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香港投資者須知：發行人(定義見下文)及擔保人(定義見下文)確認，債券(定義見下文)擬僅供專業投資者(定義見香港聯合交易所有限公司證券上市規則第37章)購買，且已按此基準於香港聯交所(定義見下文)上市。因此，發行人及擔保人各自確認，債券不適合作為香港散戶投資者的投資。投資者應審慎考慮所涉及的風險。

刊發發售備忘錄



兗煤國際資源開發有限公司
YANCOAL INTERNATIONAL RESOURCES
DEVELOPMENT CO., LIMITED

(於香港註冊成立之有限公司)

(「發行人」)

於2024年到期300,000,000美元利率為2.90%的高級擔保債券

(「債券」)

(股份代號：40928)

由以下各方無條件及不可撤回地擔保

兗州煤業股份有限公司
Yanzhou Coal Mining Company Limited

(在中華人民共和國註冊成立的股份有限公司)

(股份代號：1171)

(「擔保人」)

本公告乃根據香港聯合交易所有限公司(「香港聯交所」)證券上市規則(「上市規則」)第37.39A條刊發。

請參閱本公告隨附日期為2021年11月15日有關債券的發售備忘錄(「發售備忘錄」)。誠如發售備忘錄所披露，已發行債券僅供專業投資者(定義見上市規則第37章)購買，並已按此基準於香港聯交所上市。

發售備忘錄並不構成向任何司法權區的公眾提呈出售任何證券的招股章程、通告、通函、冊子或廣告，亦非向公眾發出邀請以作出認購或購買任何證券的要約，且不會派發以邀請公眾作出認購或購買任何證券的要約。

香港，2021年11月19日

於本公告日期，兗煤國際資源開發有限公司的董事為劉健先生、吳向前先生及趙青春先生。

於本公告日期，擔保人董事為李偉先生、劉健先生、肖耀猛先生、祝慶瑞先生、趙青春先生、王若林先生及黃霄龍先生，而擔保人獨立非執行董事為田會先生、朱利民先生、蔡昌先生及潘昭國先生。

IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN THE UNITED STATES OR TO U.S. PERSONS

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES AND ARE NOT U.S. PERSONS.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached Offering Memorandum (the “**Offering Memorandum**”). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Memorandum. In accessing the attached Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: This Offering Memorandum is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Memorandum, you shall be deemed to represent to Yancoal International Resources Development Co., Limited (the “**Issuer**”), Yanzhou Coal Mining Company Limited (the “**Guarantor**”), Deutsche Bank AG, Singapore Branch, CMB International Capital Limited, Haitong International Securities Company Limited, Industrial Bank Co., Ltd. Hong Kong Branch and China International Capital Corporation Hong Kong Securities Limited (together, the “**Joint Lead Managers**”) that (1) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, (2) you and any customers you represent are not U.S. persons (as defined in Regulation S under the U.S. Securities Act of 1933, as amended) (the “**Securities Act**”) and (3) you consent to delivery of the attached Offering Memorandum and any amendments or supplements thereto by electronic transmission.

The attached Offering Memorandum has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Principal Paying Agent, the Transfer Agent or the Registrar or any of their respective affiliates, directors, officers, employees, representatives, advisors, agents and each person who controls any of them nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

Restrictions: The attached document is being furnished in connection with an offering to non-U.S. persons in offshore transactions outside of the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES AND THE GUARANTEE THEREOF HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of any of the Joint Lead Managers, the Trustee, the Principal Paying Agent, the Transfer Agent, or the Registrar to subscribe for or purchase any of the securities described therein, and access has been limited, so that it shall not constitute directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Joint Lead Managers or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such person or such affiliate on behalf of the Issuer in such jurisdiction.

You are reminded that you have accessed the attached Offering Memorandum on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person.

PRIIPs REGULATION — PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The securities (the “**Bonds**”) are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The attached Offering Memorandum is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 (the “**EUWA**”).

PRIIPs REGULATION — PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the United Kingdom by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the United Kingdom’s Financial Services and Markets Act 2000 (as amended, the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the United Kingdom by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law of the United Kingdom by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

Singapore Securities and Futures Act Product Classification — Solely for the purposes of its obligations pursuant to section 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the “**SFA**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the Bonds are “**prescribed capital markets products**” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “**Reply**” function on your e-mail software, will be ignored or rejected.

IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

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YANCOAL INTERNATIONAL RESOURCES DEVELOPMENT CO., LIMITED

(incorporated with limited liability in Hong Kong)

US\$300,000,000 2.90%
Senior Guaranteed Bonds due 2024
unconditionally and irrevocably guaranteed by

Yanzhou Coal Mining Company Limited

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

Issue Price: 100%

The US\$300,000,000 in aggregate principal amount of senior guaranteed bonds (the "Bonds") will be issued by Yancoal International Resources Development Co., Limited (the "Issuer") and unconditionally and irrevocably guaranteed by Yanzhou Coal Mining Company Limited (the "Guarantor", together with the Issuer, the "Obligors") pursuant to a deed of guarantee (the "Deed of Guarantee"). The Bonds will bear interest from November 18, 2021 at the rate of 2.90% per annum payable on May 18 and November 18 of each year, beginning on May 18, 2022.

The Bonds will constitute direct, unconditional, unsubordinated (subject to conditions specified in "Terms and Conditions of the Bonds — Status and Guarantee of the Bonds; Covenants — Negative Pledge") unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall (save for such exceptions as may be provided by applicable legislation) (subject to conditions specified in "Terms and Conditions of the Bonds — Status and Guarantee of the Bonds; Covenants — Negative Pledge") at all times rank at least equally with all the Issuer's other present and future unsecured, unconditional and unsubordinated obligations. The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Bonds. The obligations of the Guarantor in that respect (the "Guarantee") are contained in the Deed of Guarantee. The obligations of the Guarantor under the Guarantee shall (save for such exceptions as may be provided by applicable legislation) (subject to conditions specified in "Terms and Conditions of the Bonds — Status and Guarantee of the Bonds; Covenants — Negative Pledge") at all times rank at least equally with all the Guarantor's other present and future unsecured and unsubordinated obligations.

The Bonds will mature on November 18, 2024, but are subject to redemption, in whole but not in part, at their principal amount, together with interest accrued to (but excluding) the date of redemption, at the option of the Issuer at any time in the event of certain changes affecting taxes of, among others, Hong Kong or the PRC (as defined herein). The Bonds contain a provision for redemption at the option of Bondholders at 101% of the aggregate principal amount of Bonds redeemed, together with accrued interest, upon the occurrence of a Change of Control Triggering Event. In addition, upon the occurrence of a SAFE Non-Registration Event, the Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all but not some only of that Holder's Bonds at their principal amount, together with accrued interest to the date of redemption. See "Terms and Conditions of the Bonds — Redemption and Purchase". In addition, the Issuer may redeem the Bonds, (but excluding) in whole but not in part, at a price equal to 100% of the principal amount of such Bonds plus: (1) accrued and unpaid interest (if any) to (but not including) the redemption date; and (2) a premium as set forth in the Terms and Conditions of the Bonds.

The Guarantor will enter into the Deed of Guarantee with the Trustee to be effective on November 18, 2021. The Guarantor will be required to register or cause to be registered with the State Administration of Foreign Exchange of the PRC or its applicable local branches ("SAFE") the Deed of Guarantee in accordance with, and within the time period prescribed by, Foreign Exchange Administration Rule on Cross-border Security (跨境擔保外匯管理規定) promulgated by SAFE. The Guarantor intends to complete the registration of the Deed of Guarantee with SAFE as soon as practicable and in any event on or prior to the SAFE Registration Deadline (being 120 PRC Business Days (as defined in the Terms and Conditions of the Bonds) after the Issue Date).

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registration (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) promulgated by the National Development and Reform Commission of the People's Republic of China (the "NDRC") on September 14, 2015 which came into effect immediately (the "Circular 2044"), Yankuang Group (currently known as Shandong Energy Group) has registered the issuance of the Bonds with the NDRC and have obtained a certificate from the NDRC on September 13, 2021, 2021 evidencing such registration and intend to provide the requisite information on the issuance of the Bonds to the NDRC within the prescribed timeframe after the issue date of the Bonds and in accordance with the Circular 2044 and any implementation rules, regulations, certificates, circulars or notices in connection therewith issued by the NDRC from time to time.

Investing in the Bonds involves certain risks. See "Risk Factors" beginning on page 13.

The Bonds are expected to be assigned a rating of "Ba1" by Moody's Investors Services, Inc. ("Moody's"). A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawal at any time by Moody's. A suspension, reduction or withdrawal of the rating assigned to the Bonds may adversely affect the market price of the Bonds. The Guarantor was assigned a rating of "BB" by S&P, "BB+" by Fitch and "Ba1" by Moody's.

Application will be made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange" or "HKSE") for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the "Professional Investors") only and such permission is expected to become effective on or about November 19, 2021. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Bonds are intended for purchase by Professional Investors only and will be listed on the HKSE on that basis. Accordingly, the Issuer and the Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Memorandum, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Memorandum to Professional Investors only have been reproduced in this Offering Memorandum. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer or the Group or the Guarantor, or quality of disclosure in this Offering Memorandum. Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Group and the Guarantor. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Memorandum and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Bonds and the Deed of Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds are being offered and sold only outside the United States in offshore transactions to non U.S. persons (as defined in Regulation S of the Securities Act) in compliance with Regulation S under the U.S. Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Memorandum, see "Subscription and Sale".

The Bonds will be represented by beneficial interests in the global certificate in registered form. Beneficial interests in the global certificate will be shown on, and transfers thereof will be effected only through, accounts with Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, S.A. ("Clearstream").

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Deutsche Bank

CMB International

Haitong International

Joint Lead Managers and Joint Bookrunners

Deutsche Bank

CMB International

Haitong International

Industrial Bank Co., Ltd.
Hong Kong Branch

China International
Capital Corporation

The date of this Offering Memorandum is November 15, 2021.

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NOTICE TO INVESTORS

You should rely on the information contained in this Offering Memorandum or to which we have referred you. No person has been or is authorized to give any information or to make any representation concerning us, the Bonds and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, the Joint Lead Managers (as defined in “*Subscription and Sale*”), the Agents (as defined in “*Terms and Conditions of the Bonds*”) or the Trustee (as defined in “*Terms and Conditions of the Bonds*”). Neither the delivery of this Offering Memorandum nor any offer, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or any of them since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof.

This Offering Memorandum is confidential. You are authorized to use this Offering Memorandum solely for the purpose of considering the purchase of the Bonds described in this Offering Memorandum. You may not reproduce or distribute this Offering Memorandum, in whole or in part, and you may not disclose any of the contents of this Offering Memorandum or use any information herein for any purpose other than considering a purchase of the Bonds. You agree to the foregoing by accepting delivery of this Offering Memorandum.

The Bonds and the Deed of Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”). Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to U.S. persons. See “*Subscription and Sale*”.

This Offering Memorandum has been prepared by us solely for use in connection with the proposed offering of the Bonds described in this Offering Memorandum. The distribution of this Offering Memorandum and the offering of the Bonds in certain jurisdictions may be restricted by law or regulations. Persons into whose possession this Offering Memorandum comes are required by the Joint Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Memorandum in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions, including the United States, the European Economic Area, the United Kingdom, the PRC, Hong Kong and Singapore and to persons connected therewith. For a description of certain further restrictions on offers, sales and re-sales of the Bonds and distribution of this Offering Memorandum, see “*Subscription and Sale*”. This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of us, the Joint Lead Managers, the Agents or the Trustee to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful.

In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds. Each person receiving this Offering Memorandum acknowledges that such person has not relied on the Joint Lead Managers, the Agents or the Trustee or any person affiliated with the Joint Lead Managers, the Agents or the Trustee in connection with its investigation of the accuracy of such information or its investment decision. By purchasing the Bonds, you will be deemed to have acknowledged that you have made certain acknowledgements, representation and agreements as set forth under the sections headed “*Subscription and Sale*” below.

Neither the Joint Lead Managers, the Agents nor the Trustee (as defined below) has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Bookrunners, the Agents or the Trustee as to the accuracy or completeness of the information contained or incorporated in

this Offering Memorandum. None of the Joint Lead Managers, the Agents or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Offering Memorandum.

This Offering Memorandum includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to us, the Guarantor and the Issuer. The Guarantor and the Issuer accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading. To the fullest extent permitted by law, none of the Joint Lead Managers accepts any responsibility for the contents of this Offering Memorandum or for any other statement, made or purported to be made by a Joint Lead Manager or on its behalf in connection with the Issuer, the Guarantor, or the issue and offering of the Bonds or the guarantee thereof. Each Joint Lead Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Memorandum or any such statement.

In connection with the issue of the Bonds, the Stabilisation Manager (as defined in “*Subscription and Sale*”) or persons acting on behalf of the Stabilisation Manager may, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be discontinued without notice at any time.

Presentation of Financial Information

The Company’s consolidated financial information as of and for the years ended December 31, 2019 and 2020 is derived from the audited consolidated financial statements of the Company as of and for the year ended December 31, 2020 (the “**Company’s Audited Financial Statements**”), which are included elsewhere in this Offering Memorandum and have been audited by SHINEWING (HK) CPA Limited, the independent auditors of the Company. Such financial statements of the Company were prepared and presented in accordance with IFRS.

