group guarantees that regarding any provision of materials provided by its subsidiaries and/or associated persons to the Company, it will cause the subsidiaries and/or associated persons concerned to provide the materials concerned to the Company and/or its subsidiaries according to the requirements hereof.

- 5.9 Yankuang Group guarantees to the Company that the former shall be liable for any act of violation of the terms hereof made by its subsidiaries and/or associated persons when providing the agreed provision.
- 5.10 Yankuang Group guarantees to the Company that the former will cause its subsidiaries and associated persons to take all necessary action to fulfil their obligations under this agreement.
- 5.11 Yankuang Group undertakes to take reasonable measures to avoid any losses of the Company arising from certain omission during the performance of obligations of the former hereof. In case of any losses of the Company arising therefrom, Yankuang Group guarantees to compensate for all the losses of the Company.

6. **Representations, warranties and undertakings by the Company**

- 6.1 The Company, a limited liability company and a status of independent legal entity incorporated under the laws, currently holds a valid business license.
- 6.2 The Company has been engaging in business activities in accordance with the laws, and has never been involved in any business exceeding the scope set by laws.
- 6.3 The signing or performance of obligations hereof by the Company neither breaches nor legally conflicts with any other agreements it has entered into or its articles of association.
- 6.4 The Company guarantees to make timely payment to Yankuang Group for the agreed provision in accordance with the provisions of this agreement.

7. **Termination of agreed provision**

- 7.1 In case the Company cannot easily obtain similar materials from a third party in equivalent terms of this Agreement, Yankuang Group shall not terminate the provision of materials hereunder for any reason.

- 7.2 Subject to clause 7.1, any party of this agreement may terminate the provision or purchase of a certain kind of materials by providing not less than 12 months' prior written termination notice to the other party. The kind of material provision or purchase to be terminated and the effective date of such termination shall be specified in the termination notice. The provision or purchase of that materials stated in that notice will automatically be terminated from the effective termination date stated in that notice. If the provision of any materials is terminated according to this clause, that termination shall not affect the other rights and obligations of Yankuang Group or the Company hereunder.
- 7.3 For the avoidance of doubt, both parties agree that, where the Company has issued a termination notice of agreed provision pursuant to clause 7.2, Yankuang Group shall continue its provision of materials to the Company pursuant to applicable provision clauses (other than the requirement(s) on duration of provision) from the issue date of the notice until the effective termination date. The applicable clauses at that time shall include the relevant terms of the supplemental agreement entered in accordance with clause 8.3.

8. **Effective date, term and termination of agreement**

- 8.1 Unless otherwise agreed in written form by both parties, this Agreement shall apply with effect from 1 January 2015, subject to the signing by the legal representatives or authorized representatives of both parties and the approval by the board of directors or the independent shareholders pursuant to the approval permission and local regulatory requirements in the listing locations of the Company.
- 8.2 This agreement is valid for 3 years starting from 1 January 2015 until 31 December 2017. The previous Connected Transactions Agreement shall terminate automatically after this agreement has taken effect.

- 8.3 In case of any need to modify this agreement, both parties shall enter into a supplemental agreement on the relevant issues prior to the end of November in the year prior to the relevant fiscal year specified in such supplemental agreement. In the event of failure of both parties to agree on the terms of the supplemental agreement before the above time limit, the current terms of provision shall be applicable to the next fiscal year until an agreement is reached or the disputes are settled by both parties pursuant to clause 8.4.
- 8.4 Where the parties fail to reach an agreement in connection with any matters related to the transaction price (including but not limited to the amount and the time of payment), such matters shall, upon the request of any party, be submitted to Zoucheng City Pricing Bureau as a mediator for determining a solution. Such decision by Zoucheng City Price Bureau shall be final and binding on both parties.
- 8.5 Both parties may negotiate and enter into a new provision of materials agreement prior to the termination of this Agreement to ensure the normal operation and production of both parties after such termination.
- 8.6 In case of material default of any clauses hereof by any party (“defaulting party”), this agreement may be terminated immediately by the other party if the defaulting party has failed to remedy such default within the reasonable period requested by the other party in a written notice pointing out the such act of default, or if such act of default is not remediable.
- 8.7 The termination of this Agreement shall not harm any rights or duties of any party already incurred.

9. **Performance of the agreement**

In accordance with the regulatory requirements of the listing locations of the Company (including but not limited to Hong Kong Stock Exchange Listing Rules and Shanghai Stock Exchange Stock Listing Rules), an annual quota of transaction shall be set for the continuing connected transactions under this Agreement. Where the annual quota for the agreed provision requires the approval by the independent shareholders of the Company, the continuity of such transactions shall be subject to the approval of the independent shareholders of the Company. Where, in any year, the actual amount of such transactions exceeds the annual quota approved by the independent shareholders of the Company, both parties should terminate the agreed provision in excess of the annual quota approved by the independent shareholders before the Company has performed the approval procedures according to the regulatory requirements of the listing locations.

10. **Announcement**

Any party shall not make or permit the other party to make (where one party is capable of controlling the other party) any announcement related to the subject of this agreement or any relevant issues without prior written consent of the other party, save for announcement made in compliance with the requirements of the law or the China Securities Regulatory Commission, Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Securities and Futures Commission in Hong Kong, the New York Stock Exchange, the United States Securities and Exchange Commission or the regulatory authorities in any other listing locations of the Company.

11. **Other requirements**

- 11.1 Neither party shall assign or transfer its rights or obligations under this agreement to any third parties without written consent of the other party.
- 11.2 This Agreement and its Appendix shall constitute a complete agreement by both parties on all issues herein and replace all prior agreements by both parties related to such transactions. In case of violation of any clauses of the previous connected transactions agreement by any party (“defaulting party”), the validity of this agreement shall not affect any rights entitled by the other party (“non-defaulting party”) due to the violation of the defaulting party.

- 11.3 Should any clauses herein become illegal, invalid or unenforceable at any time, the other clauses shall not be affected.
- 11.4 In case of any failure of performance of its obligations of this agreement by any party pursuant to the requirements hereof due to force majeure matters, that party shall provide evidence and written notice to the other party in time, then it shall not be deemed as having made any act of default. The other party shall agree provide a reasonable period for performance of duties and obligations according to the situation.
- 11.5 Both parties agree to bear all relevant costs and expenses required by the relevant laws of the PRC arising from their entering into this agreement or evenly bear such costs and expenses if it is not specified by the laws.
- 11.6 Any amendments of this agreement or its appendix shall be made by written agreement where possible and shall be signed by both parties and approved via appropriate legal procedures.
- 11.7 Unless otherwise required, failure or delay in exercising its rights, powers or privileges hereunder by any party shall not constitute a waiver of such rights, power or privileges, and a single or partial exercise of such right, power or privilege does not exclude its exercise of any other rights, power or privileges.
- 11.8 The Appendix of this Agreement is an integral part of this Agreement, and shall be equally binding as if it had been included in the Agreement.

12. **Notice**

12.1 Any notices or other documents for the parties in accordance with this Agreement shall be delivered by hand, by post or fax to the relevant parties at the following addresses:

(a) Yankuang Group: Yankuang Group Company Limited

Address: 298 Fushannan Road,
Zoucheng City,
Shandong Province
P.R. of China

Tel: 0537-5382232

Fax: 0537-5382831

(b) The Company: Yanzhou Coal Mining Company Limited
Address: 298 Fushannan Road,
Zoucheng City,
Shandong Province
P.R. of China
Tel: 0537-5382319
Fax: 0537-5383311

12.2 Arrival time of notices or documents:

- (a) Delivery by hand: upon hand-over of the letter;
- (b) Delivery by mail: within five (5) working days after posting (excluding Saturdays, Sundays and public holidays in PRC); and
- (c) Delivery by fax: upon receipt of fax. Where the fax is received outside business hours, the receiving time shall be the general business hours of the second day (excluding Saturdays, Sundays and public holidays in PRC) and the sender shall present the confirmation printed from the fax machine to indicate the completion of faxing.

13. **Applicable laws and jurisdiction**

This agreement shall be governed by and construed by the applicable laws of PRC. Any disputes (including any issues concerning the existence, validity, and rights and duties of both parties under this Agreement) arising from or in connection with this Agreement not resolved through friendly negotiation may be submitted to Jining Arbitration Commission located in Jining city for arbitration according to its prevailing Provision Rules of Procedure upon request of any party. This arbitrate award shall be final and binding upon both parties.

14. **Others**

This agreement is provided in Chinese.

Copies of this agreement, which are made in quadruplicate with equal legal effects, shall be held respectively by both parties (2 copies for each party) upon signature and sealing by the legal or authorized representatives of both parties.

In witness hereof, this agreement has been signed on the date specified on the first page.

Yankuang Group Company Limited (Seal)

Legal representative
/authorized representative: _____

Yanzhou Coal Mining Company Limited (Seal)

Legal representative
/authorized representative: _____

Appendix: Provision of materials by Yankuang Group to the Company

<u>Item no.</u>	<u>Item provided</u>	<u>Pricing basis</u>	<u>Provision period</u>	<u>Notice period for termination</u>
1	Materials and equipment for production, including but not limited to mining equipment and machineries such as conveyor belts and power cable for mining and other similar materials and coal	Market price	3 years	12 months

Mutual Provision of Labor and Services Agreement

between

Yankuang Group Company Limited

and

Yanzhou Coal Mining Company Limited

24 OCTOBER 2014

This agreement is made and comes into force on 24 October 2014 in Zoucheng City, Shandong Province, between:

Yankuang Group Company Limited, a wholly state-owned enterprise established and validly exists under the laws of PRC with registration number of business license for legal person as 370000018019807 and registered office at 298 Fushan South Road Zoucheng City, Shandong Province and its legal representative being Zhang Xinwen (hereinafter referred to as “Yankuang Group”).

Yanzhou Coal Mining Company Limited, a joint stock limited company incorporated and validly exists under the laws of PRC, the publicly issued shares of which are listed on the Shanghai Stock Exchange, Hong Kong Stock Exchange and New York Stock Exchange, with registration number of business license for legal person as 370000400001016 and registered office at 298 Fushan South Road, Zoucheng City, Shandong Province and its legal representative being Li Xiyong (hereinafter referred to as “the Company”).

Whereas:

1. On 25 September 1997, Yankuang Group, as the sole promoter, founded the Company pursuant to PRC laws. As part of its reorganization, Yankuang Group injected assets and liabilities relating to its major coal production business into the Company, and Yankuang Group retained the remaining assets and liabilities.
2. After successive IPO and listing of the Company in the Shanghai Stock Exchange, Hong Kong Stock Exchange and New York Stock Exchange, Yankuang Group remains the controlling shareholder of the Company, holding directly and indirectly a total of 56.52% of the stocks in the Company as at the date hereof.

Yankuang Group owns the ancillary facilities and service systems related to coal production and business, such ancillary facilities and service systems can provide a series of services to the Company; and the Company, as a company mainly operating in coal production business, is incapable of undertaking direct social and welfare responsibilities. On 23 April 2012, Yankuang Group and the Company entered into the Provision of Labor and Services Agreement, which were ratified by independent shareholders on 22 June 2012. This agreement was effective for 3 years from 1 January 2012 to 31 December 2014. Pursuant to the original Provision of Labor and Services Agreement, Yankuang Group provided the Company with the following services : (1) heat supply; (2) property management; (3) information and communication services; (4) maintenance of machinery and equipments; (5) construction work and management; (6) vehicle transportation; (7) employee benefits; (8) retirement benefits. According to the latest development of Yankuang Group and the Company, Yankuang Group has agreed to continue the provision of labor and services to the Company, and the provision of asset leasing services is added.

3. The Company possesses rich experience in coal mine operation, coal processing and other professional skills, management and service experiences. On 21 March 2014, Yankuang Group and the Company entered into the Provision of Special Labor and Services Agreement, which were ratified by the Board of Directors of the Company on 21 March 2014. This agreement was effective from 1 January 2014 to 31 December 2014. Pursuant to the original Provision of Special Labor and Services Agreement, the Company provided professional coal operational management services and coal product processing services to Yankuang Group. In order to use the current professional service experience and labor resources of the Company, further enhance the economic benefits of the Company, the Company agreed to continue to provide coal mine operation, coal processing and washing and other professional services to Yankuang Group and its subsidiaries according to the Agreement, and the provision of training services is added.

Pursuant to the Contract Law of the People's Republic of China, the relevant laws and regulations, and the local regulatory requirements in the listing locations of the Company, Yankuang Group and the Company, through friendly discussion, agree on the mutual provision of labour and services by Yankuang Group to the Company and vice versa as follow:

1. **Definition and explanations**

1.1 **Definition**

Terms used herein shall have the following meaning unless otherwise required by the context:

“Fiscal Year”	each year from 1 January to 31 December;
“Half Year”	1 January to 30 June or from 1 July to 31 December for each fiscal year;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“PRC”	People's Republic of China;
“RMB”	Renminbi, the legal currency of PRC;
“Previous Connected Transaction Agreement”	the Provision of Labor and Services Agreement entered into between Yankuang Group and the Company on 23 April 2012 and the Special Provision of Labor and Services Agreement entered into between Yankuang Group and the Company on 21 March 2014;
“Market Price”	the market price of labor and services provided hereunder calculated pursuant to clauses 4.2 and 4.5 of the agreement in applicable circumstances;
“Cost Price”	Costs incurred by Yankuang Group when providing the Company with labor and services in accordance with the agreement;
“State Regulated Price”	price of labor and services provided hereunder set in accordance with clause 4.6; and
“Subsidiaries”	the controlled subsidiaries and branch companies of Yankuang Group and the Company.

1.2 **Explanation**

Unless a contrary intention appears,

(1) Where the provision of labor and services is involved herein, Yankuang Group and the Company shall include its respective subsidiaries. Yankuang Group also includes its associates from time to time (“associates” has the meaning ascribed to it in the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited). For the purpose of this agreement, the subsidiaries of Yankuang Group exclude the Company and its subsidiaries;

(2) Any party to the agreement and any other agreements includes its successors or approved assignees (if any);

(3) Clauses and appendices refer to the clauses and appendices hereof;

(4) Any clauses herein shall not be interpreted as the prohibition of postponing, revision, modification or supplement of the agreement;

(5) Headings used in this agreement are intended for convenience purpose only and shall not affect the content and explanation hereof.

2. **Provision of labor and services**

2.1 The labor and services provided by Yankuang Group to the Company under the agreement include:

- (1) Heat supply;
- (2) Property management (management of the dormitories or properties rented or owned by the employees of the Company);
- (3) Information and communication services (telephone, internet, information system and related services);
- (4) Maintenance of machinery and equipments (maintenance of mining equipments and machinery such as mining machine, road header, hydraulic support, belt conveyors etc. and repair of machinery);
- (5) Construction work and management;
- (6) Vehicle transportation (coal, short distance transportation of coal and purchased materials and coal mine waste transportation service);
- (7) Employee benefits (including but not limited to children nursing, medical benefits for close family members, household heat supply, cultural, art, sport and entertainment services, financial assistance, travel allowance and other welfare expenditures in accordance with the state regulations); and
- (8) Retirement benefits (pension, relief benefit, allowance for elderly, medical benefits, housing allowance and other welfare expenditures in accordance with the state regulations);
- (9) Asset leasing and services.

2.2 The labor and services provided by the Company to Yankuang Group under the agreement include:

- (1) Coal mine operation and management;
- (2) Coal processing and washing
- (3) Training services.

2.3 Both parties shall provide one another with the labor and services under the agreement pursuant to the terms hereof and specific terms (including but not limited to quantity and quality) in written agreements entered into by both parties from time to time.

2.4 Yankuang Group undertakes to the Company that, under any circumstances, the prices of labor and services provided to the Company by Yankuang Group under the agreement shall not exceed the prices charged by Yankuang Group to any independent third parties for the same kind of labor and services. Under proper circumstances, Yankuang Group may offer special prices to the Company. The Company is not restricted to obtain labor and services from Yankuang Group only.

3. **Execution**

- 3.1 The Company shall submit the labor and service demand plan for the coming year or service adjustment plan for the current year (“annual provision plan”) to Yankuang Group prior to 31 November each year. The parties shall agree on the plan before 31 December of the year. Where the materials demand plan of the Company for the coming year is identical to that of the current year, Yankuang Group shall perform such plan.
- 3.2 The parties and their subsidiaries and associates of Yankuang Group shall enter into specific provision of labor and service contracts in accordance with this agreement (including the annual provision plan made under this agreement)
- 3.3 The annual provision plans or specific provision contracts can be adjusted during the course of execution upon agreement by both parties if necessary.
- 3.4 Payments for the provision of labor and services can be made in one time or by instalments.
- 3.5 Each of the two parties shall record the amount due and payable to one another for the current month or the amount due and receivable from one another for the current month regarding the continuous connected transactions on their respective account books before the last business day of each calendar month at the latest. Settlement of the transaction amounts of the continuing connected transactions incurred for each calendar month shall be completed within the following month, except for any amount of transactions not yet completed or any amount in dispute.

4. **Pricing for provision of labor and services**

- 4.1 The prices at which Yankuang Group provides construction work and management, information and communication services, maintenance services of machinery and equipments, vehicle transportation services, asset leasing and services to the Company shall be determined in accordance with Market Price, which should be calculated and estimated before the beginning of the fiscal year where possible.
- 4.2 The prices of the construction work and management, IT and communication services, maintenance services of machinery and equipments, vehicle transportation services, asset leasing and services shall be calculated at Market Price, and shall be determined in accordance with normal commercial terms and on the following basis:
- (1) The prices of identical or similar agreed provision that an independent third party in the area of provision or in its vicinity of identical or similar agreed provision should charge in accordance with normal commercial terms during its daily business operation; or
- (2) Where (1) above is not applicable, the prices that an independent third party within the PRC territory should charge when providing identical or similar agreed provision in accordance with normal commercial terms during its daily business operation.
- 4.3 Regarding the prices of property management, employee benefits and retirement benefits services provided by Yankuang Group to the Company, they shall be determined based on their costs. If it is necessary to calculate the costs of such services, Yankuang Group shall provide the Company with the complete account books and records for calculation of such costs.

- 4.3.1 The final price for property management shall be equal to the total cost at which Yankuang Group provides to the Company and itself with such service times the proportion of the number of staff of the Company covered by such service to the aggregate number of staff of Yankuang Group and the Company covered by such service.
- 4.3.2 Pricing of employee benefits shall be the actual cost incurred by Yankuang Group in providing such service.
- 4.3.3 The amount of retirement benefits paid shall be calculated and estimated at 15% of the prevailing total wages of all the employees. The calculation and estimation are based on the actual amount incurred of Yankuang Group in providing such service in the past combined with forecast of future changes. Notwithstanding the above, the annual payment amount for each year from 2015 to 2017 shall not exceed RMB630,000,000, RMB670,000,000 and RMB700,000,000 respectively. The amount exceeding the above forecast annual cap shall be borne by Yankuang Group.
- 4.4 The price of heat supply services is executed according to the price approved by the competent government authority, the final price to be executed shall not exceed the price specified by the local price bureau.
- 4.5 The prices at which the Company provides coal mine operation, coal processing and washing, training services to Yankuang Group shall be determined in accordance with Market Price, which should be calculated and estimated before the beginning of the Fiscal Year where possible.

- 4.6 The prices of coal mine operation, coal processing, training services shall be calculated at Market Price, and shall be determined in accordance with the normal commercial terms and on the following basis:
- (1) The prices of identical or similar agreed provision that an independent third party in the area of provision or in its vicinity of identical or similar labor and services should charge in accordance with normal commercial terms during its daily business operation; or
 - (2) Where (1) above is not applicable, the prices that an independent third party within the PRC territory should charge when providing identical or similar labor and services in accordance with normal commercial terms during its daily business operation.
- 4.7 At any time, both parties agree to adopt any state regulated prices effective and applicable to the provision of labor and services hereof. Such prices are required for such labor and services in accordance to the laws, regulations, decrees or pricing policies (as the case may be) made by the relevant Chinese government authorities.

5. Representations, undertakings and warranties by Yankuang Group

- 5.1 Yankuang Group is a wholly state owned enterprise established under the laws and possessing the status of independent legal entity, and currently holds a valid business license.
- 5.2 Yankuang Group has been engaging in business activities in accordance with the laws, and has never been involved in any business beyond the scope as set by the law.
- 5.3 The signing of this agreement or performance of obligations hereof by Yankuang Group neither breaches nor is legally in conflict with any other agreements it has entered into or its articles of association.

- 5.4 Yankuang Group warrants to the Company that the terms of the provision of labor and services it provides under this agreement shall be no less favourable than those provided to any independent third parties by itself, its subsidiaries or associates (as the case may be).
- 5.5 Yankuang Group undertakes and warrants to provide the Company with labor and services which are in accordance with and meet the requirements and standards as negotiated and set by the parties from time to time.
- 5.6 Yankuang Group undertakes that it shall pay for the expenses of such labor and services to the Company at the time specified in the agreement, if there is any violation of the terms of the agreement, Yankuang Group shall be liable for any act of violation of the terms hereof.
- 5.7 Yankuang Group ensures that it would maintain adequate employees who have certain qualifications to provide the labor and services to the Company, its employees will have adequate guidance and instructions to provide the Company with the agreed provision according to the reasonable requirements of the Company.
- 5.8 Yankuang Group undertakes to the Company that, when it provides the labor and services under this agreement, it will grant a preferential right to the Company to receive such services and a preferential right to the Company to purchase such services provided by Yankuang Group to any third parties (including but not limited to any other third parties related to Yankuang Group) with identical terms.
- 5.9 Yankuang Group undertakes that regarding the labor and services of the agreement provided by its subsidiaries and/or associates to the Company, it will cause the subsidiaries and/or associates concerned to provide such labor and services to the Company and/or its subsidiaries according to the requirements hereof.
- 5.10 Yankuang Group undertakes to the Company that it shall be liable for any act of violation of the terms hereof made by its subsidiaries and/or associates when providing the labor and services.

- 5.11 Yankuang Group undertakes to the Company that it will cause its subsidiaries and associates to take all necessary actions to fulfill their obligations under this agreement.
- 5.12 Yankuang Group warrants to take reasonable measures to avoid any losses of the Company arising from certain omission during its performance of obligations hereof. In case of any losses of the Company arising therefrom, Yankuang Group undertakes to compensate for all the losses of the Company.

6. Representations, undertakings and warranties by the Company

- 6.1 The Company is a joint stock limited company which the status of independent legal entity incorporated under the laws, and currently holds a valid business license.
- 6.2 The Company has been engaging in business activities in accordance with the laws, and has never been involved in any business beyond the scope as set by the law.
- 6.3 The signing of this agreement or performance of obligations hereof by the Company neither breaches nor is legally in conflict with any other agreements it has entered into or its articles of association.
- 6.4 The Company undertakes to make timely payment to Yankuang Group for the provision of labor and services in accordance with the provisions of this agreement.
- 6.5 The Company warrants that it would provide the labor and services hereof to Yankuang Group in accordance with normal commercial terms.
- 6.6 The Company undertakes and warrants to provide Yankuang Group with labor and services which are in accordance with and meet the requirements and standards as negotiated and set by the parties from time to time.

- 6.7 The Company ensures that it would maintain adequate employees who have certain qualifications to provide the labor and services, its employees can have adequate guidance and instructions to provide the labor and services according to the reasonable requirements of Yankuang Group.
- 6.8 The Company undertakes to Yankuang Group that it will cause its subsidiaries to take all necessary actions to fulfill their obligations under this agreement.
- 6.9 The Company warrants to take reasonable measures to avoid any losses of Yankuang Group arising from certain omission during the performance of its obligations. In case of any losses of Yankuang Group arising therefrom, the Company undertakes to indemnify for all the losses of Yankuang Group.

7. Termination of provision of labor and services

- 7.1 In case the Company cannot easily obtain certain kind of labor and services under this agreement from a third party in equal terms, Yankuang Group shall not terminate the provision of that kind of labor and services hereunder for any reason.
- 7.2 Subject to clause 7.1, any party to this agreement may terminate the provision or purchase of a certain kind of labor and services by providing not less than 12 months' prior written termination notice to the other party. The provision or purchase of which kind of labor and services to be terminated and the effective date of such termination of provision/purchase shall be specified in the termination notice. That kind of labor and services stated in the notice will automatically be terminated from the effective date of termination stated in the notice. Such termination shall not affect the other rights and obligations of Yankuang Group or the Company hereunder.

7.3 For the avoidance of doubt, both parties agree that, where the Company has issued a termination notice of agreed provision pursuant to clause 7.2, Yankuang Group shall continue its provision of labor and services to the Company pursuant to applicable provision clauses (other than the requirement(s) on duration of provision) from the issue date of the notice until the effective date of termination. The applicable clauses at that time shall include the relevant terms of the supplemental agreement entered in accordance with clause 8.3.

8. Effective date, term and termination of agreement

- 8.1 Unless otherwise agreed in writing by both parties, this agreement shall take effect from 1 January 2015, subject to the signing by the legal representatives or authorized representatives of both parties and the approval by the board of directors or the independent shareholders pursuant to the approval permission and local regulatory requirements in the listing locations of the Company.
- 8.2 This agreement is valid for 3 years starting from 1 January 2015 until 31 December 2017. The Previous Connected Transaction Agreement shall terminate automatically after this agreement has taken effect.
- 8.3 In case of any need to modify this agreement, both parties shall enter into a supplemental agreement on the relevant issues prior to the end of November in the year prior to the relevant Fiscal Year specified in such supplemental agreement. In the event of failure of both parties to agree on the terms of the supplemental agreement before the above time limit, the current terms of provision shall be applicable to the next Fiscal Year until an agreement is reached or the disputes are settled by both parties pursuant to clause 8.4.
- 8.4 Where the parties fail to reach an agreement in connection with any matters related to the transaction price (including but not limited to the amount and the time of payment), such matters shall, upon the request of any party, be submitted to Zoucheng City Pricing Bureau as mediator for arriving at a solution. Such decision by Zoucheng City Price Bureau shall be final and binding on both parties.

- 8.5 Both parties may negotiate and enter into a new provision of labor and services agreement prior to the termination of this agreement to ensure the normal operation and production of both parties after such termination.
- 8.6 In case of material default of any clauses hereof by any party (“defaulting party”), this agreement may be terminated immediately by the other party if the defaulting party has failed to remedy such default within a reasonable period requested by the other party in a written notice pointing out the act of default, or if such act of default is not remediable.
- 8.7 The termination of this agreement shall not harm any rights or obligations of any party already incurred.

9. Performance of the agreement

In accordance with the regulatory requirements of the listing locations of the Company (including but not limited to the Listing Rules of The Stock Exchange of Hong Kong Limited and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange), an annual cap of transaction shall be set for the continuing connected transactions under this agreement. Where the annual cap for the labor and services transactions requires the approval by the independent shareholders of the Company, the continuation of such transactions shall be subject to the approval of the independent shareholders of the Company. Where, in any year, the actual amount of such transactions exceeds the annual cap as approved by the independent shareholders of the Company, both parties should terminate the provision of labor and services in excess of the annual cap approved by the independent shareholders before the Company has performed the approval procedures according to the regulatory requirements of the listing locations.

10. Announcement

Any party shall not make or permit the other party to make (where one party is capable of controlling the other party) any announcement related to the subject of this agreement or any relevant issues without prior written consent of the other party, save for announcement made in compliance with the requirements of the law or the China Securities Regulatory Commission, Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Securities and Futures Commission in Hong Kong, the New York Stock Exchange, the United States Securities and Exchange Commission or the regulatory authorities in any other listing locations of the Company.

11. Other provisions

11.1 Neither party shall assign or transfer its rights or obligations under this agreement to any third parties without written consent of the other party.

11.2 This agreement and its appendix shall constitute the complete agreement by both parties on all issues herein and replace all prior agreements by both parties related to such transactions. In case of violation of any clauses of the Previous Connected Transaction Agreement by any party (“defaulting party”), the validity of this agreement shall not affect any rights entitled by the other party (“non-defaulting party”) due to the default of the defaulting party.

11.3 Should any clauses herein become illegal, invalid or unenforceable at any time, the other clauses shall not be affected.

11.4 In case of any failure of performance of its obligations of this agreement by any party pursuant to the provisions hereof due to force majeure, that party shall timely provide evidence and written notice to the other party in time in order not to be deemed as having made any act of default. The other party shall agree to give a reasonable period for performance of duties and obligations according to the situation.

- 11.5 Both parties agree to bear all relevant costs and expenses required by the relevant laws of the PRC arising from their entering into this agreement or evenly bear such costs and expenses if it is not specified by the laws.
- 11.6 Any amendments to this agreement or its appendix shall be made by written agreement where possible and shall be signed by both parties and approved via appropriate legal procedures.
- 11.7 Unless otherwise required, failure or delay in exercising its rights, powers or privileges hereunder by any party shall not constitute a waiver of such rights, power or privileges, and any single or partial exercise of such right, power or privilege shall not exclude its exercise of any other rights, powers or privileges.
- 11.8 The appendix to this agreement is an integral part of this agreement, and shall be equally binding as if it was included in the agreement.

12. **Notice**

12.1 Any notices or other documents for the parties in accordance with this agreement shall be delivered by post or fax to the relevant party at the following address:

(a) Yankuang Group: Yankuang Group Company Limited

Address: 298 Fushan South Road,
Zoucheng City,
Shandong Province
People's Republic of China

Tel: 0537-5382232

Fax: 0537-5382831

(b) The Company: Yanzhou Coal Mining Company Limited

Address: 298 Fushan South Road,
Zoucheng City,
Shandong Province
People's Republic of China

Tel: 0537-5382319

Fax: 0537-5383311

12.2 Timelines for serving notices or documents:

(a) Delivery by hand: upon hand-over of the letter

(b) Delivery by mail: within five (5) working days after posting (excluding Saturdays, Sundays and public holidays in the PRC); and

(c) Delivery by fax: upon receipt of fax. Where the fax is received outside business hours, the receiving time shall be the general business hours of the second day (excluding Saturdays, Sundays and public holidays in the PRC) and the sender shall present the confirmation of transmission by the fax machine to indicate the transmission is completed.