None of the Issuer, the Company, the Joint Lead Managers, the Trustee, the Agents, or any of their respective affiliates, directors or advisors makes any representation or warranty, express or implied, regarding the accuracy or sufficiency of such financial information for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group’s financial condition and results of operations.

None of the Joint Lead Managers or any of their respective affiliates, directors or advisers makes any representation or warranty, express or implied, regarding the accuracy of such consolidated interim financial statements and financial information or their sufficiency for an assessment of, and potential investors must exercise caution when using such data to evaluate the Company’s financial condition and results of operations.

CERTAIN DEFINITIONS AND CONVENTIONS

References to

“**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 the Articles of Association of the Company, as amended from time to time.

“**Australia**” are to the Commonwealth of Australia.

“**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 (currently known as Shandong Energy Group).

“**Board of Directors**” or “**Board**” are to the board of Directors of the Company.

“**BOYD**” are to John T. BOYD, the competent person appointed by the Guarantor for the preparation of the Competent Person’s Report and the Competent Person’s Valuation Report.

“**C&A**” are to Coal & Allied Industries Limited.

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

“**Competent Person’s Report**” are to the Competent Person’s Valuation Report on Jinjitan Coal Mine issued by BOYD in accordance with the requirements under Chapter 18 of the Listing Rules for inclusion in the circular to be dispatched by the Guarantor to its shareholders in relation to the Yankuang Transaction.

“**Competent Person’s Valuation Report**” are to the Competent Person’s Report on Jinjitan Coal Mine issued by BOYD in accordance with the requirements under Chapter 18 of the Listing Rules for inclusion in the circular to be dispatched by the Guarantor to its shareholders in relation to the Yankuang Transaction.

“**COVID-19**” are to the Coronavirus Disease 2019.

“**CRE**” are to Chinese resident enterprise.

“**CSRC**” are to the China Securities Regulatory Commission.

“**Company Law of the PRC**” are to Company Law of the People’s Republic of China as amended and adopted by the Standing Committee of the Tenth National People’s Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time, which was further amended on December 28, 2013 and became effective on March 1, 2014.

“**Directors**” as used herein refer to directors of the Company.

“**Donghua Heavy Industry**” are to Yankuang Donghua Heavy Industry Company Limited, a company with limited liability incorporated under the laws of the PRC in 2013, and a wholly-owned subsidiary of the Company, which engages in the design, manufacturing, installation, repairing and maintenance of the Company’s mining equipment, electromechanical equipment and parts.

“**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 Uyghur Autonomous Region and Ningxia Hui Autonomous Region.

EIT Law” are to the Enterprise Income Tax Law of the People’s Republic of China enacted by the Standing Committee of the fifth National People’s Congress on March 16, 2007 and recently amended on February 24, 2017 and effective on the same date.

Federal Reserve System” are to the central banking system of the United States of America.

Fine Chemicals” are to Yankuang Yuling Fine Chemical Co., Ltd. (兗礦榆林精細化工有限公司).

Fourteenth Five-Year Plan” are to the Fourteenth Five-Year Plan (2021-2025) for National Economic and Social Development in the PRC.

Future Energy” are to Shaanxi Future Energy & Chemicals Co., Ltd. (陝西未來能源化工有限公司).

General Administration of Customs” are to ministry-level administrative agency within the government of the People’s Republic of China.

Glencore” are to Glencore Coal Pty Ltd.

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 into a wholly-owned subsidiary of Yancoal Australia.

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.

Hainan Intelligent Logistics” are to Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd. (兗礦(海南)智慧物流科技有限公司).

Haosheng Company” are to Inner Mongolia Haosheng Coal Mining Company Limited, a Company incorporated in the PRC and a 59.38%-owned subsidiary of the Company acquired in 2015, which operates Shilawusu Coal Mine.

Heze Neng Hua” are to Yanmei Heze Neng Hua 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 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.

Huaneng Fuel” are to China Huaneng Group Fuel Co., Ltd. (中國華能集團燃料有限公司).

HVO” are to HVO Coal Sales Pty Ltd.

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

“**Independent Board Committee**” are to the board committee comprising all the independent non-executive directors who are independent in relation to the Transaction Agreement and the transactions contemplated thereunder, which is set up to consider the Transaction Agreement and the transaction contemplated thereunder.

“**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 an 80%-owned subsidiary of Ordos Neng Hua, which operates the Wenyu Coal Mine in Inner Mongolia Autonomous Region.

“**Inner Mongolia Mining**” are to Inner Mongolia Mining (Group) Co., Ltd.

“**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.

“**Listing Rules**” are to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

“**Lunan Chemicals**” are to Yankuang Lunan Chemical Co., Ltd (兗礦魯南化工有限公司).

“**MNR**” are to the Ministry of Natural Resources of the PRC.

“**MOF**” are to the Ministry of Finance of the PRC.

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

“**Moody’s**” are to Moody’s Investors Service, Inc. and its successors.

“**Moolarben Coal Joint Venture**” the unincorporated joint venture which owned the Moolarben mine and which was owned 95% by the Yancoal Australia (through Moolarben Coal Mines Pty Ltd) and 5% by a consortium of South Korean companies comprising Korea Resources Corporation, Korea Southern Power Co., Ltd, Korea Midland Power Co., Ltd, Korea Western Power Co., Ltd and Korea South-East Power Corporation as of June 30, 2021.

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

“**NYSE**” are to the New York Stock Exchange.

“**Ordos Neng Hua**” are to Yanzhou Coal Ordos Neng Hua Company Limited, a wholly owned subsidiary of the Company incorporated in the PRC in December 2009 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).

“**Regulation S**” are to Regulation S under the Securities Act.

“**S&P**” are Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc., and its successors.

“**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.

“**Shandong Energy Group**” or “**Controlling Shareholder**” are to “Shandong Energy Group Company Limited” (山東能源集團有限公司), formerly known as Yankuang Group Corporation Limited (“**Yankuang Group**”), which is formerly known as Yanzhou Mining (Group) Corporation Limited, a wholly state-owned enterprise established in the PRC, and the Controlling Shareholder of our Company. Yankuang Group has entered into a merger agreement with Shandong Energy Company Limited on August 14, 2020, pursuant to which Yankuang Group was renamed as Shandong Energy Company Limited (山東能源集團有限公司) as the surviving company after the merger.

“**Shanxi Neng Hua**” are to Yanzhou Coal Shanxi Neng Hua Company Limited, a wholly owned subsidiary of the Company incorporated in the PRC and commenced production since 2006 that manages our investment projects in Shanxi Province.

“**SSE**” are to the Shanghai Stock Exchange.

“**Standing Committee of National People’s Congress**” are to a committee of about 150 members of the National People’s Congress of the PRC, which is convened between plenary sessions of the National People’s Congress.

“**State Council**” are to the chief administrative authority of the PRC, constitutionally synonymous with the Central People’s Government since 1954.

“**Syntech**” are to Syntech Holding Pty Ltd.

“**Target Assets**” are to the relevant assets of Yankuang Group Information Center (兗礦集團信息化中心).

“**Target Companies**” are to Shaanxi Future Energy & Chemicals Co., Ltd. (陝西未來能源化工有限公司), Yankuang Yuling Fine Chemical Co., Ltd. (兗礦榆林精細化工有限公司), Yankuang Lunan Chemical Co., Ltd (兗礦魯南化工有限公司), Yankuang Jining Chemical Equipment Co., Ltd. (兗礦濟寧化工裝備有限公司), Yankuang Coal Chemicals International Trading Co., Ltd. (兗礦煤化供銷有限公司) and Shandong Yankuang Jisan Electricity Co., Ltd. (山東兗礦濟三電力有限公司), individually or collectively (as the case may be).

“**Target Equity Interests**” are to the 49.315%, 100%, 100%, 100%, 100% and 99% equity interests in Shaanxi Future Energy & Chemicals Co., Ltd. (陝西未來能源化工有限公司), Yankuang Yuling Fine Chemical Co., Ltd. (兗礦榆林精細化工有限公司), Yankuang Lunan Chemical Co., Ltd (兗礦魯南化工有限公司), Yankuang Jining Chemical Equipment Co., Ltd. (兗礦濟寧化工裝備有限公司), Yankuang Coal Chemicals International Trading Co., Ltd. (兗礦煤化供銷有限公司) and Shandong Yankuang Jisan Electricity Co., Ltd. (山東兗礦濟三電力有限公司), respectively, held by Yankuang Group (currently known as Shandong Energy Group).

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

“**VAT**” are to value-added Tax.

“**Watagan**” are to Watagan Mining Company Pty Ltd., a wholly owned subsidiary of Yancoal Australia.

“**Yancoal Australia**” are to Yancoal Australia Limited, an Australian Securities Exchange (“**ASX**”)-listed and HKSE-listed subsidiary of the Company incorporated in Australia that manages our investment projects in Australia, which is 62.26%-owned by the Company as of the date of this Offering Memorandum.

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

“**Yankuang Finance**” are to Yankuang Group Finance Company Limited, a joint venture established by Yankuang Group (currently known as Shandong Energy Group), China Credit Trust Co., Ltd. and the Company, in which our Group acquired 65% shareholding interests in 2017, further acquired up to 95% shareholding interests in 2019 with a capital injection of RMB1.425 billion.

“**Zhongyin Financial**” are to Zhongyin Financial Leasing Company Limited, a wholly owned subsidiary of the Company incorporated in the PRC in 2014.

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

“**Yancoal International Resources**” are to Yancoal International Resources Development Co., Limited, a company with limited liability incorporated under the laws of Hong Kong in 2011 and a wholly-owned subsidiary of Yancoal International.

“**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.

“**Yulin Neng Hua**” are to Yanzhou Coal Yulin Neng Hua Company Limited, a wholly owned subsidiary of the Company incorporated in the PRC in 2004, which is principally engaged in the operation of a 1,800,000-tonne methanol project in Shaanxi Province.

As used in this Offering Memorandum, references to “**Yanzhou Coal**”, “**we**”, “**our**”, “**the Group**”, “**our 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**” and “**the Guarantor**” refer to Yanzhou Coal Mining Company Limited as a stand-alone statutory entity.

Unless otherwise specified, all references in this Offering Memorandum 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; and all references to “**RMB**” are to Renminbi, the lawful currency of the PRC. Our financial statements are denominated in RMB and, except as otherwise stated, all monetary amounts in this Offering Memorandum are presented in RMB.

Solely for your convenience, certain items in this Offering Memorandum contain translations of Renminbi amounts into U.S. dollars, which have been made at the rate of RMB6.5250 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, 2020. All such translations in this Offering Memorandum 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 Offering Memorandum, 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 Offering Memorandum, 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).

A majority of our Company's total estimated proven coal reserves are located in China and Australia. The coal reserves data in this Offering Memorandum 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 Offering Memorandum refers to our Company's share of production based on its percentage of equity interest in the relevant subsidiaries or coal mining projects.

Certain mining terms used in this Offering Memorandum are defined in the "*Glossary of Mining Terms*".

GLOSSARY OF MINING TERMS

Term	Definition
“anthracite”	A hard, clean-burning coal having a high carbon content and little volatile matter.
“caving”	(a) The longwall system of mining whereby roof coal is collected at the rear of the face supports. (b) The controlled collapsing of roof strata or coal behind the supports of a working longwall face.
“CFB boiler”	circulating fluidized bed boiler
“chock shield support”	A type of hydraulic roof support; each unit comprises hydraulically retractable legs acting on a roof canopy and shield protection on the goaf side against the caved roof material; a line of individual units installed side-by-side comprises the support element of a longwall face and, in sequence, each support advances itself on a hydraulically activated base as the support line snakes forward to support the face immediately after the passage of the shearer.
“coal chemical”	Chemicals that are obtained as by-products in the primary processing of coal to metallurgical coal or coke.
“coal preparation plant”	A plant constructed on the surface for the preparation of an ungraded mine coal to meet market criteria, using a variety of processes to concentrate coal in specific ranges of quality parameters from other material.
“coal seam”	A layer of coal reserves.
“coal shaft”	A shaft used for the hoisting of coal from the underground mine workings.
“coke”	Solid carbonaceous residue obtained from bituminous coal after removal of volatile material by destructive distillation, used as fuel in making steel.
“coking coal”	Also commonly referred to as metallurgical coal, is used to produce coke. Market participants typically refer to six types of coking coals based on specific characteristics of the coal including the ash content, volatile materials, coke strength and fluidity.
“conveyor”	A type of mining equipment used to carry out extracted coal and other materials from the mine face.
“cover”	The vertical interval between a mining horizon and another horizon, such as a water-bearing layer above.
“goaf”	The collapsed area behind a longwall face.
“hoist”	Machinery for raising men/minerals/materials from out of the mine to the surface.
“hydraulic roof support”(also referred to as chock shield support)	Equipment to provide temporary support of the roof strata on a longwall face.