13. Applicable laws and jurisdiction

This agreement shall be governed by and construed by the applicable laws of the PRC. Any disputes (including any issues concerning the existence, validity, and rights and duties of both parties under this agreement) arising from or in connection with this agreement not resolved through friendly negotiation may be submitted to Jining Arbitration Commission located in Jining City, Shangdong Province, the PRC for arbitration according to its prevailing Arbitration Rules upon request of any party. The arbitral award shall be final and binding upon both parties.

14. Supplemental provisions

This agreement is written in Chinese.

This agreement is made in quadruplicate with equal legal effects. Each party shall hold 2 copies upon signature and sealing by the legal or authorized representatives of both parties.

In witness hereof, this agreement was signed on the date specified on the first page.

Yankuang Group Company Limited (Seal)

Legal representative
/authorized representative: _____

Yanzhou Coal Mining Company Limited (Seal)

Legal representative
/authorized representative: _____

Appendix 1: Provision of labor and services by Yankuang Group to the Company

Item no	Item provided	Pricing basis	Provision period	Notice period for termination
1	Heat supply	To be executed according to the price approved by the competent government authority, the final price to be executed shall not exceed the price specified by the local price bureau.	3 years	12 months
2	Property management	To be determined based on cost. The final price shall be equal to the total cost at which Yankuang Group provides to the Company and itself with such service times the proportion of the number of staff of the Company covered by such service to the aggregate number of staff of Yankuang Group and the Company covered by such service.	3 years	12 months
3	Information and communication services		3 years	12 months
4	Maintenance of machinery and equipment	Market price	3 years	12 months
5	Construction work and management		3 years	12 months
6	Vehicle transportation		3 years	12 months
7	Employee benefits	The actual cost incurred by Yankuang Group in providing the service	3 years	12 months
8	Retirement benefits	The payment amount shall be calculated and estimated at 15% of the prevailing total wages of all the employees. The calculation and estimation are based on the actual amount incurred of Yankuang Group in providing such service in the past combined with future changes. But the annual payment amount for each year from 2015 to 2017 shall not exceed RMB630,000,000, RMB670,000,000 and RMB700,000,000 respectively. The amount exceeding the above annual forecast amount shall be borne by Yankuang Group.	3 years	12 months
9	Asset leasing and services	Market price	3 years	12 months

Appendix 2: Provision of labor and services by the Company to Yankuang Group

<u>Item no</u>	<u>Item provided</u>	<u>Pricing basis</u>	<u>Provision period</u>	<u>Notice period for termination</u>
1	Coal mine operation management	Market price	3 years	12 months
2	Coal processing and washing	Market price	3 years	12 months
3	Training services	Market price	3 years	12 months

Provision of Insurance Fund Administrative Services Agreement

between

Yankuang Group Company Limited

and

Yanzhou Coal Mining Company Limited

24 OCTOBER 2014

This agreement is made and comes into force on 24 October 2014 in Zoucheng City, Shandong Province, between:

Yankuang Group Company Limited, a wholly state-owned enterprise established and validly exists under the laws of PRC with registration number of business license for legal person as 370000018019807 and registered office at 298 Fushan South Road, Zoucheng City, Shandong Province and its legal representative being Zhang Xinwen (hereinafter referred to as “Yankuang Group”).

Yanzhou Coal Mining Company Limited, a joint stock limited company incorporated and validly exists under the laws of PRC, the publicly issued shares of which are listed on the Shanghai Stock Exchange, Hong Kong Stock Exchange and New York Stock Exchange, with registration number of business license for legal person as 370000400001016 and registered office at 298 Fushan South Road, Zoucheng City, Shandong Province and its legal representative being Li Xiyong (hereinafter referred to as the “Company”).

Whereas:

1. On 25 September 1997, Yankuang Group, as the sole promoter, founded the Company pursuant to PRC laws. As part of its reorganization, Yankuang Group injected assets and liabilities relating to its major coal production business into the Company, and Yankuang Group retained the remaining assets and liabilities.
2. After successive IPO and listing of the Company in the Shanghai Stock Exchange, Hong Kong Stock Exchange and New York Stock Exchange, Yankuang Group remains the controlling shareholder of the Company, holding directly and indirectly a total of approximately 56.52% of the issued shares in the Company as at the date hereof.
3. Yankuang Group owns the ancillary facilities and service systems related to coal production and business, such ancillary facilities and service systems can provide a series of services to the Company; and the Company, as a company mainly operating in coal production business, is incapable of undertaking direct social and welfare responsibilities.
4. On 23 April 2012, Yankuang Group and the Company entered into the Provision of Insurance Fund Administrative Services Agreement, which was ratified by the independent shareholders on 22 June 2012. This agreement was effective for 3 years from 1 January 2012 to 31 December 2014. Pursuant to the original Provision of Insurance Fund Administrative Services Agreement, Yankuang Group administrates and transfers the Pension Fund on behalf of the Company.

Pursuant to the Contract Law of the People's Republic of China, the relevant laws and regulations, and the local regulatory requirements in the listing locations of the Company, Yankuang Group and the Company, through friendly discussion, agree on the provision of administrative services for basic pension fund, basic medical insurance fund, supplementary medical insurance fund, unemployment insurance fund and maternity insurance fund (hereinafter referred to as "insurance funds") free of charge as below:

1. Definition and explanations

1.1 Definition

Terms used herein shall have the following meaning unless otherwise required by the context:

"Hong Kong Stock Exchange" the Stock Exchange of Hong Kong Limited;

"PRC" People's Republic of China;

"Previous Connected Transaction Agreement" the Provision of Insurance Fund Administrative Services Agreement entered into between Yankuang Group and the Company on 23 April 2012;

"Subsidiaries" the controlled subsidiaries and other branch companies of Yankuang Group and the Company;

"administration of insurance funds" or "insurance fund administration" The administrative services provided to the Company for basic pension fund, basic medical insurance fund, supplementary medical insurance fund, unemployment insurance fund and maternity insurance fund of retired or current employees and transfer of the entire amount to social security agencies by Yankuang Group free of charge pursuant to this agreement.

1.2 Explanation

Unless a contrary intention appears,

- (1) For the purpose of administration of insurance funds herein, reference to Yankuang Group and the Company shall include their respective subsidiaries. Yankuang Group also includes its associates from time to time (“associates” has the meaning ascribed to it in the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited). For the purpose of this agreement, the subsidiaries of Yankuang Group exclude the Company and its subsidiaries;
- (2) Any party to the agreement and any other agreements includes its successors or approved assignees (if any);
- (3) Clauses and appendices refer to the clauses and appendices hereof;
- (4) Any clauses herein shall not be interpreted as prohibiting the postponement, revision, modification or supplement of the agreement;
- (5) Headings used in this agreement are intended for convenience purpose only and shall not affect the content and explanation hereof.

2. Insurance fund administration and payment standards

- 2.1 Pursuant to the requirements of laws and regulations, the employees of the Company shall join the insurance fund plan and the Company shall pay insurance premium for its employees.
- 2.2 The parties agree that Yankuang Group shall provide the Company with administrative services and transfer services for insurance funds pursuant to relevant laws, rules, regulations and other regulative documents. And for the provision of such services, Yankuang Group agrees not to change any service fees from the Company.

- 2.2.1 The Company shall withhold 20% of an employee's total monthly salary as the basic pension fund, 6% as basic medical insurance fund, 4% as supplementary medical insurance fund, 2% as unemployment insurance fund and 1% as maternity insurance fund, and transfer those amounts in full by the end of each month to a special account ("insurance fund special account") set up by Yankuang Group for the Company. Yankuang Group shall transfer such insurance premium on behalf of the Company's employees pursuant to relevant laws and regulations.
- 2.2.2 The payment percentages of the basic pension fund, basic medical insurance fund, supplementary medical insurance fund, unemployment insurance fund and maternity insurance fund shall be adjusted from time to time in accordance with the changes in payment percentages specified by the relevant laws and regulations.
- 2.2.3 Yankuang Group shall provide special administration of the insurance fund special account. The amount therein shall only be used for the administration of insurance funds of the Company's employees.
- 2.2.4 Yankuang Group shall provide an account statement of the usage of funds in the special insurance fund account to the Company every year.
- 2.2.5 The Company shall have the right to supervise and inspect the use of the insurance fund special account by Yankuang Group.
- 2.2.6 Yankuang Group shall administer the insurance funds under this agreement for the Company pursuant to the terms hereof and the specific terms agreed by the two parties in writing from time to time.

3. Representations, undertakings and warranties by Yankuang Group

- 3.1 Yankuang Group is a wholly state owned enterprise established under the laws and possessing the status of independent legal entity, and currently holds a valid business license.
- 3.2 Yankuang Group has been engaging in business activities in accordance with the laws, and has never been involved in any business beyond the scope as set by the law.
- 3.3 Yankuang Group shall timely assist the Company to assume the liabilities and perform the obligations of the latter, or assume such liabilities and perform such obligations on behalf of the Company according to its instruction regarding the transfer of the insurance premium pursuant to relevant laws, rules, regulations and other regulatory documents
- 3.4 The signing or performance of obligations hereof by Yankuang Group neither breaches nor is legally in conflict with any other agreements it has entered into or its articles of association.
- 3.5 Yankuang Group undertakes and warrants to provide the services under the agreement which are in accordance with and meet the requirements and standards as negotiated and set by the parties from time to time.
- 3.6 Yankuang Group undertakes and warrants to treat information including the number of staff and the salaries of employees provided by the Company strictly confidential, and to restrict the use of the above information only for performing the obligations under this agreement.
- 3.7 Yankuang Group ensures that it would maintain adequate employees who have certain qualifications to provide the services to the Company under this agreement, its employees will have adequate guidance and instructions to provide the Company with the services hereof according to the reasonable requirements of the Company.

- 3.8 Yankuang Group undertakes that regarding the services of the agreement provided by its subsidiaries and/or associates to the Company, it will cause the subsidiaries and/or associates concerned to provide such services to the Company and/or its subsidiaries according to the requirements hereof.
- 3.9 Yankuang Group undertakes to the Company that it shall be liable for any act of violation of the terms hereof made by its subsidiaries and/or associates when providing the services.
- 3.10 Yankuang Group undertakes to the Company that it will cause its subsidiaries and associates to take all necessary actions to fulfill their obligations under this agreement.
- 3.11 Yankuang Group warrants to take reasonable measures to avoid any losses of the Company arising from certain omission during its performance of obligations. In case of any losses of the Company arising therefrom, Yankuang Group undertakes to compensate for all the losses of the Company.

4. Representations, undertakings and warranties by the Company

- 4.1 The Company is a joint stock limited company with the status of independent legal entity incorporated under the laws, and currently holds a valid business license.
- 4.2 The Company has been engaging in business activities in accordance with the laws, and has never been involved in any business beyond the scope as set by the law.
- 4.3 The signing of this agreement or performance of obligations hereof by the Company neither breaches nor is legally in conflict with any other agreements it has entered into or its articles of association.
- 4.4 The Company undertakes to transfer the full amounts concerned to the special insurance fund account in time and in accordance with the provisions of this agreement.

4.5 The Company shall truthfully provide Yankuang Group with the relevant information including the number of staff and the salaries of employees that Yankuang Group requires to perform its obligations under this agreement.

5. Termination of administrative services under the agreement

5.1 In case the Company cannot easily obtain the insurance fund administration services under this Agreement from a third party in equal terms, Yankuang Group shall not terminate the provision of such services hereunder for any reason.

5.2 Subject to clause 5.1, any party to this agreement may terminate the service of the agreement by giving not less than 12 months' prior written termination notice to the other party. The effective date of termination of such service shall be specified in the termination notice. The service stated in the notice will automatically be terminated from the effective date of termination stated in the notice. Such termination shall not affect the other rights and obligations of Yankuang Group or the Company hereunder.

5.3 For the avoidance of doubt, both parties agree that, where the Company has issued a notice for termination of the service under this agreement pursuant to clause 5.2, Yankuang Group shall continue its provision of service under this agreement to the Company pursuant to applicable terms of the agreement from the issue date of the notice until the effective date of termination. Such applicable terms shall include the relevant terms of the supplemental agreement entered in accordance with clause 6.3

6. Effective date, term and termination of agreement

6.1 Unless otherwise agreed in writing by both parties, this agreement shall take effect from 1 January 2015, subject to the signing by the legal representatives or authorized representatives of both parties and the approval by the board of directors or the independent shareholders pursuant to the approval permission and local regulatory requirements in the listing locations of the Company.

- 6.2 This agreement is valid for 3 years starting from 1 January 2015 until 31 December 2017. The Previous Connected Transaction Agreement shall terminate automatically after this agreement has taken effect.
- 6.3 In case of any need to modify this agreement, both parties shall enter into a supplemental agreement. In the event of failure of both parties to agree on the terms of the supplemental agreement, the prevailing terms of the agreement shall apply until an agreement is reached by both parties.
- 6.4 Both parties may negotiate and enter into a new agreement for provision of insurance fund administrative services prior to the termination of this agreement to ensure normal operation of employee insurance fund administration of the Company after the termination of this agreement.
- 6.5 In case of material default of any clauses hereof by any party (“defaulting party”), this agreement may be terminated immediately by the other party if the defaulting party has failed to remedy such default within a reasonable period requested by the other party in a written notice pointing out the act of default, or if such act of default is not remediable.
- 6.6 The termination of this agreement shall not harm any rights or obligations of any party already incurred.

7. Performance of the agreement

In accordance with the regulatory requirements of the listing locations of the Company (including but not limited to the Listing Rules of The Stock Exchange of Hong Kong Limited and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange), an annual cap of transaction shall be set for the continuing connected transactions under this agreement. Where the annual cap for the administrative service transactions requires the approval by the independent shareholders of the Company, the continuation of such administrative service transactions shall be subject to the approval of the independent shareholders of the Company. Where, in any year, the actual amount of such transactions exceeds the annual cap as approved by the independent shareholders of the Company, both parties should terminate the administrative services in excess of the annual cap approved by the independent shareholders before the Company has performed the approval procedures according to the regulatory requirements of the listing locations.

8. Announcement

Any party shall not make or permit the other party to make (where one party is capable of controlling the other party) any announcement related to the subject of this agreement or any relevant issues without prior written consent of the other party, save for announcement made in compliance with the requirements of the law or the China Securities Regulatory Commission, Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Securities and Futures Commission in Hong Kong, the New York Stock Exchange, the United States Securities and Exchange Commission or the regulatory authorities in any other listing locations of the Company.

9. Other provisions

- 9.1 Neither party shall assign or transfer its rights or obligations under this agreement to any third parties without written consent of the other party.
- 9.2 This agreement and its appendix shall constitute the complete agreement by both parties on all issues herein and replace all prior agreements by both parties related to such transactions. In case of violation of any clauses of the Previous Connected Transaction Agreement by any party (“defaulting party”), the validity of this agreement shall not affect any rights entitled by the other party (“non-defaulting party”) due to the default of the defaulting party.
- 9.3 Should any clauses herein become illegal, invalid or unenforceable at any time, the other clauses shall not be affected.

- 9.4 In case of any failure of performance of its obligations of this agreement by any party pursuant to the provisions hereof due to force majeure, that party shall timely provide evidence and written notice to the other party in order not to be deemed as having made any act of default. The other party shall agree to give a reasonable period for performance of duties and obligations according to the situation.
- 9.5 Both parties agree to bear all relevant costs and expenses required by the relevant laws of the PRC arising from their entering into this agreement or evenly bear such costs and expenses if it is not specified by the laws.
- 9.6 Any amendments to this agreement or its appendix shall be made by written agreement where possible and shall be signed by both parties and approved via appropriate legal procedures.
- 9.7 Unless otherwise required, failure or delay in exercising its rights, powers or privileges hereunder by any party shall not constitute a waiver of such rights, powers or privileges, and any single or partial exercise of such right, power or privilege does not exclude its exercise of any other rights, powers or privileges.
- 9.8 The appendix to this agreement is an integral part of this agreement, and shall be equally binding as if it was included in the agreement.

10. Notice

- 10.1 Any notices or other documents for the parties in accordance with this agreement shall be delivered by post or fax to the relevant party at the following address:

- (a) Yankuang Group: Yankuang Group Company Limited
Address: 298 Fushan South Road,
Zoucheng City,
Shandong Province
People's Republic of China
Tel: 0537-5382232
Fax: 0537-5382831

(b) The Company: Yanzhou Coal Mining Company Limited
Address: 298 Fushan South Road,
Zoucheng City,
Shandong Province
People's Republic of China
Tel: 0537-5382319
Fax: 0537-5383311

10.2 Timelines for serving notices or documents:

- (a) Delivery by hand: upon hand-over of the letter;
- (b) Delivery by mail: within five (5) working days after posting (excluding Saturdays, Sundays and public holidays in the PRC); and
- (c) Delivery by fax: upon receipt of fax. Where the fax is received outside business hours, the receiving time shall be the general business hours of the second day (excluding Saturdays, Sundays and public holidays in the PRC) and the sender shall present the confirmation of transmission by the fax machine to indicate the transmission is completed.

11. Applicable laws and jurisdiction

This agreement shall be governed by and construed by the applicable laws of the PRC. Any disputes (including any issues concerning the existence, validity, and rights and duties of both parties under this agreement) arising from or in connection with this agreement not resolved through friendly negotiation may be submitted to Jining Arbitration Commission located in Jining City, Shandong Province, the PRC for arbitration according to its prevailing Arbitration Rules upon request of any party. The arbitral award shall be final and binding upon both parties.

12. Supplemental provisions

This agreement is written in Chinese.

This agreement is made in quadruplicate with equal legal effects. Each party shall hold 2 copies upon signature and sealing by the legal or authorized representatives of both parties.

In witness hereof, this agreement was signed on the date specified on the first page.

Yankuang Group Company Limited (Seal)

Legal representative

/authorized representative: _____

Yanzhou Coal Mining Company Limited (Seal)

Legal representative

/authorized representative: _____

Appendix: Provision of insurance fund administrative services by Yankuang Group to the Company

<u>Item no</u>	<u>Item provided</u>	<u>Pricing basis</u>	<u>Provision period</u>	<u>Notice period for termination</u>
1	Basic pension fund	20% of the total salary of the employees of the Company, Yankuang Group shall set up a special account to administer and transfer such amount free of charge	3 years	12 months
2	Basic medical insurance fund	6% of the total salary of the employees of the Company, Yankuang Group shall set up a special account to administer and transfer such amount free of charge	3 years	12 months
3	Supplementary medical insurance fund	4% of the total salary of the employees of the Company, Yankuang Group shall set up a special account to administer and transfer such amount free of charge	3 years	12 months
4	Unemployment insurance fund	2% of the total salary of the employees of the Company, Yankuang Group shall set up a special account to administer and transfer such amount free of charge	3 years	12 months
5	Maternity insurance fund	1% of the total salary of the employees of the Company, Yankuang Group shall set up a special account to administer and transfer such amount free of charge	3 years	12 months

Provision of Products and Materials and Equipment Lease Agreement

between

Yanzhou Coal Mining Company Limited

and

Yankuang Group Company Limited

24 OCTOBER 2014

This agreement is made and comes into force on 24 October 2014 in Zoucheng City, Shandong Province, between:

Yanzhou Coal Mining Company Limited, a joint stock limited company incorporated and validly exists under the laws of PRC City the Shanghai Stock Exchange, Hong Kong Stock Exchange and New York Stock Exchange, with registration number of business license for legal person as 370000400001016 and registered office at 298 Fushan South Road Zoucheng City, Shandong Province and its legal representative being Li Xiyong (hereinafter referred to as the “Company”).

Yankuang Group Company Limited, a wholly state-owned enterprise established and validly exists under the laws of PRC with registration number of business license for legal person as 370000018019807 and registered office at 298 Fushan South Road Zoucheng City, Shandong Province and its legal representative being Zhang Xinwen (hereinafter referred to as “Yankuang Group”).

Where as:

1. On 25 September 1997, Yankuang Group, as the sole promoter, founded the Company pursuant to PRC laws. As part of its reorganization, Yankuang Group injected assets and liabilities relating to its major coal production business into the Company, and Yankuang Group retained the remaining assets and liabilities.
2. After successive IPO and listing of the Company on the Shanghai Stock Exchange, Hong Kong Stock Exchange and New York Stock Exchange, Yankuang Group remains the controlling shareholder of the Company, holding directly and indirectly a total of approximately 56.52% of the issued shares in the Company as at the date hereof.
3. On 23 April 2012, Yankuang Group and the Company entered into the Provision of Products and Materials and Equipment Lease Agreement, which was ratified by the independent shareholders on 22 June 2012. This agreement was effective for 3 years from 1 January 2012 to 31 December 2014. On 14 May 2014, the Company held the 2013 annual shareholders’ meeting, the independent shareholders considered and approved the annual cap for the year 2014 for the transactions restricted by the Provision of Products and Materials and Equipment Lease Agreement. Pursuant to the original Provision of Products and Materials and Equipment Lease Agreement, the Company provided Yankuang Group with coal products, methanol and materials and leasing of equipments in the normal course of business operation.

4. Upon completion of performance of the above agreement, the Company shall continue to provide Yankuang Group with coal products and methanol for further processing of coal, electrolytic aluminium production, cement production, other production and daily use.
5. The Company is capable of handling the sales of materials, it can sell materials centralized purchased from third parties to Yankuang Group and will continue to sell part of the materials to Yankuang Group. This enhances capital utilisation and generates gains from the re-sale of materials for the Company.
6. The Company is in a relatively advantageous position in coal mining and purchasing of related equipments, it can purchase equipments from third parties and continue to lease them to Yankuang Group for use, this enhances capital utilisation and generates gains from leasing.

Pursuant to the Contract Law of the People's Republic of China, the relevant laws and regulations, and the local regulatory requirements in the listing locations of the Company, Yankuang Group and the Company, through friendly discussion, agree on provision of products and materials and the leasing of equipments by the Company to Yankuang Group as follows:

1. Definition and explanations

1.1 Definition

Terms used herein shall have the following meaning unless otherwise required by the context:

“Fiscal Year”	each year from 1 January to 31 December;
“Half year”	from 1 January to 30 June or from 1 July to 31 December of each fiscal year;
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“Market Price”	the market prices of products and materials calculated pursuant to clause 4.2 of the agreement in applicable circumstances;
“Materials”	the materials, such as steel, provided by the Company and its subsidiaries to Yankuang Group and its subsidiaries pursuant to clause 2.1.3 of this agreement;

“Equipment”	the equipments leased by the Company and its subsidiaries to Yankuang Group and its subsidiaries pursuant to clause 2.1.4 of this agreement;
“PRC”	People’s Republic of China;
“RMB”	Renminbi, the legal currency of PRC;
“Previous Connected Transaction Agreement”	the Provision of Products and Materials and Equipment Lease Agreement entered into between Yankuang Group and the Company on 23 April 2012;
“State Regulated Price”	Prices of products, materials and the amount of leasing of equipments determined in accordance with clause 4.3;
“subsidiaries”	the controlled subsidiaries and other branch companies of Yankuang Group and the Company;
“Agreed Provision”	the provision of coal products, methanol and materials and the leasing of equipments by the Company to Yankuang Group.

1.2 Explanation

Unless a contrary intention appears,

(1) For the purpose of Agreed Provision herein, Yankuang Group and the Company shall include their respective subsidiaries. Yankuang Group also includes its associates from time to time (“associates” has the meaning ascribed to it in the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited). For the purpose of this agreement, the subsidiaries of Yankuang Group exclude the Company and its subsidiaries;

(2) Any party to the agreement and any other agreements includes its successors or approved assignees (if any);

(3) Clauses and appendices refer to the clauses and appendices hereof;

(4) Any clauses herein shall not be interpreted as prohibiting the postponement, revision, modification or supplement of the agreement;

(5) Headings used in this agreement are intended for convenience purpose only and shall not affect the content and explanation hereof.

2. Agreed Provision by the Company to Yankuang Group

2.1 Pursuant to this agreement, the Company shall provide Yankuang Group with the following Agreed Provision:

2.1.1 Coal products

- 2.1.2 Methanol;
 - 2.1.3 Materials: steel, non-ferrous metal, timber, grease, bearings, labor protection appliances and other similar materials;
 - 2.1.4 Equipment lease
- 2.2 The Company shall provide Yankuang Group with the Agreed Provision pursuant to the terms hereof and specific terms (including but not limited to quantity and quality) in written agreements entered into by both parties from time to time.

3. Operation

- 3.1 Yankuang Group shall submit the Materials demand plan for the coming year or service adjustment plan for the current year (“annual provision plan”) to the Company prior to 31 November of each year. Both parties shall agree on the plan before 31 December of the year.
- 3.2 Both parties and their subsidiaries and associates of Yankuang Group shall enter into specific Materials provision/lease contracts in accordance with this agreement (including the annual provision plan made under this agreement).
- 3.3 The annual provision plans or specific provision/lease contracts can be adjusted during the course of implementation upon agreement by both parties if necessary.
- 3.4 Payments for the Agreed Provision can be made in one time or by instalments.
- 3.5 Each of the two parties shall record the amount due and payable to one another for the current month or the amount due and receivable from one another for the current month regarding the continuing connected transactions on their respective account books before the last business day of each calendar month at the latest. The transaction amounts of the continuing connected transactions incurred for each calendar month shall be settled within the following month, except for any amount of transactions not yet completed or any amount in dispute.

4. Pricing for Agreed Provision

- 4.1 The prices of the coal products, methanol and Materials and the charge for leasing of equipment shall be determined in accordance with Market Price.
- 4.2 The Market Price of the Agreed Provision shall be determined in accordance with the general commercial terms and on the following basis:
- (1) The prices of identical or similar Agreed Provision that an independent third party in the area of provision or in its vicinity of identical or similar products should charge in accordance with general commercial terms during its daily business operation; or
 - (2) Where (1) above is not applicable, the prices that an independent third party within the PRC territory should charge when providing identical or similar Agreed Provision in accordance with general commercial terms during its daily business operation.
- 4.3 At any time, both parties agree to adopt any State Regulated Price effective and applicable to the Agreed Provision hereof. Such price is required for such Agreed Provision in accordance to the laws, regulations, decisions, decrees or pricing policies (as the case may be) made by the relevant Chinese government authorities.

5. Representations, undertakings and warranties by the Company

- 5.1 The Company is a joint stock limited company with the status of independent legal entity incorporated under the laws and currently holds a valid business license.

- 5.2 The Company has been engaging in business activities in accordance with the laws, and has never been involved in any business beyond the scope as set by the law.
- 5.3 The signing of this agreement or performance of obligations hereof by the Company neither breaches nor is legally in conflict with any other agreements it has entered into or its articles of association.
- 5.4 The Company warrants that it provide all Agreed Provision hereunder to Yankuang Group pursuant to normal commercial terms.
- 5.5 The Company undertakes and warrants to provide Yankuang Group with the Agreed Provision which is in accordance with and meets the requirements and standards as negotiated and set by both parties from time to time.
- 5.6 The Company ensures that it would maintain adequate employees who have certain qualifications to provide the Agreed Provision, its employees will have adequate guidance and instructions to provide the Agreed Provision according to the reasonable requirements of Yankuang Group.
- 5.7 The Company guarantees to Yankuang Group that the former shall be liable for any act of violation of the terms hereof made by its subsidiaries when providing the Agreed Provision.
- 5.8 The Company undertakes to Yankuang Group that it will cause its subsidiaries to take all necessary actions to fulfill their obligations under this agreement.
- 5.9 The Company undertakes to take reasonable measures to avoid any losses of Yankuang Group arising from certain omission during the performance of its obligations hereof. In case of any losses of Yankuang Group arising therefrom, the Company undertakes to indemnify for all the losses of Yankuang Group.

6. Representations, undertakings and warranties by Yankuang Group

- 6.1 Yankuang Group is a wholly state owned enterprise established under the laws and possessing status of independent legal entity, and currently holds a valid business license.
- 6.2 Yankuang Group has been engaging in business activities in accordance with the laws, and has never been involved in any business beyond the scope as set by the law.
- 6.3 The signing of this agreement or performance of obligations hereof by Yankuang Group neither breaches nor is legally in conflict with any other agreements it has entered into or its articles of association.
- 6.4 Yankuang Group undertakes to make timely payment to the Company for the Agreed Provision in accordance with the provisions of this agreement, and shall be liable for any act of violation of the terms hereof.
- 6.5 Yankuang Group warrants to take reasonable measures to avoid any losses of the Company arising from certain omission during its performance of obligations hereof. In case of any losses of the Company arising therefrom, Yankuang Group undertakes to indemnify for all the losses of the Company.

7. Termination of Agreed Provision

- 7.1 Unless otherwise stated herein, any party may terminate the provision or purchase of certain kind of coal products, methanol or Materials or leasing or renting of equipment by giving not less than 12 months' prior written termination notice to the other party. The kind of provision or purchase of the Agreed Provision or leasing or renting of equipment to be terminated and the effective date of such termination shall be specified in the notice. The provision or purchase of the Agreed Provision stated in the notice will automatically be terminated from the effective date of termination stated in the notice. If the Agreed Provision is terminated according to this clause, such termination shall not affect the other rights and obligations of Yankuang Group or the Company hereunder.