Term	Definition
“jig”	A piece of equipment in a coal preparation plant flowsheet for the separation of coal of different qualities based on differences in relative density during agitation in a liquid medium.
“KWh”	Kilowatt hours, unit of electrical energy equals to one thousand watt hours.
“metallurgy”	The procedures of extracting metals from their ores, of purifying metals and of creating useful items from metals.
“mixed coal”	A mixed product made up of middlings from a jig, slurry and occasionally discard from primary dense medium cyclones and, in general, with an ash content of less than 30%, a grade of coal produced by the Group.
“Mt”	Million tonnes.
“No. 2 clean coal/thermal coal”	Good quality coking coal with a swelling index between 2 and 3 and a maximum ash content of 12%, suitable for steam generation and, with its coking properties, can also be used to produce gas or for domestic coke, a grade of coal produced by the Group.
“open-pit mine”	A mine which extracts rock or minerals from the earth by their removal from an open pit or burrow. This mining method is typically used when deposits of commercially useful minerals or rock are found near the surface.
“PCI coal”	The coal that is used for Pulverised Coal Injection. Pulverised Coal Injection is the process whereby coals are injected into a blast furnace to provide the required carbon in the iron-making process.
“raw coal”	A coal which is extracted from the ground without any processing.
“ROM”	Run of Mine, referring to raw mined material prior to treatment of any sort.
“screened raw coal”	A grade of pre-washed coal produced by the Group, normally 0-50 mm, sold mainly for power generation.
“semi-hard coking coal”	Lower in rank to hard coking coals. Semi-hard coking coals typically have Crucible Swelling Numbers between 4 and 6.
“semi-soft coking coal”	Lower ranked coking coals used as either a coking blend component or as Pulverised Coal Injection (PCI) coal.
“services”	Collectively refers to haulage and transport systems, electricity supply, water and compressed air supply and pumping systems.
“service shaft”	A shaft used for the hoisting of materials and men into or out of the underground mine workings.
“shaft”	A vertical excavation from the surface to provide access to the underground mine workings.
“shearer”	A machine for cutting coal on a longwall face.

Term	Definition
“ slurry ”	The finest grade (0–0.5mm) of product produced during the coal preparation process, normally in suspension during washing and filtered under suction to form a filter cake which can be blended and/or sold, normally for the power generation market.
“ steam tonnes ”	A unit of measurement used to measure heat generation.
“ strata ”	Layers of deposits.
“ subsidence ”	The lowering of the surface level due to underground mining.
“ TPH ”	Tonnes per hour.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains certain forward-looking statements and information that involve risks, assumptions and uncertainties. All statements other than statements of historical facts are forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to our competitive position, our business strategies and plans, our future business condition, future financial results, cash flows, financing plans and dividends, and future regulatory and other developments in the PRC, Australia and Canada in respect of the industry we engage in.

The words “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “intend,” “may,” “ought to,” “seek,” “will,” “would” and similar expressions, as they relate to us, are intended to identify certain of these forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. In addition, these forward-looking statements reflect our current views with respect to future events and are not guarantees of our future performance. Actual results may differ materially from those expressed or implied in the forward-looking statements as a result of a number of factors, including, without limitation:

- price volatility for our coal and other related products;
- demand for coal or our other products in the PRC, Australia, Canada and other overseas markets;
- difficulty in managing our rapid growth, business diversification, geographic expansion and integrating our acquisitions;
- changes in legislation, regulations and policies;
- 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 coal reserves and our ability to replace and develop coal reserves;
- effects of land reclamation and other liabilities;
- geological, equipment, operational and other 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 cost 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*” in this Offering Memorandum.

All of our forward-looking statements made herein and elsewhere are qualified in their entirety by the risk factors discussed in “*Risk Factors*” in this Offering Memorandum. These risk factors and statements describe circumstances which could cause actual results to differ materially from those contained in any forward-looking statements. Other sections of this Offering Memorandum include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

The forward-looking statements made in this Offering Memorandum relate only to conditions, events or information as of the date on which the statements are made in this Offering Memorandum. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of changing conditions, new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this Offering Memorandum with the understanding that our actual future results may be materially different from what we expect. You should not rely upon forward-looking statements as predictions of future events.

SUMMARY

OVERVIEW

We are an international integrated energy group in China and a leading pure-coal producer in Australia in terms of total coal resources, coal reserves and saleable coal production volume in 2020, with growing coal mining operations. We primarily engage in coal mining, coal railway transportation, methanol, electricity and heat supply, equipment manufacturing and chemical products. Our products, which are mainly sold to East China, North China, South China, Northwest China and other regions of China as well as Japan, South Korea, Singapore, Australia, and other countries, 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. 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. In 2015, we expanded to equipment manufacturing business after we acquired 100% equity interest in Donghua Heavy Industry. In 2017, we acquired 100% equity interest in C&A. In 2018, Yancoal Australia listed its shares on the main board of The Stock Exchange of Hong Kong Limited. In 2020, we acquired controlling shares of Inner Mongolia Mining (Group) Co., Ltd., (“**Inner Mongolia Mining**”) through capital increase, which contributed an additional 4,750 million tonnes of coal resource to the Group’s coal resources when adjusted for the Group’s equity holding in the the subsidiary; we also purchased additional 10% equity interest of Moolarben Coal Mine, which maximised synergy between the Shandong headquarter, Shaanxi-Inner Mongolia base and Australia base to realize complementary support in economic benefit. In addition, we acquired approximately 49.32% equity interests and became the controlling shareholder of Shaanxi Future Energy Chemicals Co., Ltd. (“**Future Energy**”) in 2020.

We were established in 1997 and we are listed on the SSE and HKSE since 1998 and we were the fourth largest listed coal mining company in PRC in terms of total revenue for the year ended December 31, 2020. In addition, our subsidiary, Yancoal Australia, has been listed on the ASX since 2012 and on the HKSE since 2018. Yancoal Australia is the first dual-listed PRC holding company on both HKSE and ASX. For the years ended December 31, 2019 and 2020 and six months ended June 30, 2020 and 2021, our revenue was approximately RMB67.80 billion, RMB69.12 billion, RMB35.32 billion and RMB42.67 billion, respectively, and our gross profit was approximately RMB21.03 billion, RMB14.09 billion, RMB7.78 billion and RMB12.99 billion, respectively.

As of June 30, 2021, Shandong Energy Group (previously known as Yankuang Group), which is controlled by the Shandong Provincial Government under the control of the SASAC of the Shandong Provincial Government owned a total of 55.76% of our total share capital directly and through its wholly owned subsidiary incorporated in Hong Kong. Shandong Energy Group was founded in 1973 to focus on coal mining and sales, the coal chemical industry, power generation, aluminium production, machinery manufacturing and financial investments.

As of June 30, 2021, we owned and operated 25 coal mines across China and Australia with abundant coal resources, including Shandong and Shanxi Provinces and the Inner Mongolia Autonomous Region in China. Yancoal’s New South Wales mines include Moolarben, Hunter Valley Operations, Mount Thorley Warkworth, Stratford-Duralie, Ashton, Austar and Donaldson. Queensland mines include Yarrabee and the Middlemount Joint Venture. Yancoal also manages the Cameby Downs and Premier coal mines in Queensland and Western Australia respectively, on behalf of Yanzhou. In addition, we have one coal project under construction in China and one potash mineral exploration project in Canada as of December 31, 2020, and have interests in several early stage coal exploration and assessment sites in Australia. As of September 30, 2021, our total assets was approximately RMB283.1 million.

In PRC, we produced approximately 64% of our total raw coal output in 2020 in 15 coal mines, namely Nantun, Xinglongzhuang, Baodian, Dongtan, Jining II, Jining III, Yangcun, Zhaolou, Tianchi, Shilawusu, Yingpanhao, Zhuanlongwan, Anyuan (which has been disposed in April 2021), Wenyu and Jinjitan.

In Australia, we conduct our operations primarily through our subsidiaries, Yancoal Australia and Yancoal International. Yancoal Australia is the largest pure-coal producer in Australia in terms of total coal reserves and production volume of saleable coal in 2020. Yancoal Australia has ownership interests in nine coal mine complexes across New South Wales and Queensland, and manages two others across Queensland and Western Australia, as of June 30, 2021. We believe that significant potential synergies can be derived from coal blending, tax planning, and infrastructure and port resource sharing.

We have been listed on the Platts Top 250 Global Energy consecutively. In 2018, in recognition of our outstanding performance in the state-owned enterprise reform, we were selected by the State Council of the PRC as one of the 100 Subsidiaries of Central SOEs and 100 Outstanding Local SOEs. We are also the only coal enterprise in the PRC which has been granted “Asian Outstanding Quality Award” and “Global Outstanding Performance Award”. In 2020, we ranked the 53th overall and the 2nd for coal enterprises among the “Top 500 Fortune China” and ranked first among Chinese coal companies in the emerging market rating by Dow Jones Sustainable Development Index (DJSI).

OUR COMPETITIVE STRENGTHS

- We have an abundant and diversified portfolio of coal reserves and resources strategically located in key areas in the PRC and Australia;
- We have established effective sales and marketing strategies with our well-diversified and high quality coal product portfolio and diversified and stable customer base;
- We have comprehensive cost control mechanisms across our business platform and asset portfolio;
- We have a prudent financial policy and risk control system;
- We have industry-leading research and development capabilities;
- We have a sound safety control and environmental production system;
- We have a strong and experienced management team with a proven track record;
- We have strong support from the PRC government.

OUR BUSINESS STRATEGIES

- Optimize industry layout and improve the operation quality.
- Innovate and create a diversified international mining company.
- Strengthen the supporting function of logistics and trade business.
- Reduce cost and improve the inherent quality of economic operation.
- Strengthen and optimize our financial investments function.
- Deepen lean management to further control costs and increase efficiency.
- Optimize product structure, improve quality of product offerings.

THE OFFERING

The following is a brief summary of certain terms of this offering. For a more detailed description of the terms of the Bonds, see “Terms and Conditions of the Bonds”. Capitalized terms used herein and not defined have the meanings given to them in the “Terms and Conditions of the Bonds” set out in this Offering Memorandum.

Issuer	Yancoal International Resources Development Co., Limited
Guarantor	Yanzhou Coal Mining Company Limited.
Issue	US\$300,000,000 2.90% Senior Guaranteed Bonds due 2024 issued on November 18, 2021 (the “ Bonds ”)
Trustee	DB Trustees (Hong Kong) Limited.
Principal Paying Agent . .	Deutsche Bank AG, Hong Kong Branch.
Registrar	Deutsche Bank AG, Hong Kong Branch.
Issue Price	100% of the principal amount of the Bonds.
Issue Date	November 18, 2021.
Maturity Date	November 18, 2024.

Status of Bonds and Guarantee The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 2(d) (*Status and Guarantee of the Bonds; Covenants — Negative Pledge*)) unsecured obligations of the Issuer which rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 2(d) (*Status and Guarantee of the Bonds; Covenants — Negative Pledge*), at all times rank at least equally with all the Issuer’s other present and future unsecured, unconditional and unsubordinated obligations. The obligations of the Guarantor under the Guarantee constitute direct, unsecured and unsubordinated obligations of the Guarantor which shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 2(d) (*Status and Guarantee of the Bonds; Covenants — Negative Pledge*), rank at least equally with all the Guarantor’s other present and future unsecured unconditional and unsubordinated obligations.

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Bonds. The obligations of the Guarantor in that respect are contained in the Deed of Guarantee.

The Guarantor undertakes that it will register or cause to be registered the Deed of Guarantee with SAFE (the “**Cross-border Security Registration**”) in accordance with, and within the time period prescribed by, the Foreign Exchange Administration Rules on: Cross-border Security (跨境擔保外匯管理規定), and use its reasonable endeavors to complete the Cross-border Security Registration and obtain a registration record from SAFE on or before the Registration Deadline and comply with all applicable PRC laws and regulations in relation to the Guarantee.

Form and Denomination. The Bonds are in registered form in the denomination of US\$200,000 and integral multiples of US\$1,000 in excess thereof.

Clearing Systems Euroclear and Clearstream.

Interest The Bonds bear interest on their outstanding principal amount from and including November 18, 2021 at the rate of 2.90% per annum, payable in arrear on May 18 and November 18 each year (each an “**Interest Payment Date**”), commencing on May 18, 2022. In these Conditions, the period beginning on and including November 18, 2021 and ending on but excluding the first Interest Payment Date and the period beginning on and including the first Interest Payment Date and ending on but excluding the next succeeding Payment Date is called an “**Interest Period**”. The relevant day-count fraction for an Interest Period or any period of less than a complete Interest Period will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

Final redemption Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on November 18, 2024. The Bonds may not be redeemed at the option of the Issuer other than in accordance with Condition 5 (*Redemption and Repurchase*).

Redemption for tax reasons The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Holders (which notice shall be irrevocable) at their principal amount (together with any interest accrued to, but excluding, the date fixed for redemption), if, immediately before giving such notice, the Issuer satisfies the Trustee that: (i) an Obligor has or will become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after November 15, 2021; and (ii) such obligation cannot be avoided by such Obligor taking reasonable measures available to it (a “**Withholding Tax Event**”) **provided that**, no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which such Obligor would be obliged to pay such Additional Amounts if a payment in respect of the Bonds were then due.

Notwithstanding anything to the contrary herein, the Bonds may not be redeemed under Condition 5(b) in the case that Additional Amounts are payable in respect of PRC withholding tax at certain specified rates or less.

Redemption in the case of a Change of Control Triggering Event	At any time following the occurrence of a Change of Control Triggering Event, the Holder of any Bond will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Bonds on the applicable Put Settlement Date at 101% of their principal amount, together with accrued interest to, but excluding, such Put Settlement Date. To exercise such right, the Holder of the relevant Bond must deposit at the Specified Office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of the Principal Paying Agent or any other Paying Agent (a "Put Exercise Notice"), together with the Certificates evidencing the Bonds to be redeemed by not later than 30 days following a Change of Control Triggering Event, or, if later, 30 days following the date upon which notice thereof is given to Holders by the Issuer in accordance with Condition 14 (<i>Notices</i>). Where not all the Bonds represented by the surrendered Certificate shall be redeemed, a new Bond Certificate in respect of the balance of the Bonds will be issued to the Holder to which such surrendered Bond Certificate relates.
Redemption in the case of SAFE Non-Registration Event	Upon the occurrence of a SAFE Non-Registration Event, the Holder of any Bond will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Bonds on the SAFE Non-Registration Event Redemption Date at 100% of their principal amount together with accrued interest up to, but excluding, the SAFE Non-Registration Event Redemption Date.
	If there has been a SAFE Non-Registration Event, the Issuer shall promptly give notice of the SAFE Non-Registration Event to the Holders specifying the SAFE Non-Registration Event Redemption Date to in accordance with Condition 14 (<i>Notices</i>) and deliver or procure to be delivered to the Trustee a certificate in the relevant form set out in Schedule 5 to the Trust Deed signed by an authorized officer of the Guarantor, confirming that a SAFE Non-Registration Event has occurred.
Make Whole Redemption	The Issuer may redeem the Bonds, in whole but not in part only, upon not less than 30 days' nor more than 60 days' notice at a redemption price equal to 100% of the principal amount of the Bonds plus the Applicable Premium as at, and all accrued and unpaid interest to, but excluding, such redemption date.
Filing with the NDRC	The Guarantor will undertake to file or cause to be filed the requisite information and documents in connection with the Bonds with the NDRC within the prescribed timeframe.
Events of Default	The Bonds will contain certain events of default provisions as further described in Condition 8 of the Terms and Conditions of the Bonds.
Cross-Default.	The Bonds will contain a cross-default provision as further described in Condition 8(e) of the Terms and Conditions of the Bonds.
Rating.	The Bonds are expected to be assigned a rating of "Ba1" by Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.
Listing	Application will be made to the HKSE for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only on the HKSE.

Use of Proceeds	See “ <i>Use of Proceeds.</i> ”
Selling Restrictions	The Bonds and the Guarantee have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds may be sold in other jurisdictions only in compliance with applicable laws and regulations. See “ <i>Subscription and Sale.</i> ”
Governing Law	The Bonds, the Deed of Guarantee, the Trust Deed and the Agency Agreement, and any non-contractual obligations arising out of or in connection with them, will be governed by, and shall be construed in accordance with, English law.
Risk Factors	An investment in the Bonds involves risk. See “ <i>Risk Factors.</i> ”
Clearance and Settlement	The Bonds have been accepted for clearance by Euroclear and Clearstream and will be cleared by Euroclear and Clearstream under the following: ISIN: XS2406562301 Common Code: 240656230
Legal Entity Identifier	549300NE3BHU1LVO3622.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

CONSOLIDATED FINANCIAL DATA

The following table sets forth selected financial data as of and for the years ended December 31, 2019 and 2020. The selected income statement and cash flow data for the years ended December 31, 2019 and 2020 and the summary balance sheet data as of December 31, 2019 and 2020 have been derived from Company's Audited Financial Statements included elsewhere in this Offering Memorandum and should be read in conjunction with those financial statements and the accompanying notes. The Company's Audited Financial Statements have been audited by SHINEWING (HK) CPA Limited.

Unless otherwise indicated, the financial statements have been prepared and presented in accordance with IFRS.

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2020</u>
	RMB'000	
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Gross sales of coal	63,777,065	65,419,830
Railway transportation service income	382,545	377,800
Gross sales of electricity power	583,458	650,589
Gross sales of methanol	2,863,438	2,432,992
Gross sales of heat supply	32,859	92,520
Gross sales of equipment manufacturing	165,279	149,289
Total revenue	<u>67,804,644</u>	<u>69,123,020</u>
Transportation costs of coal	(3,763,957)	(3,860,107)
Cost of sales and service provided	(40,176,591)	(48,351,397)
Cost of electricity power	(498,064)	(544,028)
Cost of methanol	(2,150,962)	(2,058,252)
Cost of heat supply	(20,452)	(72,530)
Cost of equipment manufacturing	(165,132)	(144,339)
Total cost of sales	<u>(46,775,158)</u>	<u>(55,030,653)</u>
Gross profit	21,029,486	14,092,367
Selling, general and administrative expenses	(8,777,402)	(8,433,320)
Share of profit of associates	1,710,082	1,428,519
Share of profits (losses) of joint ventures	(135,352)	(305,733)
Other income and gains	3,911,262	10,301,560
Loss on reconsolidation of Watagan	(6,844,010)	—
Finance costs	(2,751,234)	(2,867,029)
Profit before tax	<u>14,986,842</u>	<u>7,372,354</u>
Income tax expenses	(3,160,063)	(1,815,033)
Profit for the year	<u><u>11,826,779</u></u>	<u><u>5,557,321</u></u>
Attributable to:		
Equity holders of the Company	9,388,645	6,318,000
Owners of perpetual capital securities	580,181	491,042
Non-controlling interests		
— Perpetual capital securities	200,566	56,656
— Other	1,657,387	(1,308,377)
	<u>11,826,779</u>	<u>5,557,321</u>
Other comprehensive income (loss) (after income tax):		
Items that may be reclassified subsequently to profit or loss:		
Fair value change on equity investments at fair value through other comprehensive income ("FVTOCI")	(623)	1,423
Income tax relating to item that will not be reclassified subsequently	156	(356)
	<u>(467)</u>	<u>1,067</u>

	For the Year Ended December 31	
	2019	2020
	RMB'000	
Cash flow hedges:		
Cash flow hedge amounts recognised in other comprehensive income	111,593	1,226,908
Reclassification adjustments for amounts transferred to income statement (included in revenue)	586,111	609,981
Deferred taxes	<u>(209,311)</u>	<u>(551,067)</u>
	488,393	1,285,822
Share of other comprehensive loss of associates	184,490	(140,352)
Exchange difference arising on translation of foreign operations	<u>439,816</u>	<u>836,788</u>
Other comprehensive income for the year	<u>1,112,232</u>	<u>1,983,325</u>
Total comprehensive income for the year	<u>12,939,011</u>	<u>7,540,646</u>
Attributable to:		
Equity holders of the Company	10,180,924	7,399,860
Owners of perpetual capital securities	580,181	491,042
Non-controlling interests		
— Perpetual capital securities	200,566	56,656
— Other	<u>1,977,340</u>	<u>(406,912)</u>
	<u>12,939,011</u>	<u>7,540,646</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31	
	2019	2020
	RMB'000	
Current assets		
Bank balances and cash	22,789,951	17,116,460
Pledged term deposits	210,000	1,010,256
Restricted cash	4,273,655	6,415,643
Bills and accounts receivables	7,598,163	7,291,455
Long-term receivables — due within one year	1,355,851	1,763,523
Royalty receivable	120,538	97,935
Inventories	6,007,309	7,113,633
Prepayments and other receivables	20,339,819	16,684,986
Derivative financial instruments	<u>36,114</u>	<u>50,356</u>
	62,731,400	57,544,247
Assets classified as held for sale	<u>217,644</u>	<u>8,578</u>
Total current assets	<u>62,949,044</u>	<u>57,552,825</u>
Non-current assets		
Intangible assets	51,958,569	72,714,205
Property, plant and equipment	44,995,450	65,516,221
Right-of-use assets	1,739,438	5,365,499
Investment properties		1,389,163
Construction in progress	16,288,401	20,635,959
Prepayment for property, plant and equipment	1,860,196	20,666,014
Goodwill	1,655,090	1,754,149
Investments in securities	156,720	444,613
Interests in associates	17,115,439	18,580,156
Interests in joint ventures	518,956	445,411
Long-term receivables — due after one year	8,762,200	4,720,330
Royalty receivable	1,022,552	1,009,562
Deposits made on investments	117,926	178,055
Deferred tax assets	<u>1,620,590</u>	<u>2,037,096</u>
	<u>147,811,527</u>	<u>215,456,433</u>
Total assets	<u>210,760,571</u>	<u>273,009,258</u>

	As of December 31	
	2019	2020
	RMB'000	
Current liabilities		
Bills and accounts payables	19,116,658	21,812,134
Other payables and accrued expenses	26,798,374	41,800,325
Contract liabilities	2,717,475	3,176,540
Provision for land subsidence, restoration, rehabilitation and environmental costs	50,940	13,129
Amounts due to Parent Company and its subsidiaries	1,093,707	2,111,472
Borrowings — due within one year	16,207,455	31,382,126
Long term payables — due within one year	4,070	3,174
Provision	54,368	61,114
Derivative financial instruments.	148,554	231,971
Lease liabilities.	156,852	955,963
Tax payable	653,437	1,028,274
Total current liabilities.	67,001,890	102,576,222
Non-current liabilities		
Borrowings — due after one year	49,168,036	60,880,818
Deferred tax liabilities	3,414,196	8,458,913
Provision for land subsidence, restoration, rehabilitation and environmental costs	1,991,782	3,410,120
Provision	1,091,640	1,047,780
Lease liabilities.	328,072	1,634,000
Long term payables — due after one year.	2,416,350	2,918,195
	58,410,076	78,349,826
Total liabilities.	125,411,966	180,926,048
Capital reserves		
Share capital.	4,912,016	4,860,000
Reserves	49,207,784	53,034,751
Equity attributable to equity holders of the Company	54,119,800	57,894,751
Owners of perpetual capital securities.	10,311,611	5,217,667
Non-controlling interests		
— Perpetual capital securities	3,417,351	—
— Other	17,499,843	28,970,792
	85,348,605	92,083,210
Total liabilities and equity	210,760,571	273,009,258

CASH FLOW DATA

	For the year ended December 31	
	2019	2020
	RMB'000	
Net cash from operating activities	16,411,202	6,958,798
Net cash used in investing activities.	(11,367,936)	(10,267,522)
Net cash from (used in) financing activities.	(9,929,095)	(2,153,443)

OTHER FINANCIAL DATA

	For the Year ended December 31	
	2019	2020
	RMB'000	
EBITDA ⁽¹⁾	29,923,590	22,112,130

The EBITDA margin (obtained from dividing EBITDA by total revenue) for 2019 and 2020 was 44.13% and 31.99% respectively.

- (1) We define “EBITDA” as Profit Before Interest Expense, Income taxes, Depreciation and Amortization. EBITDA should not be viewed as an alternative measure of operating results or cash flows from operating activities as determined in accordance with IFRS. EBITDA is not a standard measure under the IFRS. EBITDA should not be considered in isolation or construed as an alternative to operating income, operating cash flows or any other measure of performance or as an indicator of operating performance, liquidity, profitability or cash flows generated by operating, investing and financing activities. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe that it is a useful supplement to the cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definitions.

SELECTED OPERATING DATA

Saleable Coal Production

The following table sets out the saleable coal production volume of our Group for the periods specified:

	For the Year Ended December 31		For the six months ended June 30	
	2019	2020	2020	2021
	(kilotonnes)			
The Company	31,172	30,659	15,731	12,013
Shanxi Neng Hua	2,725	3,282	750	631
Heze Neng Hua	1,717	1,612	1,596	1,181
Future Energy	—	1,532	—	8,456
Ordos Neng Hua	13,784	15,821	7,441	6,418
Haosheng Company	3,907	8,241	3,477	1,748
Yancoal Australia	35,517	37,776	18,428	17,512
Yancoal International	5,647	5,118	2,686	2,492
Inner Mongolia Mining	—	—	—	519
Total	94,469	104,041	50,108	50,969

Sales Volume of Saleable Coal

The following table sets out the sales volume of saleable coal of our Group for the periods specified:

	For the Year Ended December 31		For the six months ended June 30	
	2019	2020	2020	2021
	Sales Volume			
	(kilotonnes)			
The Company	31,082	31,222	15,847	10,571
Shanxi Neng Hua	1,681	3,093	734	627
Heze Neng Hua	2,385	1,661	1,588	777
Future Energy	—	1,312	—	6,538
Ordos Neng Hua	11,546	13,131	6,164	4,443
Haosheng Company	3,849	8,124	3,481	1,910
Yancoal Australia	35,518	—	17,748	17,100
Yancoal International	5,534	37,275	2,663	2,389
Inner Mongolia Mining	—	5,253	—	537
Traded coal	24,524	35,177	19,396	6,021
Total	116,119	136,248	67,620	50,914

Coal Reserves

The following table sets out the coal reserves of our Group as of December 31, 2020.