7.2 For the avoidance of doubt, both parties agree that, where Yankuang Group has issued a termination notice for the purchase of a certain kind of Agreed Provision pursuant to clause 7.1, the Company shall continue its provision of that kind of Agreed Provision to Yankuang Group pursuant to applicable provision clauses (other than the requirement(s) on duration of provision) from the issue date of the notice until the effective date of termination. The applicable clauses at that time shall include the relevant terms of the supplemental agreement entered in accordance with clause 8.3.

8. Effective date, term and termination of agreement

- 8.1 Unless otherwise agreed in writing by both parties, this agreement shall take effect from 1 January 2015, subject to the signing by the legal representatives or authorized representatives of both parties and the approval by the board of directors or the independent shareholders pursuant to the approval permission and local regulatory requirements in the listing locations of the Company.
- 8.2 This agreement is valid for 3 years starting from 1 January 2015 until 31 December 2017. The Previous Connected Transaction Agreement shall terminate automatically after this agreement has taken effect.
- 8.3 In case of any need to modify this agreement, both parties shall enter into a supplemental agreement on the relevant issues before the end of November in the year prior to the relevant Fiscal Year specified in such supplemental agreement. In the event of failure of both parties to agree on the terms of the supplemental agreement before the above time limit, the current terms of provision shall be applicable to the next Fiscal Year until an agreement is reached or the disputes are settled by both parties pursuant to clause 8.4.
- 8.4 Where the parties fail to reach an agreement in connection with any matters related to the transaction price (including but not limited to the amount and the time of payment), such matters shall, upon the request of any party, be submitted to Zoucheng City Pricing Bureau as mediator for arriving at a solution. Such decision by Zoucheng City Price Bureau shall be final and binding on both parties.

- 8.5 Both parties may negotiate and enter into a new Provision of Coal Products and Materials and Equipment Lease Agreement prior to the termination of this agreement to ensure the normal operation and production of both parties after such termination.
- 8.6 In case of material default of any clauses hereof by any party (“defaulting party”), this agreement may be terminated immediately by the other party if the defaulting party has failed to remedy such default within the reasonable period requested by the other party in a written notice pointing out the act of default, or if such act of default is not remediable.
- 8.7 The termination of this agreement shall not harm any rights or obligations of any party already incurred.

9. Performance of the agreement

In accordance with the regulatory requirements of the listing locations of the Company (including but not limited to the Listing Rules of the Stock Exchange of Hong Kong and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange), an annual cap of transaction shall be set for the continuing connected transactions under this agreement. Where the annual cap for the transactions of the Agreed Provision requires the approval by the independent shareholders of the Company, the continuation of such transactions shall be subject to the approval of the independent shareholders of the Company. Where, in any year, the actual amount of such transactions exceeds the annual cap as approved by the independent shareholders of the Company, both parties should terminate the transactions of products and Materials and the transactions of leasing of equipments which are in excess of the annual cap approved by the independent shareholders before the Company has performed the approval procedures according to the regulatory requirements of the listing locations.

10. **Announcement**

Any party shall not make or permit the other party to make (where one party is capable of controlling the other party) any announcement related to the subject of this agreement or any relevant issues without prior written consent of the other party, save for announcement made in compliance with the requirements of the law or the China Securities Regulatory Commission, Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Securities and Futures Commission in Hong Kong, the New York Stock Exchange, the United States Securities and Exchange Commission or the regulatory authorities in any other listing locations of the Company.

11. **Other provisions**

- 11.1 Neither party shall assign or transfer its rights or obligations under this agreement to any third parties without written consent of the other party.
- 11.2 This agreement and its appendix shall constitute the complete agreement by both parties on all issues herein and replace all prior agreements by both parties related to such transactions. In case of violation of any clauses of the Previous Connected Transaction Agreement by any party (“defaulting party”), the validity of this agreement shall not affect any rights entitled by the other party (“non-defaulting party”) due to the default of the defaulting party.
- 11.3 Should any clauses herein become illegal, invalid or unenforceable at any time, the other clauses shall not be affected.
- 11.4 In case of any failure of performance of its obligations of this agreement by any party pursuant to the provisions hereof due to force majeure, that party shall timely provide evidence and written notice to the other party in order not to be deemed as having made any act of default. The other party shall agree to give a reasonable period for performance of duties and obligations according to the situation.
- 11.5 Both parties agree to bear all relevant costs and expenses required by the relevant laws of the PRC arising from their entering into this agreement or evenly bear such costs and expenses if it is not specified by the laws.

- 11.6 Any amendments to this agreement or its appendix shall be made by written agreement where possible and shall be signed by both parties and approved via appropriate legal procedures.
- 11.7 Unless otherwise required, failure or delay in exercising its rights, powers or privileges hereunder by any party shall not constitute a waiver of such rights, powers or privileges, and any single or partial exercise of such right, power or privilege shall not exclude its exercise of any other rights, powers or privileges.
- 11.8 The appendix to this agreement is an integral part of this agreement, and shall be equally binding as if it was included in the agreement.

12. **Notice**

12.1 Any notices or other documents for the parties in accordance with this agreement shall be delivered by post or fax to the relevant party at the following address:

(a) Yankuang Group: Yankuang Group Company Limited

Address: 298 Fushan South Road,
Zoucheng City,
Shandong Province
People's Republic of China

Tel: 0537-5382232

Fax: 0537-5382831

(b) The Company: Yanzhou Coal Mining Company Limited

Address: 298 Fushan South Road,
Zoucheng City,
Shandong Province
People's Republic of China

Tel: 0537-5382319

Fax: 0537-5383311

12.2 Time lines for serving notices or documents:

- (a) Delivery by hand: upon hand-over of the letter;
- (b) Delivery by mail: within five (5) working days after posting (excluding Saturdays, Sundays and public holidays in the PRC); and
- (c) Delivery by fax: upon receipt of fax. Where the fax is received outside business hours, the receiving time shall be the general business hours of the second day (excluding Saturdays, Sundays and public holidays in the PRC) and the sender shall present the confirmation of transmission by the fax machine to indicate the transmission is completed.

13. **Applicable laws and jurisdiction**

This agreement shall be governed by and construed by the applicable laws of the PRC. Any disputes (including any issues concerning the existence, validity, and rights and duties of both parties under this Agreement) arising from or in connection with this agreement not resolved through friendly negotiation may be submitted to Jining Arbitration Commission located in Jining City, Shandong Province, the PRC for arbitration according to its prevailing Arbitration Rules upon request of any party. The arbitral award shall be final and binding upon both parties.

14. **Supplemental provisions**

This agreement is written in Chinese.

This agreement is made in quadruplicate with equal legal effects. Each party shall hold 2 copies upon signature and sealing by the legal or authorized representatives of both parties.

In witness hereof, this agreement was signed on the date specified on the first page.

Yanzhou Coal Mining Company Limited (Seal)

Legal representative
/authorized representative: _____

Yankuang Group Company Limited (Seal)

Legal representative
/authorized representative: _____

Appendix: Provision of coal products, methanol and materials and leasing of equipments by the Company to Yankuang Group

<u>Item no.</u>	<u>Item provided</u>	<u>Pricing basis</u>	<u>Provision period</u>	<u>Notice period for termination</u>
1	Coal products	Market price	3 years	12 months
2	Methanol	Market price	3 years	12 months
3	Materials (including but not limited to steel, non-ferrous metal, timber, grease, bearings, labor protection appliances and other similar materials)	Market price	3 years	12 months
4	Leasing of equipments	Market price	3 years	12 months

Provision of Electricity and Heat Agreement

between

Yanzhou Coal Mining Company Limited

and

Yankuang Group Company Limited

24 OCTOBER 2014

This agreement is made and comes into force on 24 October 2014 in Zoucheng City, Shandong Province, between:

Yanzhou Coal Mining Company Limited, a joint stock limited company incorporated and validly exists under the laws of PRC, the publicly issued shares of which are listed on the Shanghai Stock Exchange, Hong Kong Stock Exchange and New York Stock Exchange, with registration number of business license for legal person as 370000400001016 and registered office at 298 Fushan South Road Zoucheng City, Shandong Province and its legal representative being Li Xiyong (hereinafter referred to as “the Company”).

Yankuang Group Company Limited, a wholly state-owned enterprise established and validly exists under the laws of PRC with registration number of business license for legal person as 370000018019807 and registered office at 298 Fushan South Road Zoucheng City, Shandong Province and its legal representative being Zhang Xinwen (hereinafter referred to as “Yankuang Group”).

Where as:

1. On 25 September 1997, Yankuang Group, as the sole promoter, founded the Company pursuant to PRC laws. As part of its reorganization, Yankuang Group injected assets and liabilities relating to its major coal production business into the Company, and Yankuang Group retained the remaining assets and liabilities.
2. After successive IPO and listing of the Company on the Shanghai Stock Exchange, Hong Kong Stock Exchange and New York Stock Exchange, Yankuang Group remains the controlling shareholder of the Company, holding directly and indirectly a total of approximately 56.52% of the issued shares in the Company as at the date hereof.
3. On 23 April 2012, Yankuang Group and the Company entered into the Provision of Electricity and Heat Agreement, which was ratified by the independent shareholders on 22 June 2012. This agreement was effective for 3 years from 1 January 2012 to 31 December 2014. Pursuant to the original Provision of Electricity and Heat Agreement, the Company provided Yankuang Group with electricity and heat.

Pursuant to the Contract Law of the People's Republic of China, the relevant laws and regulations, and the local regulatory requirements in the listing locations of the Company, Yankuang Group and the Company, through friendly discussion, agree on the continuous provision of electricity and heat by the Company to Yankuang Group as follows:

1. **Definition and explanations**

1.1 Definition

Terms herein have the following meaning unless otherwise required by the context:

“Fiscal Year”	each year from 1 January to 31 December;
“Half Year”	from 1 January to 30 June or from 1 July to 31 December of each fiscal year;
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“PRC”	People's Republic of China;
“Previous Connected Transaction Agreement”	the Provision of Electricity and Heat Agreement entered into between the Company and Yankuang Group on 23 April 2012;
“RMB”	Renminbi, the legal currency of PRC;
“subsidiaries”	the controlled subsidiaries and other affiliates of Yankuang Group and the Company;

1.2 Explanation

Unless a contrary intention appears,

- (1) For the purpose of provision of electricity and heat herein, Yankuang Group and the Company shall include their respective subsidiaries. Yankuang Group also includes its associates from time to time (“associates” has the meaning ascribed to it in the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited). For the purpose of this agreement, the subsidiaries of Yankuang Group exclude the Company and the subsidiaries of the latter;
- (2) Any party to the agreement and any other agreements includes its successors or approved assignees (if any);
- (3) Clauses and appendices refer to the clauses and appendices hereof;
- (4) Any clauses herein shall not be interpreted as prohibiting the postponement, revision, modification or supplement of the agreement;
- (5) Headings used in this agreement are intended for convenience purpose only and shall not affect the content and explanation hereof.

2. **Provision of electricity and heat**

The Company shall provide Yankuang Group with electricity and heat pursuant to the terms hereof and specific terms in written agreements entered into between both parties from time to time.

3. **Operation**

- 3.1 Yankuang Group shall submit the electricity and heat demand plan for the coming year or service adjustment plan for the current year (“annual provision plan”) to the Company prior to 31 November each year. The parties shall agree on the plan before 31 December of the year.
- 3.2 Both parties and their subsidiaries and associates of Yankuang Group shall enter into specific provision of electricity and heat contracts in accordance with this agreement (including the annual provision plan made under this agreement).
- 3.3 The annual provision plans or specific provision contracts can be adjusted during the course of implementation upon agreement by both parties if necessary.
- 3.4 Payments for the provision of electricity and heat can be made in one time or by instalments.
- 3.5 Each of the two parties shall record the amount due and payable to one another for the current month or the amount due and receivable from one another for the current month regarding the continuing connected transactions on their respective account books before the last business day of each calendar month at the latest. The transaction amounts of the continuing connected transactions incurred for each calendar month shall be settled within the following month, except for any amount of transactions not yet completed or any amount in dispute.

4. **Pricing for provision of electricity and heat**

The price for provision of electricity and heat shall be equal to that approved by governmental authorities (including but not limited to Shandong Province Pricing Bureau and/or Jining Municipal Pricing Bureau), and settlement shall be made with Yankuang Group according to the actual consumption by Yankuang Group.

5. **Representations, undertakings and warranties by the Company**

- 5.1 The Company is a joint stock limited company with the status of independent legal entity incorporated under the laws and currently holds a valid business license;
- 5.2 The Company has been engaging in business activities in accordance with the laws, and has never been involved in any business beyond the scope as set by the law;
- 5.3 The signing of this agreement or performance of obligations hereof by the Company neither breaches nor is legally in conflict with any other agreements it has entered into or its articles of association;
- 5.4 The Company undertakes and warrants to provide Yankuang Group with electricity and heat which are in accordance with and meet the requirements and standards as negotiated and determined by both parties from time to time;
- 5.5 The Company ensures that it would maintain adequate employees who have certain qualifications to provide electricity and heat to Yankuang Group, its employees will have adequate guidance and instructions to provide electricity and heat according to the reasonable requirements of Yankuang Group;
- 5.6 If the electricity or heat is provided by the subsidiaries of the Company, the Company undertakes that it shall cause the subsidiaries concerned to provide electricity or heat to Yankuang Group and/or its subsidiaries, associates according to the terms of this agreement;

- 5.7 The Company undertakes to Yankuang Group that it shall be liable for any act of violation of the terms hereof made by its subsidiaries when providing electricity or heat according to this agreement;
 - 5.8 The Company undertakes to Yankuang Group that it will cause its subsidiaries to take all necessary actions to fulfill their obligations under this agreement;
 - 5.9 The Company warrants to take reasonable measures to avoid any losses of Yankuang Group arising from certain omission during the performance of its obligations hereof. In case of any losses of Yankuang Group arising therefrom, the Company undertakes to indemnify for all the losses of Yankuang Group.
6. Representations, undertakings and warranties by Yankuang Group
- 6.1 Yankuang Group is a wholly state owned enterprise established under the laws and possessing the status of independent legal entity, and currently holds a valid business license;
 - 6.2 Yankuang Group has been engaging in business activities in accordance with the laws, and has never been involved in any business beyond the scope as set by the law;
 - 6.3 The signing of this agreement or performance of obligations hereof by Yankuang Group neither breaches nor is legally in conflict with any other agreements it has entered into or its articles of association;
 - 6.4 Yankuang Group undertakes to make timely payment to the Company for electricity or heat in accordance with the provisions of this agreement;

6.5 Yankuang Group warrants to take reasonable measures to avoid any losses of the Company arising from certain omission during its performance of obligations hereof. In case of any losses of the Company arising therefrom, Yankuang Group undertakes to indemnify for all the losses of the Company.

7. **Termination of provision of electricity and heat**

7.1 Any party to this agreement may terminate the provision or purchase of electricity and heat by giving not less than 12 months' prior written termination notice to the other party. The effective date of the termination of provision or purchase of electricity and heat shall be specified in the notice. The provision of electricity and heat under this agreement will automatically be terminated from the termination date stated in the notice. Such termination shall not affect the other rights and obligations of Yankuang Group or the Company hereunder.