<u>Major coal mine</u>	<u>Location</u>	<u>Coal Type</u>	<u>In-situ Coal reserve⁽¹⁾</u>	<u>Recoverable reserve⁽¹⁾</u>
			(million tonnes)	
Coal mines belonging to the Company	Jining, Shandong Province, China	Thermal coal	722	269
Coal mines belonging to Heze Neng Hua	Heze, Shandong Province, China	1/3 coking coal	90	25
Coal mines belonging to Shanxi Neng Hua	Heshun, Shanxi Province, China	Thermal coal	26	12
Coal mines belonging to Future Energy	Yulin, Shannxi Province, China	Thermal coal	972	323
Coal mines belonging to Ordos Neng Hua ⁽²⁾	Ordos, Inner Mongolia, China	Thermal coal	315	198
Coal mines belonging to Haosheng Company	Ordos, Inner Mongolia, China	Thermal coal	730	509
Coal mines belonging to Inner Mongolia Mining ⁽³⁾	Dongsheng District and Jungar Banner, Inner Mongolia, China	Thermal coal	/	/
Subtotal of coal reserves of coal mines in China	—	—	2,855	1,336
Coal mines belonging to Yancoal Australia	Queensland and New South Wales, Australia	PCI, thermal coal, Semisoft coking coal, Semi-hard coking coal	9,548	1,680
Coal mines belonging to Yancoal International	Queensland and West Australia, Australia	PCI, thermal coal	1,642	150
Subtotal of coal reserves of overseas coal mines ⁽⁴⁾	—	—	11,190	1,830
Total	—	—	<u>14,045</u>	<u>3,166</u>

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

The coal mines in the above table are those in production of our Group. Their In-situ Resources and Recoverable Reserves of coal are estimated in accordance with 100% equity and JORC Code 2012 as of December 31, 2020, in which, In-situ Resources and Recoverable Reserves from China domestic coal mines are based upon the competent person's report prepared by John T. Boyd Company in March 2020 and overseas In-situ Resources and Recoverable Reserves are based on the report prepared by competent persons appointed by overseas subsidiary.

- (2) In accordance with China National Standards GB/T 1776-2020 Solid Mineral Resources/Reserves Classification, as of December 31, 2020, the retained resource reserves, probable reserves and proved reserves of Yingpanhao Coal Mine of Ordos Neng Hua was about 2.258 billion tonnes, 324 million tonnes and 998 million tonnes, respectively. And the resources/reserves assessment has not been made due to the ongoing approval procedures through administrative authorities.
- (3) Inner Mongolia Mining holds the exploration rights of coal fields of Liusan Ge Dan and Galutu. Due to the ongoing exploration, there is no reserve data at present.
- (4) The Group did not make assessment on the resources/reserves of the coal mines of Yancoal Australia and Yancoal International in accordance with China National Standard of Resource Reserve.

The following table further sets out the coal reserves of subordinate coal mines of Yancoal Australia as of and for the year ended December 31, 2020:

	Recoverable Coal Reserves as of December 31, 2020	Marketable Coal Reserves as of December 31, 2020
	Total Coal Reserves (Mt)	Total Coal Reserves (Mt)
	(million tonnes)	
Moolarben (OC) ⁽⁵⁾	184	149
Moolarben (UG) ⁽⁵⁾	51	52
Mount Thorley (OC)	18	13
Warkworth (OC)	256	175
HVO (OC)	880	640
Yarrabee (OC)	46	37
Gloucester (OC) ⁽⁶⁾	17	10
Middlemount (OC) ⁽⁷⁾	78	60
Austar (UG) ⁽⁸⁾⁽⁹⁾	0	0
Ashton (AWOC) ⁽⁸⁾	17	9
Ashton (UG) ⁽⁸⁾	22	11
Donaldson (UG) ⁽⁸⁾	110	62
Total Coal Reserves	1679	1216

- (5) Attributable figure used for Moolarben is 85% up to and including December 31, 2020, and 95% after that date.
- (6) Gloucester comprises the Stratford, Duralie and Grant & Chainey deposits.
- (7) The project has two product types for Marketable Coal Reserves each with a different Moisture basis, Coking at 10.5%, PCI at 9% and Ash% of 10% for Coking & 11% for PCI.
- (8) On February 17, 2016, Yancoal Australia announced a financing arrangement by its newly established subsidiary, Watagan Mining Company Ltd (“Watagan”) to issue US\$755 million of nine-year bonds. Under these arrangements Yancoal Australia’s interests in the assets of Ashton, Austar and Donaldson were transferred to and controlled, for accounting purposes, by Watagan. On December 16, 2020, Yancoal Australia announced that a commercial arrangement had been entered into between Yankuang Group Co. Ltd, its wholly owned subsidiary Yankuang Group (Hong Kong) Limited and the other two holders of the bonds issued by Watagan which resulted in Yancoal Australia regaining accounting control of Watagan on that date.
- (9) The Austar mine suspended production on March 31, 2021 and transitioned to care and maintenance operations. On the March 1, 2021, an announcement was made to transition Austar to closure activities.

The following table further sets out the production volume of subordinate coal mines of Yancoal Australia for the year ended December 31, 2019 and 2020 and for the six months ended June 30, 2020 and 2021:

	Production Volume (ROM)⁽¹⁾				Production Volume of saleable coal			
	for the year ended December 31		for the six months ended June 30		for the year ended December 31		for the six months ended June 30	
	2019	2020	2020	2021	2019	2020	2020	2021
	ROM production				Saleable production			
	(million tonnes)							
Moolarben	20.5	21.7	11.1	10.1	17.8	19.7	10.2	9.2
Mount Thorley Warkworth	17.6	17.6	8.2	7.4	12.1	11.9	5.3	5.0
HVO	19.2	16.9	8.4	6.4	13.7	12.0	6.3	5.1
Yarrabee	3.4	3.3	1.4	1.1	2.8	3.0	1.5	1.2
Stratford Duralie	1.2	1.0	0.4	0.5	0.8	0.5	0.2	0.3
Middlemount	3.4	4.0	1.7	2.5	2.7	2.9	1.2	1.8
Watagan	3.7	3.6	1.7	1.3	2.2	1.8	0.9	0.6
Total — 100% basis	69.0	68.1	32.9	29.3	52.1	51.8	25.6	23.2

(1) ROM (Run of Mine) coal production, reported on a 100% basis and subject to certain limitations and qualifications set forth in the separate Competent Person’s Report in accordance with the JORC Code (2012) prepared for Yancoal Australia.

RISK FACTORS

In addition to other information in this Offering Memorandum, investors should carefully consider the following risk factors, together with all other information contained in this Offering Memorandum (including the financial statements and the notes thereto), before purchasing the Bonds. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected, the trading price of the Bonds could decline and investors may lose all or part of their investment.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Memorandum.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business and profitability are affected by global economic, geopolitical and market conditions.

The coal industry depends on general economic conditions, including the conditions of global and local economies. Since 2016, the global economic recovery has been slow and fragile, which caused market volatility and uncertainty of the future global economic growth and investment environment. In addition, regional geopolitical turmoil in various countries intensified such uncertainty. Meanwhile, China's economic growth modestly slowed down due to restructuring of its economy. The PRC government has implemented economic reform and sought to enhance economic growth methods, which includes energy conservation and environmental protection. 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 affect our business, results of operations, and financial condition.

In addition, the United States and China have been involved in trade disputes since 2018. Despite the two sides signing the Phase 1 Deal on January 15, 2020, the U.S. government has since placed more Chinese organisations on the U.S. trade blacklist in May 2020. The relationship between the United States and China has also deteriorated generally in the past few years. We cannot guarantee that these tariffs and worsening relations between the United States and China will not have a material adverse effect on our business.

Particularly, since December 2019, the outbreak of novel coronavirus disease, which was declared by the World Health Organization in March 2020 as the pandemic of COVID-19, has significantly affected normal business operations and social life globally. Governments around the world, including the markets where we operate, have taken various drastic measures to curb the spread of COVID-19, such as lockdowns, social distancing measures, travel restrictions, among others. Such measures have resulted in a material adverse effect on the global economy. Any material changes in the global economy, the PRC economy and the economies in which we operate may materially and adversely affect our business, financial condition and results of operations. Please see "*Risk Relating to Our Business and Industry — The COVID-19 pandemic has had a negative impact on worldwide economic activity and our operations and may have an ongoing impact on our business*".

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

Coal sales accounted for approximately 94.1% and 94.6% of our revenues for the years ended December 31, 2019 and 2020 respectively, and we expect our coal sales to continue to account for a substantial portion of our main business operation. 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.

China has entered a phase of slower economic growth. As a result, the coal price hovers at a low level and the coal industry is generally in extensive loss. In 2019, due to the international trade disputes, the world economy continued to slow down. The Chinese government, adhering to the general principle of pursuing growth while ensuring stability, has maintained steady macro-economic development in China. The domestic supply and demand situation of the coal market kept balance with the global level, and the coal price fluctuated in the medium-high range. In 2020, the supply-side structural reform in coal industry was deeply progressed. Coordinated efforts were made to prevent and control the COVID-19 pandemic as well as resume work and production. Coal output remained at a relatively high level, and supply was generally stable. Coal prices fluctuated greatly, influenced by multiple factors such as advanced release of coal production capacity in the early stage, sustained and stable economic recovery in the later stage, mismatch between coal supply and demand in stages, and low temperature and cold wave, among other things. As a result, the average selling price of our coal products increased from RMB501 per tonne in 2017 to RMB548 per tonne in 2018, RMB549 per tonne in 2019 and RMB480.15 per tonne in 2020, which directly and positively affected our sales income. See “*Our operating results may fluctuate from period to period in the future*” for impact of coal prices on our operating results in 2020. In addition, the total sales volume of our coal products increased from 116.12 million tonnes in 2019 to 136.25 million tonnes in 2020, primarily due to increased sales volume in self-produced coal. We cannot assure you that demand for and prices of coal will not decline in the future, 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 reduce coal prices which, in turn, may significantly reduce our profitability and adversely affect our business, results of operations and financial condition.

Our operating results may fluctuate from period to period in the future.

Our operating results may fluctuate from period to period which may be affected by many factors out of our control. In particular, our operating results may be affected by the supply and demand for coal and coal related products, prices of coal and coal-related products in the domestic and international coal market and cost of sales. See “*Our operating business, results of operations and financial condition depend on volatile domestic and international coal markets.*” Any one or a combination of these factors may cause our results of operations to fluctuate significantly from period to period or deviate from the expectations of the investment community.

In addition, comparing our results of operations on a period-to-period basis may not be meaningful. For example, for the year ended December 31, 2020, our gross profit decreased by 33.0% and our profit before tax decreased by 50.8%, respectively, as compared with the prior year; for the six months ended June 30, 2021, our gross profit increased 67.1% as compared with the previous period. This is primarily due to fluctuations in coal prices decreases in international coal prices in 2020 and increase in coal prices in the first half of 2021, which are non-occurring in nature. As a result, you should not rely on our past results as an indication of our future performance.

We are subject to the risk of litigation and other claims.

From time to time, we are involved in various litigation matters, including contractual disputes with our customers, suppliers, service providers, financing banks and other third parties. See also “*Business — Legal Proceedings*” and “*Risks Related to Our Business and Industry — Our insurance may not cover all the potential risks associated with our operations.*” Some of these litigations may be significant to our business operations and the amount claimed may have a material impact on our financial results. Furthermore, we have been involved in bribery and corruption cases before and we, our executive officers, employees and agents may be involved in similar cases going forward, which if held against us will have a material adverse effect on our reputation, business operations and financial results.

There can be no assurance that we will be successful in defending ourselves in pending or future litigation and other claims brought against us. Moreover, it may be difficult for us to obtain and enforce claims related to pending or future disputes brought by us at affordable costs and without any materially adverse effects on our business. Any of these risks could result in considerable costs, including but not limited to material reputational and monetary damages and legal fees, and could divert our management’s attention and have a material adverse effect on our business, financial condition, results of operations and our ability to perform our obligations under the Bonds. We may be required to make provisions as a result of the relevant litigation and other claims. However, our provisions may not be sufficient to cover all the potential risks associated with such litigation and other claims and their potential impact on our operations.

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. 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. Our PRC sales contracts generally have terms of one year and specify the price, quantity and quality of coal and delivery schedule of coal. As such, if coal prices experience significant decline when we enter into annual or monthly sales contracts under our strategic framework agreements, our revenue and profitability may be materially and adversely affected. 100% of the sales of our coal produced in Australia are made pursuant to sales contracts. Our Australian sales contracts generally have terms of one year or less and we hold a portfolio of long term (greater than one year) sales contracts as well. These contracts are priced on fixed or floating price arrangements. Our sales to Japan, South Korea and Taiwan are under fixed price arrangement subject to review on quarterly basis. Thus, if coal prices experience significant decline when we enter into fixed price sales contracts or if coal prices increase significantly after the coal prices have been fixed for that quarter, our revenue and profitability may be materially and adversely affected. 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 letters of intent we have entered into 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, 2019 and 2020, sales revenue attributable to our top five customers accounted for 14.0% and 8.5% of our total annual sales, respectively, and sales to our largest customer accounted for 3.4% and 2.7% 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 have recorded impairment loss in relation to accounts receivables, other receivables, inventories and securities investments and such impairment loss may not be sufficient.

We have recorded impairment loss in relation to bills and accounts receivables, long-term and other receivables, inventories, intangible assets and securities investments in our consolidated financial statements for the years ended December 31, 2019 and 2020, and may need to continue to record such and additional impairment loss on these and our other assets such as on our property, plant and equipment going forward. The amount of such impairment loss is estimated based on the audit impairment models. The conclusions are dependent upon management’s judgement in assessing the ultimate realization of these receivables and securities investments. As a result, the impairment loss that we have recorded may not be sufficient to cover the actual loss that we may suffer upon realization of the relevant assets, which may have a material adverse effect on our business, financial condition, results of operations and our ability to perform our obligations under the Bonds.