7.2 For the avoidance of doubt, both parties agree that, where Yankuang Group has issued a termination notice for provision of electricity and heat pursuant to clause 7.1, the Company shall continue its provision of electricity and heat to Yankuang Group pursuant to applicable provision clauses (other than the requirement(s) on duration of provision) from the issue date of the notice until the effective date of termination. The applicable clauses at that time shall include the relevant terms of the supplemental agreement entered in accordance with clause 8.3.

8. **Effective date, term and termination of agreement**

8.1 Unless otherwise agreed in writing by both parties, this agreement shall taken effect from 1 January 2015, subject to the signing by the legal representatives or authorized representatives of both parties and the approval by the board of directors or the independent shareholders pursuant to the approval permission and local regulatory requirements in the listing locations of the Company.

- 8.2 This agreement is valid for 3 years starting from 1 January 2015 until 31 December 2017. The Previous Connected Transaction Agreement shall terminate automatically after this agreement has taken effect.
- 8.3 In case of any need to modify this agreement, both parties shall enter into a supplemental agreement on the relevant issues before the end of November in the year prior to the relevant Fiscal Year specified in such supplemental agreement. In the event of failure of both parties to agree on the terms of the supplemental agreement before the above time limit, the current terms of provision shall be applicable to the next Fiscal Year until an agreement is reached or the disputes are settled by both parties pursuant to clause 8.4.
- 8.4 Where the parties fail to reach an agreement in connection with any matters related to the transaction price (including but not limited to the amount and the time of payment), such matters shall, upon the request of any party, be submitted to Jining City Pricing Bureau as mediator for arriving at a solution. Such decision by Jining City Price Bureau shall be final and binding on both parties.
- 8.5 Both parties may negotiate and enter into a new provision of electricity and heat agreement prior to the termination of this agreement to ensure the normal operation and production of both parties after such termination.
- 8.6 In case of material default of any clauses hereof by any party (“defaulting party”), this agreement may be terminated immediately by the other party if the defaulting party has failed to remedy such default within the reasonable period requested by the other party in a written notice pointing out the act of default, or if such act of default is not remediable.
- 8.7 The termination of this agreement shall not harm any rights or duties of any party already incurred.

9. **Performance of the agreement**

In accordance with the regulatory requirements of the listing locations of the Company (including but not limited to the Listing Rules of The Stock Exchange of Hong Kong Limited Listing Rules and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange), an annual cap of transaction shall be set for the transactions of provision of electricity and heat under this agreement. Where the annual cap requires the approval by the independent shareholders of the Company, the continuity of such transactions shall be subject to the approval of the independent shareholders of the Company. Where, in any year, the actual amount of such transactions exceeds the annual cap as approved by the independent shareholders of the Company, both parties should terminate the provision of electricity and heat which is in excess of the annual cap approved by the independent shareholders before the Company has performed the approval procedures according to the regulatory requirements of the listing locations.

10. **Announcement**

Any party shall not make or permit the other party to make (where one party is capable of controlling the other party) any announcement related to the subject of this agreement or any relevant issues without prior written consent of the other party, save for announcement made in compliance with the requirements of the law or the China Securities Regulatory Commission, Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Securities and Futures Commission in Hong Kong, the New York Stock Exchange, the United States Securities and Exchange Commission or the regulatory authorities in any other listing locations of the Company.

11. **Other provisions**

11.1 Neither party shall assign or transfer its rights or obligations under this agreement to any third parties without written consent of the other party.

- 11.2 This agreement and its appendix shall constitute the complete agreement by both parties on all issues herein and replace all prior agreements by both parties related to such transactions. In case of violation of any clauses of the Previous Connected Transaction Agreement by any party (“defaulting party”), the validity of this agreement shall not affect any rights entitled by the other party (“non-defaulting party”) due to the default of the defaulting party.
- 11.3 Should any clauses herein become illegal, invalid or unenforceable at any time, the other clauses shall not be affected.
- 11.4 In case of any failure of performance of its obligations of this agreement by any party pursuant to the requirements hereof due to force majeure, that party shall timely provide evidence and written notice to the other party in order not to be deemed as having made any act of default. The other party shall agree to give a reasonable period for performance of duties and obligations according to the situation.
- 11.5 Both parties agree to bear all relevant costs and expenses required by the relevant laws of the PRC arising from their entering into this agreement or evenly bear such costs and expenses if it is not specified by the laws.
- 11.6 Any amendments to this agreement or its appendix shall be made by written agreement where possible and shall be signed by both parties and approved via appropriate legal procedures.
- 11.7 Unless otherwise required, failure or delay in exercising its rights, powers or privileges hereunder by any party shall not constitute a waiver of such rights, powers or privileges, and any single or partial exercise of such right, power or privilege does not exclude its exercise of any other rights, powers or privileges.

11.8 The appendix to this agreement is an integral part of this agreement, and shall be equally binding as if it was included in the agreement.

12. **Notice**

12.1 Any notices or other documents for the parties in accordance with this agreement shall be delivered by hand, by post or fax to the relevant party at the following address:

(a) Yankuang Group: Yankuang Group Company Limited
Address: 298 Fushan South Road,
Zoucheng City,
Shandong Province
People's Republic of China

Tel: 0537-5382232
Fax: 0537-5382831

(b) The Company: Yanzhou Coal Mining Company Limited
Address: 298 Fushan South Road,
Zoucheng City,
Shandong Province
People's Republic of China

Tel: 0537-5382319
Fax: 0537-5383311

12.2 Time lines for serving notices or documents:

- (a) Delivery by hand: upon hand-over of the letter;
- (b) Delivery by mail: within five (5) working days after posting (excluding Saturdays, Sundays and public holidays in the PRC); and
- (c) Delivery by fax: upon receipt of fax. Where the fax is received outside business hours, the receiving time shall be the general business hours of the second day (excluding Saturdays, Sundays and public holidays in the PRC) and the sender shall present the confirmation transmission by the fax machine to indicate the transmission is completed.

13. **Applicable laws and jurisdiction**

This agreement shall be governed by and construed by the applicable laws of the PRC. Any disputes (including any issues concerning the existence, validity, and rights and duties of both parties under this agreement) arising from or in connection with this agreement not resolved through friendly negotiation may be submitted to Jining Arbitration Commission located in Jining City for arbitration according to its prevailing Arbitration Rules upon request of any party. The arbitral award shall be final and binding upon both parties.

14. **Supplemental provisions**

This agreement is written in Chinese.

This agreement, is made in quadruplicate with equal legal effects. Each party shall hold 2 copies for upon signature and sealing by the legal or authorized representatives of both parties.

In witness hereof, this agreement was signed on the date specified on the first page.

Yanzhou Coal Mining Company Limited (Seal)

Legal representative
/authorized representative: _____

Yankuang Group Company Limited (Seal)

Legal representative
/authorized representative: _____

Appendix: Provision of electricity and heat by the Company to Yankuang Group

<u>Item provided</u>	<u>Pricing basis</u>	<u>Provision period</u>	<u>Notice period for termination</u>
Provision of electricity	To be negotiated	3 years	12 months
Provision of heat	To be negotiated	3 years	12 months

Financial Services Agreement

between

Yankuang Group Finance Co., Ltd.

and

Yanzhou Coal Mining Company Limited

27 MARCH 2015

This agreement is made and comes into force on 27 March 2015 in Zhoucheng City, Shangdong Province, between:

Yankuang Group Finance Co., Ltd. (hereinafter referred to as “**Party A**”), a company with limited liability incorporated and validly exists under the laws of PRC, with registration number of business license for legal person as 370000000002238 and registered office at 329 Fushan South Road, Zoucheng City, Shandong Province and its legal representative being Zhang Shengdong.

Yanzhou Coal Mining Company Limited (hereinafter referred to as “**Party B**”), a joint stock limited company incorporated and validly exists under the laws of PRC, with registration number of business license for legal person as 370000400001016 and registered office at 298 Fushan South Road, Zoucheng City, Shandong Province and its legal representative being Li Xiyong.

Where as:

1. Party A is a non-banking financial institution duly established with the approval of the China Banking Regulatory Commission (hereinafter referred to as “CBRC”) and is specialized in corporate financial services. According to the laws and regulations in relation to corporate finance company, it provides financial services to Yankuang Group Co., Ltd. (“Yankuang Group”), the controlling shareholder of Party A, and its subsidiaries.
2. The shares publicly issued by Party B are listed on the Shanghai Stock Exchange, Hong Kong Stock Exchange and New York Stock Exchange respectively. With Yankuang Group being the controlling shareholder of both Party A and Party B, according to the domestic and overseas regulatory requirements in relation to Party B, the businesses between Party A and Party B and its subsidiaries (collectively referred to as “Party B”) constitute normal continuing connected transactions.
3. On 27 March 2015, Party A and Party B entered into the Financial Services Agreement, which was ratified by the Board of Directors of Party B on 27 March 2014. This agreement shall be effective from 1 April 2015 to 31 March 2016. Pursuant to the original Financial Services Agreement, Party A provided deposit, loan and financial services to Party B.

4. Party B agrees to continue to engage Party A as one of the financial institutions providing financial services.

Based on the principles of fairness and reasonableness and mutual benefit, Party A and Party B reached the following agreement upon negotiation in respect of Party A's provision of financial services to Party B:

CLAUSE 1 SERVICE PRINCIPLES

- 1.1 Party A and Party B shall cooperate and perform this agreement based on the principles of equality and voluntariness, complementary advantages, mutual benefit, joint development and co-winning partnership.
- 1.2 Party B has the right to choose the financial institution for the provision of financial services and decide the financial institution for the provision of deposit and loan services as well as the amounts thereof based on its own business needs.
- 1.3 Party A regards Party B as its important customer and undertakes that the terms for the provision of financial services to Party B at any time shall be no less favorable than the terms of the same type of financial services provided by the Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China and China Construction Bank (hereinafter referred to as "Major Commercial Banks in the PRC") to Party B.

CLAUSE 2 CONTENTS OF SERVICES

Party A shall provide Party B with the following services:

1. Deposit service: the maximum daily balance (including accrued interests) of Party B on the settlement account in Party A shall not exceed RMB 1.18 billion.

2. Integrated credit facility: Party A shall provide Party B with a credit facility limit of RMB 400 million (including accrued interests).
3. Bill discounting service: Party A shall provide Party B with bill discounting service with the annual amount of discounting expenses not exceeding RMB 10 million.
4. Settlement services: Party B opened a settlement account with Party A, Party A shall provide settlement services of receipt and payment, entrusted loan services, guarantee services and other ancillary services in connection with settlement. Within the effective period of the agreement, the annual handling fees of the settlement services shall not exceed RMB4 million.
5. Bill acceptance services, financial and financing consultation, credit certification and relevant consultation and agency services.
6. Other services approved by China Banking Regulatory Commission.

CLAUSE 3 PRICING OF SERVICES

- 3.1 Deposit services: the interest rate for the deposit of Party B with Party A shall not be lower than the interest rate for the same kind of deposit announced by the People's Bank of China for the same period nor lower than the interest rate for the same kind of deposit offered by the Major Commercial Banks in the PRC for the same period nor lower than the interest rate for the same kind of deposit made by other group members of Yankuang Group in Party A for the same period, the interest rate can be adjusted between the range allowed by the State.
- 3.2 Loan services: the interest rate for the loan provided by Party A to Party B shall not exceed the interest rate for the same class of loan provided by the Major Commercial Banks in the PRC to Party B for the same period. Party A shall provide the loan to Party B on normal commercial terms and no asset is required from Party B as collateral.
- 3.3 Bill discounting service: the interest rate for bill discounting provided by Party A to Party B shall not be higher than the interest rate for bill discounting provided by the Major Commercial Banks in the PRC.

- 3.4 The fees charged by Party A for the provision of financial services to Party B, including settlement services, entrusted loans, entrusted investment, security service, bill acceptance, financial and financing consultation, credit certification and relevant consultation and agency services, shall be in accordance with the relevant benchmark rates determined by the People's Bank of China or CBRC (if any). In addition, such fees shall not exceed those charged by the Major Commercial Banks in the PRC for provision of same kind of financial services to Party B; both parties shall decide whether such fees be paid one-off or by instalment according to the specific situations.

CLAUSE 4 REPRESENTATIONS AND WARRANTIES BY BOTH PARTIES

4.1 Representations and warranties by Party A:

- 4.1.1 Party A is a non-banking financial institution legally established with the status of independent legal entity to provide professional corporate financial services. It currently holds a valid Business License for Enterprise Legal Person and Financial Business Operation Permit.
- 4.1.2 Party A has obtained all government approvals and internal authorizations for entering into this agreement and performance of the obligations hereunder. This agreement shall be binding on Party A upon execution.
- 4.1.3 Party A shall ensure the safe operation of its fund management network to safeguard the funds.
- 4.1.4 Party A shall ensure strict compliance with the risk monitoring indicators for financial institutions issued by CBRC, and the requirements of CBRC and other relevant PRC laws, regulations and regulatory documents regarding its major regulatory indicators such as gearing ratio and liquidity ratio.
- 4.1.5 Regarding the deposit of Party B in Party A, Party A can only use it for loans, discounting and fund settlement services etc for Party B and its subsidiaries, Party A shall not make investment with the deposit of Party B save for government bond purchase.
- 4.1.6 Copies of regulatory reports of Party A submitted to CBRC and other relevant regulatory authorities shall be provided to Party B as well.

- 4.1.7 The monthly financial statements of Party A shall be provided to Party B within the first 10 working days of the following month.
- 4.1.8 Party B shall have the right to review and obtain the relevant documents such as account books, financial statements and audit reports of Party A pursuant to the Company Law and the Articles of Association.
- 4.1.9 Party B shall be notified immediately by Party A the circumstances that may cause harm to the security of the deposits of Party B or any other circumstances that may jeopardize the security of the deposits of Party B. Party B shall have the right to withdraw all deposits.
- 4.2 Representations and warranties by Party B:
 - 4.2.1 Party B is a joint stock limited company legally established with the status of independent legal entity holding a valid Business License for Enterprise Legal Person.
 - 4.2.2 Party B has obtained necessary internal authorization for entering into this agreement and performance of the obligations hereunder. This agreement shall be binding on Party B upon its execution.

CLAUSE 5 CONFIDENTIALITY

Both Party A and Party B shall strictly perform their obligations of confidentiality and shall not disclose to the public any business information, technical records and financial position (with the exception of the reports required to be submitted to the relevant government authorities by the Parties and those required to be disclosed by Party B in accordance with the listing rules of the listing location for its securities), unless such information has already been made public previously.

CLAUSE 6 MISCELLANEOUS

- 6.1 Neither party shall assign or transfer its rights or obligations under this agreement to any third parties without written consent of the other party.

- 6.2 Should any clauses herein be revised, become illegal, invalid or unenforceable at any time, the other clauses shall not be affected.
- 6.3 In case of any failure of performance of its obligations of this agreement by any party pursuant to the provisions hereof due to force majeure, that party shall timely provide evidence and written notice to the other party in order not to be deemed as having made any act of default. The other party shall agree to give a reasonable period for performance of duties and obligations according to the situation.
- 6.4 Any amendment or supplement to this agreement shall be made in writing. The amendments or supplements to this agreement are integral parts hereof and shall have same effect as this agreement.
- 6.5 Unless otherwise required, failure or delay in exercising its rights hereunder by any party shall not constitute a waiver of such rights, and any single or partial exercise of such right shall not exclude its exercise of any other rights.

CLAUSE 7 NOTICE

- 7.1 Pursuant to this agreement, any notice or other documents sent by one party to the other party shall be given in writing and delivered by hand, by mail or by fax to the other party's address as follows:
- (a) Party A: Yankuang Group Finance Co., Ltd.
Address: 329 Fushan South Road, Zoucheng City, Shandong Province
Telephone: 0537-5386804
Facsimile: 0537-5384480
 - (b) Party B: Yanzhou Coal Mining Company Limited
Address: 298 Fushan South Road, Zoucheng City, Shandong Province
Telephone: 0537-5382319
Facsimile: 0537-5383311

7.2 Time lines for serving notices and documents:

- (a) Delivery by hand: upon hand-over of the letter;
- (b) Delivery by mail: within five (5) working days after posting (excluding Saturdays, Sundays and public holidays in the PRC); and
- (c) Delivery by fax: upon receipt of fax. Where the fax is received outside business hours, the receiving time shall be the general business hours of the second day (excluding Saturdays, Sundays and public holidays in the PRC) and the sender shall present the confirmation of transmission by the fax machine to indicate the transmission is completed.

CLAUSE 8 APPLICABLE LAWS AND JURISDICTION

This agreement shall be governed by and construed in accordance with the applicable laws of the PRC. Any disputes arising from or in connection with this agreement not resolved through friendly negotiation may be submitted to Jining Arbitration Commission located in Jining City, Shandong Province, the PRC for arbitration according to its prevailing Arbitration Rules upon request of any party. The arbitral award shall be final and binding upon both parties.

CLAUSE 9 TERM OF AGREEMENT

9.1 Unless otherwise agreed in writing by both parties, this agreement shall take effect from 1 April 2015 and terminate on 31 March 2016, subject to the signing by the legal representatives or authorized representatives of both parties and the approval by the board of directors or the independent shareholders pursuant to the approval permission and local regulatory requirements in the listing locations of Party B. During the effective period of this agreement, if any party requests to amend or terminate this agreement, it shall notify the other party 30 days in advance in writing, the agreement can only be amended or terminated after both parties have negotiated and reached an agreement.

- 9.2 In case of material default of any clauses hereof by any party (“defaulting party”), this agreement may be terminated immediately by the other party if the defaulting party has failed to remedy such default within a reasonable period requested by the other party in a written notice pointing out the act of default, or if such act of default is not remediable.
- 9.3 The termination of this agreement shall not harm any rights or obligations of any party already incurred.

CLAUSE 10 SUPPLEMENTAL PROVISIONS

10.1 This agreement is written in Chinese.

This agreement is made in quadruplicate with equal effects. Party A and Party B shall each hold two copies.

(No main texts on this page, this is the execution page of the Financial Services Agreement between Yankuang Group Finance Co., Ltd. and Yanzhou Coal Mining Company Limited)

Party A: Yankuang Group Finance Co., Ltd.

Legal representative or authorized representative (Signature):

Party B: Yanzhou Coal Mining Company Limited

Legal representative or authorized representative (Signature):

Exhibit 4.7

Contract no:

Coal Train Convoy Service Contract

Party A: Yanzhou Coal Mining Company Limited

Party B: Shandong Yankuang Security Service Company Limited

Place of contract signing: Zoucheng city, Shandong province

Date of contract signing: 27 March 2015

Party A: Yanzhou Coal Mining Company Limited

Party B: Shandong Yankuang Security Service Company Limited

Pursuant to the Contract Law of the People's Republic of China, the Regulations of the Administration of Security of the People's Republic of China and other relevant laws and regulations, Party A and Party B reach the following agreement on the coal train convoy service based on the principles of "Equality and mutual benefit, utilizing complementary advantages" after arm's length negotiation for joint compliance.

I. Service contents

(1) Service scope: Party A will assign the coal train transportation convoy service of Xinglongzhuang coal mine, Baodian coal mine, Dongtan coal mine, Nantun coal mine, Beisu coal mine, Jining II coal mine, Jining III coal mine, as well as the servicing area of the regional railway network to Party B; and Party B will build a security transport team with security qualification to provide convoy and guarding services at the designated time and place as required by Party A.

(2) Service requirements: No loss of theft (robbery) of coal throughout the train transportation.

II. Rights and obligations of both parties

(1) Rights and obligations of Party A

1. Party A has the rights to carry out supervision, inspection and assessment of the transport services provided by Party B, and the right to request Party B to rectify any of its acts violating the provisions of this contract.

2. The convoy staff sent by Party B should have strong sense of responsibility with good physical health, if Party A finds any convoy staff sent by Party B is not suitable for carrying out the convoy service, Party A has the right to ask Party B to replace him with another staff.

3. Party A is obliged to inform Party B the time, place of dispatch, destination, route, quantity of cargo and matters requiring attention at least 3 hours in advance.

4. Party A should ensure that the car bodies of the transport vehicles are complete and that they are in good technical conditions, clean and tidy, and that the car doors are closed firmly, and they should carry out the necessary work to secure the car doors, and adopt the necessary prevention measures for the cargo to be carried to meet the normal requirements of the convoy transportation of Party B.

5. Party A should start transportation according to the time of convoy as notified to eliminate and avoid as much as possible any delay in transportation commencement and stoppage of transportation during the journey etc.

6. Party A should provide the necessary venues as for working and rest purposes to the convoy staff of Party B of the starting point and destination of convoy transportation free of charge.

7. Full amount of the fee shall be paid at the time specified in this contract.

8. A mechanism of joint prevention, mutual guarding and administration of the territory concerned is implemented for the convoy transportation work. In case of major theft or robbery, Party A should actively send the security guard staff of the place concerned to cooperate with Party B to handle the matters.

9. Party A should actively cooperate with Party B to carry out work measures which are beneficial for train convoy service.

(2) Rights and obligations of Party B

1. Party B shall be an entity incorporated in accordance with the law which has legal person status with the relevant qualifications and it is capable of undertaking civil liabilities.
2. Party B shall buy casualty and injury insurance etc for the employees responsible for the convoy services.
3. The convoy staff sent by Party B shall abide by the rules and regulations agreed by both parties.
4. Party B has the right to receive the full amount of the settlement fee and to use it at its will according to the time agreed in the contract.
5. Party B has the right not to accept any service item not specified in the contract and any unreasonable request.
6. The tools and vehicles required for convoy transportation shall be provided by Party B itself.
7. Party B is obliged to adopt several security guard transportation methods such as convoy in vehicle, patrolling in the journey, waiting in key locations etc to reduce the occurrence of theft or robbery of coal during the transportation process to the largest extent.
8. Party B shall not assume any liability in respect of any losses of Party A due to force majeure such as natural disasters etc during the security transportation service period.

III. Delineation of obligations

(1) Party A shall be responsible for the security guard work when the train is inside the railway station of the starting place, before the transportation commencement and after the train arrival at the destination. Party B shall be responsible for the security guard work for the period after the transportation commencement and before the arrival of the train at the railway station.

(2) Party B shall assume the liability for any losses of casualty and property due to the violation of the requirements of security transportation, violation of transport regulations of the convoy staff or vehicles during the convoy transportation service provided by Party B to Party A; Party A and Party B shall assume their respective liabilities for any losses of casualty and property caused by the poor coordination and cooperation between them based on their attributable responsibilities; Party A shall assume the entire liability for any losses of casualty and property arising from the instructions of Party A violating the agreement or its unreasonable request.

(3) Party B will receive detailed information in connection with the convoy transportation task at least 3 hours in advance, Party B shall not assume any liability for failing to perform the contract as usual as a result of the delay of Party A in providing information.

(4) Both parties shall negotiate and arrive at a relevant contingency plan and set up an effective joint emergency handling mechanism for contingencies which may occur during the performance of the contract.

IV. Fee settlement

(1) Acceptance and handover

Party A shall carry out the packaging and sealing of the cargo according to the provisions of the “Rules for Unloading and Securing of Rail Cargos” (Tie Yun [2006] No. 161), the “Rules for the Administration of Rail Freight in Mining Areas” and the “Transport Agreement of National Railway Zou cheng to Fucun Session” etc, Party B shall be responsible for designing the acceptance list, the handover staff of both parties shall jointly confirm the quantity of goods packed and sealed, the type of coal, the weight of cargo and fill in the cargo dispatch and acceptance list at the site; after the cargo has arrived, the cargo arrival acceptance list shall be filled in, which shall be signed by both parties as confirmation, and such list shall be used as the basis of monthly settlement of fees.

(2) Assessment and settlement

After negotiation, both parties have agreed that the salary, consumption and depreciation of materials and equipments and other costs and expenses incurred by Party B plus a reasonable profit shall be the basis for determining the payment of the fee for train convoy service by Party A to Party B.

Such fee shall be settled according to the weight of the cargo dispatched at unit price of RMB2.35/tonne provided that Party B transported the coal to the destination safely without any loss of theft (robbery) of coal during the journey, and that the difference between the weight of the cargo upon arrival and the weight of the cargo at the time of dispatch is within the range specified by the company or agreed in the contract as reasonable natural wear and tear.

(3) Payment of fee

The fee for train convoy services shall be settled between both parties once a month, Party A shall make a one-off payment of the service fee for the previous month to Party B by cash or bank transfer before the 10th of the following month, based on the assessment results approved by both parties.

(4) Supervision and coordination

The acts of contract such as the assessment, acceptance and settlement of both Party A and Party B shall be supervised, inspected and guided by their joint parent company - Yankuang Group Company Limited, which also assists them to deal with external relationship and coordinate to resolve major issues.

V. Service period

The validity period of this contract is from 1 February 2015 to 31 March 2016, which shall take effect from the date on which both parties sign and affix their seals. This contract is on long term basis and shall be negotiated and signed annually. The next contract shall be entered into 30 days before the expiry of the existing contract.

VI. Default liability

(1) Party B shall make full compensation to Party A for any losses of Party A due to theft (robbery) of coal during the convoy transportation journey.

(2) If Party A does not pay the full amount of the service fee in time according to the time specified in the contract, it shall pay interest for the delay to Party B at 3% of the total service fee of the current month for each day of delay; if Party A causes Party B to suffer other losses, Party B has the right to demand Party A to compensate for the losses.

(3) Party B shall bear the default liability at 3% of the total service fee of the current month if it fails to provide the convoy transportation service in time with the exception of special poor weather conditions etc under which apparently Party B cannot provide the convoy transportation safely.

(4) If Party A has delayed to commenced the transportation or stopped the transportation during the journey, it shall pay a service delay fee to Party B at 3% of the total service fee of that batch of cargo for each delay or stoppage during the journey, such amount shall be calculated by the time of the delay or stoppage during the journey based on the "Confirmation Slip of Service Delay" signed and confirmed by both parties.

(5) If any party violates the other terms specified in this contract, it shall bear the default liability at 3-10% of the total service fee of the three previous months already settled according to the degree of seriousness of the default. If this is insufficient to indemnify the losses of the other party, the party suffering the losses has also the right to demand the defaulting party to make compensation according to the amount of the losses.

(6) All the disagreement, disputes between Party A and Party B arising from the performance of this contract and related matters shall be negotiated by both parties with a friendly attitude, if the negotiation fails, their joint parent company Yankuang Group Company Limited shall assist them to resolve the issues.

VII. Supplemental provisions

(1) For matters not covered by this contract, both parties can enter into a supplemental agreement after they have negotiated and reached an agreement, that supplemental agreement shall have the same legal effects as this contract.

(2) If both parties cannot continue to perform this contract due to force majeure or the policy adjustments of Yankuang Group Company Limited, both parties can rescind this contract without any liability.

(3) This contract is made in quadruplicate, with two originals and two copies, which have the same legal effects.

(4) This contract shall take effect from the date on which both parties sign and affix their seals, all the terms shall be void automatically after they have been performed.

Party A: Yanzhou Coal Mining Company Limited

Signature of representative:

Party B: Shandong Yankuang Security Service Company Limited

Signature of representative:

Signed on: 27 March 2015

Financial Services Agreement

between

Yankuang Group Finance Co., Ltd.

and

Yanzhou Coal Mining Company Limited

21 MARCH 2014

This agreement is made and comes into force on 21 March 2014 in Zhoucheng City, Shangdong Province, between:

Yankuang Group Finance Co., Ltd. (hereinafter referred to as “**Party A**”), a company with limited liability incorporated and validly exists under the laws of PRC, with registration number of business license for legal person as 370000000002238 and registered office at 329 Fushan South Road, Zoucheng City, Shandong Province and its legal representative being Zhang Shengdong.

Yanzhou Coal Mining Company Limited (hereinafter referred to as “**Party B**”), a joint stock limited company incorporated and validly exists under the laws of PRC, with registration number of business license for legal person as 370000400001016 and registered office at 298 Fushan South Road, Zoucheng City, Shandong Province and its legal representative being Li Xiyong.

Where as:

1. Party A is a non-banking financial institution duly established with the approval of the China Banking Regulatory Commission (hereinafter referred to as “CBRC”) and is specialized in corporate financial services. According to the laws and regulations in relation to corporate finance company, it provides financial services to Yankuang Group Co., Ltd. (“Yankuang Group”), the controlling shareholder of Party A, and its subsidiaries.
2. The shares publicly issued by Party B are listed on the Shanghai Stock Exchange, Hong Kong Stock Exchange and New York Stock Exchange respectively. With Yankuang Group being the controlling shareholder of both Party A and Party B, according to the domestic and overseas regulatory requirements in relation to Party B, the businesses between Party A and Party B and its subsidiaries (collectively referred to as “Party B”) constitute normal continuing connected transactions.
3. Party B agrees to engage Party A as one of the financial institutions providing financial services.

Based on the principles of fairness and reasonableness and mutual benefit, Party A and Party B reached the following agreement upon negotiation in respect of Party A's provision of financial services to Party B:

CLAUSE 1 SERVICE PRINCIPLES

- 1.1 Party A and Party B shall cooperate and perform this agreement based on the principles of equality and voluntariness, complementary advantages, mutual benefit, joint development and co-winning partnership.
- 1.2 Party B has the right to choose the financial institution for the provision of financial services and decide the financial institution for the provision of deposit and loan services as well as the amounts thereof based on its own business needs.
- 1.3 Party A regards Party B as its important customer and undertakes that the terms for the provision of financial services to Party B at any time shall be no less favorable than the terms of the same type of financial services provided by the Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China and China Construction Bank (hereinafter referred to as "Major Commercial Banks in the PRC") to Party B.