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 even after an increase in capacity may not be sufficient to meet coal transportation demand of certain areas 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. Although the PRC government plans to accelerate the railway construction in China, 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 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 up 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 transportation 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. Since 2016, China’s coal production limitation caused an increase in the demand for imported coal from seaborne markets. Due to uncertainties in the global economic conditions and China’s future policies to control coal production, 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 sales and marketing, pricing of coal, 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. In 2021, China continued to import a substantial amount of coal. With the increased focus on the supply side reforms implemented by the PRC government, the ongoing consolidation in the PRC and Australian coal industry has increased the level of competition we face in our core business. 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. For the years ended December 31, 2019 and 2020, our capital expenditure for the purchase of property, machinery and equipment were approximately RMB11.4 billion and RMB11.8 billion. For the year ended December 31, 2020, capital expenditure on coal exploration and mining was approximately RMB4.56 billion, mainly including the expenditure on fixed assets of the existing mines, the development and mining expenses of the coal mines owned by Wanfu Coal Mine, Yancoal Australia and Yancoal International. 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.

Our operation relies heavily on external financing, such as interest-bearing bank loans, on terms acceptable to us. As of December 31, 2020, we had approximately RMB92.26 billion in borrowings, of which approximately RMB31.38 billion would be due within a year and approximately RMB60.88 billion would be due over one year (approximately 16.2% was due between one to two years, approximately 42.3% was due between two to five years and approximately 7.6% was due after five years) and 32.7% was unsecured debt, 32.0% was secured debt, and 35.4% was bonds payable. 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.

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

Coal reserves in existing mines decline as coal is produced. Due to limitations on 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 in 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;
- enhancing 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 have to 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.

As of December 31, 2019 and 2020, we made approximately RMB2,042.7 million and RMB3,423.3 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. Guiding Opinions on Energy Work, promulgated by the National Energy Administration of PRC on April 19, 2021, stated that the energy structure goal for 2021 is to reduce the proportion of coal consumption to less than 56%. Comparing the target in the Thirteenth Five-Year Plan versus what was achieved, the energy mix target set for coal was 58% versus 56.8% achieved; for non-fossil fuels the target was 15%, compared with 15.9% achieved; and for natural gas, 8.4% was achieved versus 8.3%, which was revised from an original target of 10%. With the increased concern and development on low-carbon economy and environmental protection in the PRC, in the Fourteenth Five-Year Plan, the goal is to increase the proportion of non-fossil energy in total energy consumption to about 20%, following China’s Nationally Determined Contribution made under the Paris Agreement, which sets 2020 and 2030 targets of proportion of non-fossil energy in total energy consumption to 15% and 25%, respectively. 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 commencement of production, 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. Effective on August 11, 2015, the PBOC implemented a market-based determination of the official USD/RMB fixing rate. The mid-point rate will be based on market maker submissions based on the previous day’s USD/RMB spot market closing price, thereby taking into account supply and demand dynamics and the movement of other major currencies. The PBOC’s latest move to market-based currency setting has significant economic implications locally and globally, further strengthens market-determined exchange rates and marks an important step in the exchange rate reforms implemented by the PRC government. 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. We recorded an exchange loss of RMB134.2 million and nil for the years ended December 31, 2019 and 2020, respectively. Exchange rate fluctuations can affect our cost of imported equipment and components.

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 incurred 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. A substantial majority of our borrowings are denominated in RMB and a 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 is 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 have 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 took foreign exchange hedging measures in respect of such debt on the accounting basis, which mitigated the impact of exchange loss on the current profit. As of December 31, 2020, we recorded a fair value of our derivative assets in respect to our forward foreign exchange contracts of RMB50.4 million. 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 Controlling Shareholder has significant influence over us.

As of June 30, 2021, Shandong Energy Group (previously known as Yankuang Group) and its concert parties held in aggregate 55.76% of the total issued share capital of our Company, and have significant influence over us. Our Group continuously carries out connected/related party transactions with Shandong Energy Group. These related party transactions were reviewed and approved according to the procedures under relevant regulations and standards of the HKSE and SSE. However, we may continue to enter into related party transactions with Shandong Energy Group and, as such, any material financial or operational developments experienced by Shandong Energy Group that lead to the disruption of its operations or impair its ability to perform its obligations under its agreements with us could materially affect our business, results of operations and financial condition and future prospects.

As our Controlling Shareholder, Shandong Energy 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 NDRC, the Ministry of Ecology and Environmental of the PRC, the MNR, the National Mine Safety Administration of the PRC (“NMSA”), the Ministry of Energy of the PRC (the “MOE”), the National Energy Administration of the PRC, Ministry of Natural Resources 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 also 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, 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 federal Department of Industry, Science, Energy and Resources and the Department of Agriculture, Water and the 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;
- ongoing mining operations;
- access to land for mining and mining-related purposes;
- exploration licenses;
- rehabilitation of mining sites and surrounding areas;
- mining operation time;
- 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; and
- environmental and safety standards.

As a result of the foregoing regulations, our ability to execute our business strategies or to carry out or expand our business operations may be restricted. For example, in the first half of 2021, the tightening of the safety standards in PRC and changing mining geology have affected the normal production of the coal industry in general, resulting in a comparative decrease of our coal production

volume in Shandong Province and Inner Mongolia Autonomous Region. From time to time, we will be required to obtain or renew some of the regulatory approvals, permits and licenses necessary for our business operations, and there is no guarantee we will not experience substantial delays in obtaining such regulatory approvals, permits and licenses. Any failure to obtain such necessary approvals, licences or permits in a timely manner could result in delay or suspension of our business operations and result in regulatory or administrative penalties.

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. In the Fourteenth Five-Year Plan, the goal is to increase the proportion of non-fossil energy in total energy consumption to about 20%, following China’s Nationally Determined Contribution made under the Paris Agreement, which sets 2020 and 2030 targets of proportion of non-fossil energy in total energy consumption to 15% and 25%, respectively. Energy intensity and carbon emission intensity reduction targets have been set at 13.5% and 18% at 2030, respectively, compared with the 2020 levels, in addition to China’s pledge to achieve carbon neutrality by 2060. 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, Pearl River Delta, Northeast China and the key city of air pollution prevention and control by using renewable energy such as natural gas as alternative energy. On January 9, 2021, the Ministry of Ecology and Environmental of the PRC issued Guiding Opinions on Coordinating and Strengthening the Work Related to Climate Change and Ecological Environmental Protection, which requires that through planning and project environmental impact assessments, regions, industries, and enterprises should be promoted to comply with policy requirements such as coal consumption reduction and substitution, greenhouse gas emission control, among others, and the impact of climate change should be included in the environmental impact assessment. Similarly, our Australian

operations are subject to Australia's stringent federal, state and territory 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, for the approval to be declined or may appeal an approval in the appropriate court, either of which may result in a material adverse effect on our business and results of operations.

For our operations in Australia and Canada, we are required to renew some major approvals, permits and certificates from time to time. If efforts to 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 subject to enforcement action, and/or 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. 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 with valid land use rights certificates or building ownership certificates.

As of the date of this Offering Memorandum, we are in the process of obtaining the mining license, safety production license, water abstraction license and other certificates of Yingpanhao coal mine and Coal Preparation Plant Project.

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 licenses. Accordingly, we obtain or renew our regulatory approvals, permits and licenses for our coal mines on an ongoing basis.

If any of these or our other mining licenses or leases, safety production or exploration rights, 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 or exploration rights, 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. 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 Neng Hua in September 2008 and August 2009, respectively. In addition, our methanol project located in Ordos City, Inner Mongolia Autonomous Region commenced commercial production in the first quarter of 2015. For the years ended December 31, 2019 and 2020, we generated revenue of approximately RMB2.86 billion and RMB2.43 billion from sales of methanol, respectively, which represented 4.2% and 3.5% of our total revenue for the same periods, respectively.

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 expected to be limited.

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.

We may not be able to optimize the utilization of our new facilities as we expect to. 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 expansion of new business involves risks and uncertainties, which may adversely affect our business, results of operations and financial conditions.

In 2015, we expanded to equipment manufacturing business after we acquired 100% of equity interest in Donghua Heavy Industry. Equipment manufacturing business is relatively new to us and involves risks and uncertainties different from our coal related business. These risks and uncertainties mainly include, among other things:

- industry risks, including the risks of equipment manufacturing industry and the industry which the equipment is mainly used in, such as coal mining industry;
- fluctuation of the prices of raw material and the products;
- integration of business after our acquisition;
- lack of experience in managing or operating equipment manufacturing business; and
- loss of key personnel and employees.

Due to these risks and uncertainties, we cannot assure you that we will successfully manage and operate the equipment manufacturing business, and our expansion into this new business will result in satisfying results. If we fail to manage the equipment manufacturing business, our overall business, results of operations and financial condition may be adversely affected.

We may incur losses from our investments in financial institutions.

We may from time to time make investments in other companies, including financial institutions. As of December 31, 2020, we held equity interests of 8.67%, 4.39% and 19.75%, respectively, in Qilu Bank Co., Ltd. (“**Qilu Bank**”), China Zheshang Bank Co., Ltd. (“**Zheshang Bank**”) and 臨商銀行股份有限公司 (“**Linshang Bank**”). Our Directors considered that these financial institutions are associates of the Group and that we have the practical ability to exercise significant influence on these associates even though we own less than 20% of the ownership interest and voting control.

We made investment in financial institutions primarily to enhance our profitability, diversify our assets portfolio, improve our investment return and diversify our source of revenue.

However, our investment in the shares of financial institutions is subject to various risks and uncertainties, such as global economic conditions and the market conditions of banking and financial industry. Furthermore, the return of our investment in Qilu Bank, Zheshang Bank, and Linshang Bank is also affected by their business, results of operations and financial conditions. Qilu Bank, Zheshang Bank and Linshang Bank are mainly engaged in banking business in the PRC, which is sensitive to the general economic conditions in the PRC. The banking industry is highly regulated in the PRC, any change of the laws or regulations or policies of the PRC government may affect their business and operation results, and thus affect our investment return or value in Qilu Bank, Zheshang Bank and Linshang Bank. The shares of Qilu Bank are listed on the National Equities Exchange and Quotations of the PRC (commonly known as the New Third Board) and the shares of Zheshang Bank are listed on the HKSE. The price of shares may be volatile from time to time and any decrease of share price of Qilu Bank or Zheshang Bank may result in a decrease of the value of our assets. As of December 31, 2020, we are also a 33% shareholder in Shanghai CIFCO Futures Co., Limited. As such, the return of our investment in shares of these banks and value of our investment may be adversely affected by various factors, all of which are out of our control, and as a result, the value of our investment may decrease and we may incur losses from our investments. In such cases, our business, results of operations and financial conditions may be adversely affected.

Our insurance may 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 the 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.

For the year ended December 31 2020, we achieved 86 scientific and technological achievements, 23 of which reached the international advanced level; we were also granted 187 technology patents and awarded 30 provincial and ministerial science and technology awards. 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.

We face risks related to natural disasters, extreme weather conditions, health epidemics including the ongoing COVID-19 outbreak and other catastrophic incidents, which could significantly disrupt our operations.

Natural disasters, extreme weather conditions, as well as health scares related to epidemic diseases, and any similar event could materially impact our business. For example, in the first quarter of 2021, the floods in Australia had a negative impact on the coal production, despite normal production had been resumed in the second quarter of 2021. If a disaster or other disruption were to occur in the future that affects the regions where we operate, our operations could be materially and adversely affected due to loss of personnel and damages to property.

In addition, our business could be affected by public health epidemics, such as the outbreak of avian influenza, severe acute respiratory syndrome, SARS, Zika virus, Ebola virus, novel coronavirus (COVID-19) or any other disease. If any of our employees has contracted or is suspected of having contracted a contagious disease, we may be required to apply quarantines or suspend our operations. Furthermore, any future outbreak may restrict economic activities in affected regions, resulting in reduced business volume and temporary closure of our offices, facilities or mines, or otherwise disrupt our business operations and adversely affect our results of operations.

Further, acts of war or terrorist activities, riots or disturbances may also cause casualties to our employees, and disrupt its business network and operations. Any of these factors and other factors beyond our control could have an adverse effect on the overall business environment of the areas where we operate and consequently on our business and results of operations.

The COVID-19 pandemic has had a negative impact on worldwide economic activity and our operations and may have an ongoing impact on the our business.

In particular, on March 12, 2020, the World Health Organisation declared COVID-19 as a global pandemic. The on-going COVID-19 pandemic has resulted in many countries, including China, Japan, the United States, members of the EU and the United Kingdom, declaring a state of emergency and imposing extensive business and travel restrictions with a view to containing the pandemic. Widespread

reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic have significantly disrupted the global economy and global markets and resulted in a global economic recession in 2020. In addition, COVID-19 has led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time. As the COVID-19 pandemic continues to adversely affect business activities globally, governments and central banks across the world have introduced or are planning fiscal and monetary stimulus measures including direct subsidies, tax cuts, interest rate cuts, quantitative easing programmes and suspension or relaxation of prudential bank capital requirements. These measures are implemented to contain the economic impact of the COVID-19 pandemic, stabilise the capital markets and provide liquidity easing to the markets.

Coupled with the impact of the COVID-19 pandemic, China faced a decline in domestic consumption, investment, imports and exports in 2020, as well as unemployment pressure. In the first half of 2021, China made progress at pandemic prevention and control, with work and production having largely resumed since then. The PRC government, at the central and local level have gradually implemented programmes to vaccinate residents in an effort to allow the resumption of normal societal activities. However, it is not guaranteed that any such measures will achieve the intended effect or enable economic growth, investment, consumption, imports and exports, and other economic activities to recover to their previous level or at all.