CLAUSE 2 CONTENTS OF SERVICES

Party A shall provide Party B with the following services:

1. Deposit service: the maximum daily balance (including accrued interests) of Party B on the settlement account in Party A shall not exceed RMB 930 million.
2. Integrated credit facility: Party A shall provide Party B with a credit facility limit of RMB 1 billion (including accrued interests).
3. Bill discounting service: Party A shall provide Party B with bill discounting service with the annual amount of discounting expenses not exceeding RMB 36.50 million.

4. Settlement services: Party B opened a settlement account with Party A, Party A shall provide settlement services of receipt and payment, entrusted loan services, guarantee services and other ancillary services in connection with settlement. Within the effective period of the agreement, the annual handling fees of the settlement services shall not exceed RMB7.45 million.

5. Bill acceptance services, financial and financing consultation, credit certification and relevant consultation and agency services.

6. Other services approved by China Banking Regulatory Commission.

CLAUSE 3 PRICING OF SERVICES

3.1 Deposit services: the interest rate for the deposit of Party B with Party A shall not be lower than the interest rate for the same kind of deposit announced by the People's Bank of China for the same period nor lower than the interest rate for the same kind of deposit offered by the Major Commercial Banks in the PRC for the same period nor lower than the interest rate for the same kind of deposit made by other group members of Yankuang Group in Party A for the same period, the interest rate can be adjusted between the range allowed by the State.

3.2 Loan services: the interest rate for the loan provided by Party A to Party B shall not exceed the interest rate for the same class of loan provided by the Major Commercial Banks in the PRC to Party B for the same period. Party A shall provide the loan to Party B on normal commercial terms and no asset is required from Party B as collateral.

3.3 Bill discounting service: the interest rate for bill discounting provided by Party A to Party B shall not be higher than the interest rate for bill discounting provided by the Major Commercial Banks in the PRC.

3.4 The fees charged by Party A for the provision of financial services to Party B including settlement services, entrusted loans, entrusted investment, security service, bill acceptance, financial and financing consultation, credit certification and relevant consultation and agency services, shall be in accordance with the relevant benchmark rates determined by the People's Bank of China or CBRC (if any). In addition, such fees shall not exceed those charged by the Major Commercial Banks in the PRC for provision of same kind of financial services to Party B; both parties shall decide whether such fees be paid one-off or by instalment according to the specific situations.

CLAUSE 4 REPRESENTATIONS AND WARRANTIES BY BOTH PARTIES

4.1 Representations and warranties by Party A:

- 4.1.1 Party A is a non-banking financial institution legally established with the status of independent legal entity to provide professional corporate financial services. It currently holds a valid Business License for Enterprise Legal Person and Financial Business Operation Permit.
- 4.1.2 Party A has obtained all government approvals and internal authorizations for entering into this agreement and performance of the obligations hereunder. This agreement shall be binding on Party A upon execution.
- 4.1.3 Party A shall ensure the safe operation of its fund management network to safeguard the funds.
- 4.1.4 Party A shall ensure strict compliance with the risk monitoring indicators for financial institutions issued by CBRC, and the requirements of CBRC and other relevant PRC laws, regulations and regulatory documents regarding its major regulatory indicators such as gearing ratio and liquidity ratio.
- 4.1.5 Party A shall not make investment with the deposit of Party B save for government bond purchase.
- 4.1.6 Copies of regulatory reports of Party A submitted to CBRC and other relevant regulatory authorities shall be provided to Party B as well.
- 4.1.7 The monthly financial statements of Party A shall be provided to Party B within the first 10 working days of the following month.
- 4.1.8 Party B shall have the right to review and obtain the relevant documents such as account books, financial statements and audit reports of Party A pursuant to the Company Law and the Articles of Association.
- 4.1.9 Party B shall be notified immediately by Party A the circumstances that may cause harm to the security of the deposits of Party B or any other circumstances that may jeopardize the security of the deposits of Party B. Party B shall have the right to withdraw all deposits.

4.2 Representations and warranties by Party B:

- 4.2.1 Party B is a joint stock limited company legally established with the status of independent legal entity holding a valid Business License for Enterprise Legal Person.
- 4.2.2 Party B has obtained necessary internal authorization for entering into this agreement and performance of the obligations hereunder. This agreement shall be binding on Party B upon its execution.

CLAUSE 5 CONFIDENTIALITY

Both Party A and Party B shall strictly perform their obligations of confidentiality and shall not disclose to the public any business information, technical records and financial position (with the exception of the reports required to be submitted to the relevant government authorities by the Parties and those required to be disclosed by Party B in accordance with the listing rules of the listing location for its securities), unless such information has already been made public previously.

CLAUSE 6 MISCELLANEOUS

- 6.1 Neither party shall assign or transfer its rights or obligations under this agreement to any third parties without written consent of the other party.
- 6.2 Should any clauses herein be revised, become illegal, invalid or unenforceable at any time, the other clauses shall not be affected.
- 6.3 In case of any failure of performance of its obligations of this agreement by any party pursuant to the provisions hereof due to force majeure, that party shall timely provide evidence and written notice to the other party in order not to be deemed as having made any act of default. The other party shall agree to give a reasonable period for performance of duties and obligations according to the situation.

- 6.4 Any amendment or supplement to this agreement shall be made in writing. The amendments or supplements to this agreement are integral parts hereof and shall have same effect as this agreement.
- 6.5 Unless otherwise required, failure or delay in exercising its rights hereunder by any party shall not constitute a waiver of such rights, and any single or partial exercise of such right shall not exclude its exercise of any other rights.

CLAUSE 7 NOTICE

- 7.1 Pursuant to this agreement, any notice or other documents sent by one party to the other party shall be given in writing and delivered by hand, by mail or by fax to the other party's address as follows:
- (a) Party A: Yankuang Group Finance Co., Ltd.
Address: 329 Fushan South Road, Zoucheng City, Shandong Province
Telephone: 0537-5386804
Facsimile: 0537-5384480
 - (b) Party B: Yanzhou Coal Mining Company Limited
Address: 298 Fushan South Road, Zoucheng City, Shandong Province
Telephone: 0537-5382319
Facsimile: 0537-5383311
- 7.2 Time lines for serving notices and documents:
- (a) Delivery by hand: upon hand-over of the letter;
 - (b) Delivery by mail: within five (5) working days after posting (excluding Saturdays, Sundays and public holidays in the PRC); and
 - (c) Delivery by fax: upon receipt of fax. Where the fax is received outside business hours, the receiving time shall be the general business hours of the second day (excluding Saturdays, Sundays and public holidays in the PRC) and the sender shall present the confirmation of transmission by the fax machine to indicate the transmission is completed.

CLAUSE 8 APPLICABLE LAWS AND JURISDICTION

This agreement shall be governed by and construed in accordance with the applicable laws of the PRC. Any disputes arising from or in connection with this agreement not resolved through friendly negotiation may be submitted to Jining Arbitration Commission located in Jining City, Shandong Province, the PRC for arbitration according to its prevailing Arbitration Rules upon request of any party. The arbitral award shall be final and binding upon both parties.

CLAUSE 9 TERM OF AGREEMENT

- 9.1 Unless otherwise agreed in writing by both parties, this agreement shall take effect from 1 April 2014 and terminate on 31 March 2015, subject to the signing by the legal representatives or authorized representatives of both parties and the approval by the board of directors or the independent shareholders pursuant to the approval permission and local regulatory requirements in the listing locations of the joint stock company. During the effective period of this agreement, if any party requests to amend or terminate this agreement, it shall notify the other party 30 days in advance in writing, the agreement can only be amended or terminated after both parties have negotiated and reached an agreement.
- 9.2 In case of material default of any clauses hereof by any party (“defaulting party”), this agreement may be terminated immediately by the other party if the defaulting party has failed to remedy such default within a reasonable period requested by the other party in a written notice pointing out the act of default, or if such act of default is not remediable.
- 9.3 The termination of this agreement shall not harm any rights or obligations of any party already incurred.

CLAUSE 10 SUPPLEMENTAL PROVISIONS

10.1 This agreement is written in Chinese.

This agreement is made in quadruplicate with equal effects. Party A and Party B shall each hold two copies.

(No main texts on this page, this is the execution page of the Financial Services Agreement between Yankuang Group Finance Co., Ltd. and Yanzhou Coal Mining Company Limited)

Party A: Yankuang Group Finance Co., Ltd.

Legal representative or authorized representative (Signature):

Party B: Yanzhou Coal Mining Company Limited

Legal representative or authorized representative (Signature):

EXHIBIT 8.1

LIST OF SUBSIDIARIES OF YANZHOU COAL MINING COMPANY LIMITED

As of December 31, 2014, we owned the following major subsidiaries:

<u>Name of Subsidiary</u>	<u>Country of incorporation/ registration and operation</u>
Austar Coal Mine Pty, Limited	Australia
Yanmei Heze Company Limited	PRC
Yancoal Australia Limited	Australia
Shandong Yanmei Shipping Co., Ltd.	PRC
Yanzhou Coal Yulin Power Chemical Co., Ltd.	PRC
Zhongyan Trade Co., Ltd.	PRC
Yankuang Shanxi Neng Hua Company Limited	PRC
Shanxi Heshun Tianchi Energy Company Limited	PRC
Shanxi Tianhao Chemicals Company Limited	PRC
Hua Ju Energy Company Limited	PRC
Yanzhou Coal Ordos Neng Hua Company Limited	PRC
Yize Mining Investment Co., Ltd	PRC
Inner Mongolia Rongxin Chemicals Company Limited	PRC
Inner Mongolia Daxin Industrial Gas Company Limited	PRC
Inner Mongolia Xintai Coal Mining Company Limited	PRC
Inner Mongolia Haosheng Coal Mining Co., Ltd	PRC
Shandong Yanmei Rizhao Port Coal Storage and Blending Co., Ltd.	PRC
Yancoal International (Holding) Co., Limited	Hong Kong
Yancoal International Resources Development Co., Limited	Hong Kong
Yancoal International Technology Development Co., Limited	Hong Kong
Yancoal International Trading Co., Limited	Hong Kong
Yancoal Technology (Holdings) Co., Ltd.	Australia
Yancoal Resources Limited	Australia
Shandong Coal Trading Centre Co., Limited	PRC
Zoucheng Yankuang Beisheng Industry & Trading Co., Ltd	PRC
Ashton Coal Operations Pty Limited	Australia
Athena Coal Mine Pty Ltd	Australia
Felix NSW Pty Ltd	Australia
Moolarben Coal Mines Pty Limited	Australia
Moolarben Coal Operations Pty Ltd	Australia
Moolarben Coal Sales Pty Ltd	Australia
Proserpina Coal Pty Ltd	Australia
Syntech Holdings Pty Ltd	Australia
Duralie Coal Pty Ltd	Australia
Gloucester Coal Limited	Australia
Auriada Limited	Northern Ireland
Ballymoney Power Limited	Northern Ireland
Balhoil Nominees Pty Ltd	Australia
SASE Pty Limited	Australia
CIM Mining Pty Ltd	Australia
Donaldson Coal Holdings Ltd	Australia
Monash Coal Holdings Pty Ltd	Australia
CIM Stratford Pty Ltd	Australia
CIM Services Pty Ltd	Australia
Donaldson Coal Pty Ltd	Australia
Agrarian Finance Pty Ltd	Australia
Monash Coal Pty Ltd	Australia
Newcastle Coal Company Pty Ltd	Australia
Syntech Holdings II Pty Ltd	Australia
Tonford Pty Ltd	Australia
UCC Energy Pty Limited	Australia
Wesfarmers Char Pty Ltd	Australia

Wesfarmers Premier Coal Limited	Australia
White Mining (NSW) Pty Limited	Australia
White Mining Research Pty Ltd	Australia
White Mining Services Pty Limited	Australia
White Mining Limited	Australia
Yancoal Canada Resources Co., Ltd	Canada
Mountfield Properties Pty Ltd	Australia
AMH (Chinchilla Coal) Pty Ltd	Australia
Syntech Resources Pty Ltd	Australia
Yancoal Luxembourg Energy Holding Co., Limited	Luxembourg
Yarrabee Coal Company Pty Ltd	Australia
Westralian Prospectors NL	Australia
Eucla Mining NL	Australia
CIM Duralie Pty Ltd	Australia
Duralie Coal Marketing Pty Ltd	Australia
Gloucester (SPV) Pty Ltd	Australia
Gloucester (Sub Holdings 1) Pty Ltd	Australia
Gloucester (Sub Holdings 2) Pty Ltd	Australia
Donaldson Coal Finance Pty Ltd	Australia
Stradford Coal Pty Ltd	Australia
Stradford Coal Marketing Pty Ltd	Australia
Abakk Pty Ltd	Australia
Primecoal International Pty Ltd	Australia
Athena Holdings P/L	Australia
Premier Coal Holdings P/L	Australia
Tonford Holdings P/L	Australia
Wilpeena Holdings P/L	Australia
Yancoal Energy P/L	Australia
Yancoal Technology Development Pty Ltd	Australia
Qingdao Yanmei Dongqi Energy Co., Ltd	PRC
Shangdong Zhongyin Logistics & Trade Co., Ltd.	PRC
Zhongyin Financial Leasing Co., Ltd.	PRC
Duanxin Investment Holding (Beijing) Co., Ltd	PRC
Yancoal Australia Sales Pty Ltd	Australia
Yancoal SCN Ltd.	Australia
Ashton Coal mines Limited	Australia
Advanced Clean Coal Technology Pty Limited	Australia
Premier Char Pty Ltd	Australia

**CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14
OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES–OXLEY ACT OF 2002**

I, Yin Mingde, certify that:

1. I have reviewed this annual report on Form 20-F of Yanzhou Coal Company Limited (the “Company”);
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material aspects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report;
4. The Company’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
 - (d) Disclosed in this annual report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. The Company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 27, 2015

By: /s/ Yin Mingde
Name: Yin Mingde
Title: General Manager

**CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14
OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES–OXLEY ACT OF 2002**

I, WU Yuxiang, certify that:

1. I have reviewed this annual report on Form 20-F of Yanzhou Coal Company Limited (the “Company”);
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material aspects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report;
4. The Company’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
 - (d) Disclosed in this annual report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. The Company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 27, 2015

By: /s/ WU Yuxiang

Name: WU Yuxiang

Title: Chief Financial Officer

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES–OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the annual report on Form 20-F of Yanzhou Coal Company Limited (the “Company”) for the year ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof, I, Yin Mingde, General Manager of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The annual report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the annual report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 27, 2015

By: /s/ Yin Mingde
Name: Yin Mingde
Title: General Manager

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES–OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the annual report on Form 20-F of Yanzhou Coal Company Limited (the “Company”) for the year ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof, I, WU Yuxiang, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The annual report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the annual report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 27, 2015

By: /s/ WU Yuxiang

Name: WU Yuxiang

Title: Chief Financial Officer