The impact of the COVID-19 pandemic on our business going forward will depend on a range of factors which it is not able to accurately predict, including the duration and scope of the pandemic, the geographies impacted, the impact of the pandemic on economic activity and the nature and severity of measures adopted by governments.

The 2021 Third Quarter Results have not been audited or reviewed and the financial information contained therein could be subject to changes had an audit or review being conducted.

Certain description of the results of operation of the Group as of and for the nine months ended September 30, 2021 as set out in the section entitled “*Recent Development*” have been derived from the 2021 Third Quarter Results. The 2021 Third Quarter Results have not been audited or reviewed by a certified public accountant and may be subject to further adjustments, and thus should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. Investors are reminded of the different reporting standards adopted in the 2021 Third Quarter Results, the interim report and the annual report of the Company. They do not include all of the information required in interim and annual financial statements in accordance with International Financial Reporting Standards (“IFRSs”), and should be read in conjunction with the consolidated financial statements for the six month ended June 30, 2021 and the year ended December 31, 2020.

The 2021 Third Quarter Results are not incorporated by reference in this Offering Memorandum and do not form part of this Offering Memorandum. None of the Joint Lead Managers, the Trustee, the Agents or any person who controls any of them or their respective affiliates, directors, officers, agents, representatives or advisers makes any representation or warranty, express or implied, regarding the accuracy or sufficiency of such unaudited and unreviewed consolidated financial statements for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group’s financial condition and results of operations. In addition, the 2021 Third Quarter Results should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending December 31, 2021.

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 pre-emption 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.

Gains on the Bonds may be subject to income tax under PRC tax laws and the Issuer and the Company may need to withhold PRC taxes on payments with respect to the Bonds.

Pursuant to the *Notice of the State Administration of Taxation on Issues about the Determination of Chinese — Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (Guo Shui Fa [2009]82)* issued by the SAT on April 22, 2009, the EIT Law and the Implementation Rules, enterprises established outside of China whose “de facto management bodies” are located in China are considered Chinese Resident Enterprises (CREs). The Implementation Rules of the EIT Law define “de facto management” as “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. A circular issued by the SAT on April 22, 2009, *provides that* a foreign enterprise controlled by a PRC company or a PRC company group will be treated as a “resident enterprise” with a “de facto management body” located within China if all of the certain requirements specified therein as described in more detail in “*Taxation — PRC Taxation*” are satisfied at the same time. A CRE under the EIT Law is subject to enterprise income tax at the rate of 25% on its global taxable income. It also must withhold tax on payments of PRC-source income paid to non-resident enterprise holders of the Bonds at the rate of 10% and to non-resident individual holders at a rate of 20%. Under the EIT Law, a “**non-resident**” enterprise means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organization is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but derives income from sources within the PRC.

As of the date of the Offering Memorandum, the Issuer has not been notified by the SAT that it is a CRE. However, since substantially all of the Issuer's management is currently based in China, we cannot assure you that the Issuer will not be deemed a CRE in the future. If the Issuer is a CRE for enterprise income tax purposes, the Issuer will be subject to enterprise income tax at a rate of 25% on its global income and may be required to withhold PRC withholding tax on Interest paid to non-resident enterprise holders of the Bonds, generally at the rate of 10%, or to non-resident individual holders at a rate of 20%, as the case may be.

Furthermore, the capital gains on the transfer of the Bonds of non-resident holders may be regarded as derived from sources within the PRC and therefore subject to PRC tax at the above rates if the Issuer is treated as a CRE.

In addition, as the Company is a CRE, if the Issuer is not able to make payments under the Bonds and the Company fulfils the payment obligations of the Guarantee, the Company must withhold PRC income tax on payments with respect to the Bonds to non-resident enterprise holders at the rate of 10% and to non-resident individual holders at a rate of 20%.

Applicable tax treaties may provide for lower tax rates than those described above. However, it is unclear whether, if the Issuer is considered a CRE, non-resident holders would be able to claim the benefit of income tax treaties or agreements entered into between PRC and their countries.

On March 23, 2016, the MOF and the SAT jointly issued the *Circular of Full Implementation of Business Tax to VAT Reform (Cai Shui [2016] No. 36)* (關於全面推開營業&改徵增值&試點的通知) (財稅[2016]36號) (the “**Circular 36**”), which **provides that** all business tax-payers are included into the pilot programme to pay VAT from May 1, 2016. VAT applies where the entities or individuals provide services within the PRC. VAT is unlikely to apply to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to apply to gains realized upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. As the Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties. In addition, it is unclear whether the Issuer or the Company may be required to withhold VAT on payments on the Bonds. See “*Taxation — PRC Taxation — Value Added Tax*”. Under the terms of the Bonds, if the Issuer is notified by the SAT that it is a CRE and is required to withhold taxes on payments on the Bonds or if the Company withholds taxes on payments on the Guarantee, the Issuer or the Company, as the case may be, will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by each holder of any Bond of such amounts as would have been received by such holder had no such withholding been required. See “*Terms and Conditions of the Bonds.*” The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds, and could have a material adverse effect on the Issuer’s or the Company’s ability to pay interest on, and repay the principal amount of, the Bonds, as well as their profitability and cash flow.

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.

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 grant and renewal of tenements, native title rights and Aboriginal land claims.

Tenements and related approvals

Exploring or mining for coal in NSW and Queensland is unlawful without a tenement granted by the relevant state government. Interests in tenements in NSW and Queensland are governed by the respective state legislation and are evidenced by the granting of licenses or leases. Each license or lease is for a specific term and carries with it reporting commitments, as well as other conditions requiring compliance. Obtaining mining tenements and carrying out certain activities under mining tenements in NSW and Queensland often involves first obtaining consents from landholders and other third parties (some of whom may in certain circumstances have a right of veto), as well as various approvals including environmental and planning approvals. There is a risk that the requisite consents and approvals may not be able to be obtained on time or on acceptable commercial terms, or may not be able to be obtained at all. Further, all of the granted tenements in which we have or may earn an interest will be subject to applications for renewal or grant (as the case may be). We have filed advance applications for renewal of certain tenements covering the MTW and HVO mines, and these applications were pending approval by the relevant authority. The grant or renewal of each tenement or license in NSW and Queensland is usually at the discretion of the relevant government authority which will consider various factors, which may include our compliance with any conditions placed on an existing license, when making its decisions. There is no certainty that an application for grant or renewal of a tenement will be granted at all or on satisfactory terms or within expected timeframes.

Moreover, the conditions attached to tenements may change. The permitting rules are complex and may change over time, making our responsibility to comply with the applicable requirements more onerous, more costly or impractical, and thereby precluding or impairing continuing or future mining operations. Consequently, we may not be able to acquire title to or interest in tenements, or we may not be able to retain our interest in tenements in the long run or renew the licenses or leases, if the relevant conditions are not met or if insufficient funds are available to meet expenditure commitments. If a tenement is not renewed, we may lose the opportunity to discover and/or develop any mineral resources on that tenement.

Native title

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 native title rights of Aboriginal Australians exist. Where the grant or renewal of a tenement is in respect of land in relation to which native title may exist, the provisions of the Native Title Act 1993 (Cth) need to be complied with in order for the tenement to be validly granted. Compliance with the Native Title Act 1993 (Cth) and the relevant native title process to be followed for the grant of the tenement may be prolonged or delayed, and substantial compensation may be payable as part of any agreement reached, including for the extinguishment or impairment of the relevant native title rights and interests.

Although there are no known determinations of native title which overlaps with the areas over which we have interests under tenements, there are registered native title claims overlapping some or all of the areas in which HVO, MTW, Ashton, Austar, and Moolarben mines are located. While it is unlikely that these claims, should they be successful, will affect the validity of the existing mining tenements, we may be required to enter into a compensation agreement with the native title holders in areas of overlap before a new mining lease or assessment lease is granted or an existing lease renewed.

Our interests in tenements, our ability to gain access to new tenements, or our ability to progress from the exploration phase to the development and mining phases of operations, may be adversely affected by areas that are subject to native title claims.

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

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

- *Land access.* The granting of mining tenements does not remove the need to enter into land access arrangements and compensation with third party land holders (where the land underlying the mining tenement is owned by a third party). In some cases, the underlying land may be owned by a competitor, pastoralist or other third parties. There is no guarantee that we will be able to obtain all required land access rights required for the operation of our mines from the relevant land holders.
- *Coordination agreements.* Coal mining tenements in NSW and Queensland are frequently granted over land over which other tenements and other exploration interests have been or may be granted. Where tenements overlap in Queensland, depending on the type of tenements which are overlapping, it is necessary for the holders to enter into coordination agreements or joint development plans. Where tenements overlap in New South Wales, it may be a condition of the grant or renewal of certain tenements that the tenement holder enters into, or makes every reasonable attempt (and be able to demonstrate its attempts) to enter into, cooperation agreements with the holders of any overlapping authorisation. In some cases, the interests of the overlapping tenement holders may not be aligned and accordingly, mining operations may be delayed or adversely affected. One of our mines and its associated tenements adjoin or are overlapped by petroleum tenements, exploration licenses and interests, mining leases and private land leases held by third parties, and there is no guarantee that the relevant third parties will adhere to any coordination agreements or similar arrangements we enter into with them. Further, we may not be able to reach an agreement with any overlapping tenement holders on terms satisfactory to us in the future. If agreement cannot be reached with overlapping tenement holders, the matter may be referred to the relevant governmental authority or court who may make a decision which adversely impacts upon or prevents the project proposed by us.
- *Environmental conditions and action groups.* Before any mining tenure is granted in Australia, the applicant must undertake a comprehensive public environmental assessment on the impact of the proposed mining operations. Such an assessment may involve a public consultation process, which would open the operation to review and critique by environmental or community groups that seek to restrict or stop contemplated mining operations. The relevant authorities frequently impose conditions on environment approvals that may materially affect mining operations. Environmental lobby groups in both Queensland and New South Wales have recently made submissions to governmental authorities in an attempt to prevent or delay new mine developments or expansion of existing mines on the basis of environmental concerns. For example, it is possible that community groups, or their representatives, may commence legal actions relating to the closure of Wallaby Scrub Road which was gazetted by the New South Wales government in connection with the planned westward expansion of the Warkworth mine. Further, community groups such as those in Bulga, situated near the MTW mines, have voiced numerous grievances against mine operations, and noise and dust emissions in particular. Increased community concern and actions taken by community and environmental groups may delay or prevent the development of new mines or the expansion of existing mines, or may result in conditions being imposed on such mines or costs being incurred that adversely affect the profitability of those mines.

Our coal operations are extensively regulated in Australia, and government regulations may limit our activities and adversely affect our business, financial condition and results of operations.

Our operations are subject to laws and regulations of general application governing the use and granting of mining rights, land tenements, access and use, exploration licenses, mining operation time and recovery rates, environmental requirements including site-specific environmental licenses, permits and statutory authorisations, workplace health and safety, trade and export, competition, access to infrastructure, pricing of transportation services, foreign investment and return on investments and taxation. These regulations may be implemented by various federal, state and local government departments and authorities including the federal Department of Industry, Science, Energy and Resources and the Department of Agriculture, Water and the Environment. 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 and our overall business, financial condition and results of operations.

In particular, changes in laws and regulations in the following areas may substantially affect our business, financial condition and results of operations:

- *Environment and planning:* In recent years, the State governments of Queensland and New South Wales have introduced various policies in the interests of protecting high-value agricultural and urban land and environment areas from the effects of mining. These include the Queensland government's Regional Planning Interests Act and the New South Wales government's Strategic Regional Land Use Policy, Aquifer Interference Policy, and 2015 amendments to the State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007. In 2013, the New South Wales State government introduced the fit and proper person consideration which allows it to consider a miner's conduct, financial capabilities and technical expertise in making decisions about mining rights, including the grant, transfer, renewal, cancellation and suspension of such rights. In the last approximately five to ten years, the maximum penalties for breaches of mining and environmental legislation have also been significantly increased. In the same time period, the Queensland State government has reviewed the method of calculating the financial assurance required to be provided by mining companies in respect of their rehabilitation liability, which has led to a significant increase in financial assurance amounts that are required to be covered by bank guarantees. Further, the Audit Office of New South Wales has carried out a review of rehabilitation liabilities in respect of mines and the Department of Planning, Industry and Environment is implementing a number of reforms to strengthen operational rehabilitation requirements for all mining projects in New South Wales. These reforms may lead to a material increase in the amount of security required in respect of rehabilitation liabilities.
- *Work health and safety:* in Australia, Work Health and Safety ("WHS") is regulated by the States, Territories and Commonwealth. Most jurisdictions (apart from Victoria) have adopted (with some variations) what is known as the "model" WHS laws (we note that model laws were given Royal Assent in Western Australia in November 2020 but the substantive provisions of that legislation will not come into effect until the accompanying regulations are finalised. This is not expected to occur until January 2022, until such time to substantive provisions of the pre-harmonised laws will remain in effect). There are also various industry specific work safety laws which apply in Australia and, by way of example, many jurisdictions have adopted mining specific safety laws.

Since 2016, there has been a focus on the re-emergence of black lung disease in the mining sector and in September 2016 the Queensland government established a parliamentary committee to inquire and report on the re-emergence of the disease, resulting regulatory reform in that jurisdiction.

WHS laws are regularly reviewed and amended in Australia. By way of example, in June 2020, New South Wales became the first jurisdiction to expressly prohibit a person (including an organisation) from entering into, providing, or benefitting from insurance or indemnity arrangements for liability for a monetary WHS penalty. Similar laws are also now operational in Victoria, with Western Australia also set to introduce similar provisions, once the substantive provisions of the *Work Health and Safety Act 2020* (“WA” or “WHS Act WA”) come into effect.

Our business, financial condition and results of operations in Australia are subject to government royalties on the production of coal.

In addition to corporate income tax, we are required to pay government royalties, direct and indirect taxes and other imposts in the jurisdictions in Australia in which we operate. The production of coal in Queensland and New South Wales is subject to the payment of royalties to the state governments. In both States, these royalties are calculated as a percentage of the value for which the coal is sold and payable on an *ad valorem* basis. The relevant State Governments may increase these royalties or change their method of calculation or the interpretation or application of the relevant policies, or impose new royalties or similar taxes. Any resulting increase in our tax cost in Australia could adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE BONDS AND THE DEED OF GUARANTEE

Neither the PRC Government nor the Shandong Provincial Government is an obligor of the Bonds or the Guarantee, and there will be no recourse to the PRC Government or the Shandong Provincial Government in respect of any obligation arising out of or in connection with the Bonds or the Guarantee.

On March 28, 2018, the MOF issued the Notice of the Ministry of Finance on Issues concerning Regulating the Investment and Financing Behaviors of Financial Enterprises for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知) (the “**Circular 23**”). According to Circular 23, (i) state-owned financial enterprises when providing agency services to Local State-Owned Enterprises (“SOE” or “SOEs”) are obliged to evaluate the financial capabilities of the entity seeking to raise capital and the source of the funds such as when a SOE issues domestic or overseas bonds. With respect to the sources of income from debt-issuing enterprises involved in the arrangement of financial funds, state-owned financial enterprises shall carry out due-diligence investigations and carefully verify that the arrangement complies with all applicable laws and regulations; and (ii) documents including Offering Memorandums shall not disclose information that can implicitly or explicitly indicate the government’s endorsement of the SOE’s capital-raising, such as local financial revenues and expenditures and government debt information, or conduct misleading publicity that implies an association with the government’s credit.

On May 1, 2018, the NDRC and the MOF jointly issued the Circular of the National Development and Reform Commission and the Ministry of Finance on Improving the Market Restraint Mechanism and Taking Strict Precautions against Foreign Debt Risks and Local Debt Risks (國家發展改革委、財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) (“**Circular 706**”). According to Circular 706, public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government offices and public institutions, municipal roads, non-toll bridges, non-operating water conservancy facilities, non-toll pipeline network facilities and other public welfare assets and the right to use the reserve land shall be strictly prohibited from being included in the assets of the enterprises. Circular 706 also reaffirms that the offering memorandums of bonds issuances shall not disclose information that can implicitly or explicitly indicate the government’s endorsement of capital raising or conduct misleading publicity that implies an association with the government’s credit. In addition, the liability of the local government as the shareholder shall be limited to its agreed obligation to contribute to the registered capital of such enterprises, and the relevant foreign debts should be solely repaid by such enterprises as independent legal persons.

Neither the PRC Government nor the Shandong Provincial Government has any obligations under the Bonds or the Deed of Guarantee. The PRC Government (including the Shandong Provincial Government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds or the Deed of Guarantee in lieu of the Issuer nor the Company. This position has been reinforced by Circular 23 and Circular 706. Nevertheless, neither Circular 23 nor Circular 706 restrict the PRC government from providing relevant support to our Group, **provided that** such support is granted in compliance with relevant PRC laws.

The PRC Government and the Shandong Provincial Government as the controlling shareholder of the Company only have limited liability in the form of their equity contribution in the Company. As such, neither the PRC Government nor the Shandong Provincial Government has any payment obligations under the Bonds or the Guarantee. The Bonds and the Guarantee are solely to be repaid by the Issuer or the Company, each as an obligor under the relevant transaction documents and as an independent legal person. Furthermore, The PRC Government's and the Shandong Provincial Government's ownership or control over the Company does not provide assurance on the issuer's financial condition.

Pursuant to Circular 706 and NDRC official's answers on June 27, 2018 to the reporters' questions regarding Circular 706, failure to comply with the restrictions above may risk the enterprise being blacklisted and prevented from obtaining foreign debt registration in the future.

On September 13, 2018, the General Office of the CPC Central Committee and the General Office of the State Council jointly issued the Guiding Opinion on Strengthening the Restraint on Assets and Liabilities of the SOEs, which provides further guidance on strengthening the restraints on SOEs' assets and liabilities and reducing their leverage ratios.

There can be no assurance that we will be able to obtain and remit foreign exchange.

The ability of the Issuer and the Company to satisfy their respective obligations under the Bonds depends upon our ability to obtain and remit sufficient foreign currency to the Issuer or to the Bondholders. We need to present certain documents to the SAFE, its authorized branch, or the designated foreign exchange bank, for approval before we can obtain and remit foreign currencies out of the PRC. If we for any reason fail to satisfy any of the PRC legal requirements for remitting foreign currency payments, we will be unable to make payments to the Issuer or to the Bondholders in foreign currency, which may affect the Issuer's or the Company's ability to satisfy their respective obligations under the Bonds.

The Guarantor may fail to complete the post-issuance filing to the NDRC in connection with the Bonds, which may be subjected to penalties or other enforcement actions by the NDRC or relevant PRC government authorities.

The Group has registered the issuance of the Bonds with the NDRC with reference to the Circular 2044 and are required to file a post-issuance report with the NDRC within 10 working days in the PRC pursuant to the registration certificate. There are still uncertainties regarding the interpretation of NDRC Notice, implementation and enforcement by the NDRC. If the Guarantor fails to complete such filing in accordance with the relevant requirements due to any change in such regulation, it may be subjected to penalties or other enforcement actions by relevant PRC government authorities. In addition, the administration of the Circular 2044 may be subject to a certain degree of executive and policy discretion by the NDRC. However, there is no assurance that we will be able to comply with the NDRC requirements to provide the notification of the particulars of the issue of the Bonds to the NDRC within the prescribed timeframe. The Circular 2044 does not expressly state the legal consequences of non-compliance with such post-issue notification requirements, therefore there is no assurance that the failure to comply with the NDRC requirements would not result in any adverse consequences for us, the Bonds or the investors in the Bonds. There is also no assurance that the registration with the NDRC will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the performance or validity and enforceability of the Bonds in the PRC.

The Issuer has no material assets and relies on the Company to make payments under the Bonds.

The Issuer, whose primary purpose is to act as a financing subsidiary, will use the net proceeds of the issue of the Bonds for general corporate purposes, including repayment of indebtedness and use for working capital. The Issuer does not and will not have any material assets other than amounts due to it in respect of such intercompany loans or advances, and its ability to make payments under the Bonds will depend on its receipt of timely payments from the Company and/or one or more of the Company's non-PRC subsidiaries that borrow the net proceeds of the issue of the Bonds by means of such intercompany loans or advances.

The Bonds may not be suitable investment for all investors.

The Bonds are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios.

A potential investor should not invest in the Bonds unless it has the expertise (either alone or with the help of a financial advisor) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio. Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Memorandum or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- (iv) understand thoroughly the terms of the Bonds and be familiar with the behavior of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the revenues, earnings, and cash flows of the Group, and proposals of new investments, strategic alliances, and/or acquisitions, interest rates, and fluctuations in prices for comparable companies could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

Furthermore, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Bonds are legal investments for it, (ii) the Bonds can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

There is uncertainty relating to the enforceability of the Deed of Guarantee.

Pursuant to the Deed of Guarantee executed by the Company, the Company will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Company is required to submit the Deed of Guarantee to the local SAFE for registration in accordance with, and within the time period prescribed by, the Foreign Exchange Administration Rules on Cross-border Security. Although the non-registration does not render the Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Company if registration is not carried out within the stipulated time frame. The Company intends to register the Deed of Guarantee as soon as practicable and in any event on or prior to the Registration Deadline (being 120 PRC Business Days after the Issue Date). In addition, if the Company fails to complete the SAFE registration, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Company under the Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Deed of Guarantee in order to effect such remittance, although this does not affect the validity of the Guarantee itself.

Further, the Deed of Guarantee and the Trust Deed are to be governed by English laws and any dispute may arise out of or in connection with the Deed of Guarantee may be either submitted to Hong Kong courts or the Hong Kong International Arbitration Center (the “HKIAC”). As the assets of the Company are in the PRC, you need to obtain the recognition of enforcement from relevant PRC courts to enforce the final arbitration award from HKIAC or the judgment from Hong Kong courts under arrangements between the PRC and Hong Kong. However, under such relevant arrangements, only certain arbitration awards or judgments with respect to monetary payments that comply with all requirements imposed by the PRC Civil Procedure Laws and the Supreme Court of the PRC can be recognized by the PRC courts and enforced in the PRC. We cannot assure you that you will be able to obtain such recognition from PRC courts with respect to any final arbitration award or judgment against us.

Credit ratings may not reflect all risks and the ratings may be downgraded or withdrawn.

One or more independent credit rating agencies may assign credit ratings to the Bonds. The ratings may not reflect the potential impact of all risks related to structure, market and additional factors discussed in this section, and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. The Bonds are expected to be assigned a rating of “Ba1” by Moody’s. Ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer and the Company to perform their respective obligations under the Bonds and the Guarantor and credit risks in determining the likelihood that payments will be made when due under the Bonds. Ratings can be lowered or withdrawn at any time. Neither the Issuer nor the Company is obligated to inform holders of the Bonds if such a rating is lowered or withdrawn. A reduction or withdrawal of such a rating may adversely affect the market price of the Bonds and the Company’s ability to access the debt capital markets.

The insolvency laws of the PRC, Hong Kong and Australia may differ from English bankruptcy law or those of other jurisdictions with which the holders of the Bonds are familiar.

Because the Guarantor is incorporated under the Company Law of the PRC, the Issuer is incorporated under the laws of Hong Kong, and the Guarantor has significant assets held via subsidiaries incorporated in Australia, any insolvency proceeding relating to the Issuer, or the Guarantor, would likely involve PRC, Hong Kong and Australia insolvency laws, the procedural and substantive provisions of which may differ significantly from comparable provisions of English insolvency laws or other jurisdictions with which the holders of the Bonds are familiar.

A trading market for the Bonds may not develop, and there are restrictions on re-sales of the Bonds.

The Bonds are a new issue of Bonds for which there is currently no trading market. Application will be made to the HKSE for listing of, and permission to deal in, the Bonds by way of issue of debt Bonds to Professional Investors only. The Bonds may not be liquid and an active trading market may

not develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Company's operations and the market for similar Bonds. The Joint Lead Managers is not obligated to make a market in the Bonds and any such market-making activity, if commenced, may be discontinued at any time without notice at the sole discretion of the Joint Lead Managers. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Bonds will only be able to resell the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See "*Subscription and Sale.*" The Company cannot predict whether an active trading market for the Bonds will develop or be sustained.

The Bonds will initially be held in book entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Bonds will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global certificate will trade in book-entry form only, and Bonds in definitive registered form, or definitive registered Bonds, will be issued in exchange for book entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Bonds. Payments of principal, interest, and other amounts owing on or in respect of the global certificate representing the Bonds will be made to the paying agent which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global certificate representing the Bonds and credited by such participants to indirect participants. After payment to the common depository for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Bonds under the Trust Deed.

Unlike the holders of the Bonds themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Bonds. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Trust Deed, unless and until definitive registered Bonds are issued in respect of all book-entry interests, if you own a book entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Bonds.

The Issuer may raise other capital which may affect the price of the Bonds.

The Issuer may raise additional capital through the issue of other securities or other means. Other than certain restrictions on issuing certain secured indebtedness or guaranteed indebtedness as set out in the "*Terms and Conditions of the Bonds*", there is no restriction, contractual or otherwise, on the amount or type of Bonds or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Bonds. The issue of any such Bonds or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on a winding-up of the Issuer.

The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Bonds and/or the ability of Holders to sell their Bonds.

An investment in the Bonds is subject to interest rate risk and exchange rate risks, and exchange controls may result in a Holder receiving less interest or principal than expected.

The PRC Government has gradually liberalised the regulation of interest rates over the years. Further liberation may increase interest rate volatility. The Bonds will carry a fixed interest rate. Consequently, the trading price of the Bonds will vary with fluctuations in US dollar interest rates. The Issuer will pay principal and interest on the Bonds in US dollars. This presents certain risks relating to currency conversions if a Holder's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than US dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the US dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the US dollar would decrease (i) the Investor's Currency equivalent yield on the Bonds; (ii) the Investor's Currency equivalent value of the principal and interest payable on the Bonds; and (iii) the Investor's Currency equivalent market value of the Bonds. Governments and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, a Holder may receive less interest or principal than expected, or no interest or principal.

The Trustee may request that the Holders provide an indemnity and/or security and/or prefunding to its satisfaction.

Pursuant to the Terms and Conditions of the Bonds and the Trust Deed, the Trustee may, in certain circumstances, request the Holders to provide an indemnity and/or provided with security and/or prefunded to its satisfaction before it takes any action on behalf of Holders. The Trustee shall not be obliged to take any such actions if not indemnified and/or provided with security and/or prefunded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or prefunding can be a lengthy process and may have an impact on when such actions can be taken.

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds and the Trust Deed by the Trustee without the consent of the Holders.

The Terms and Conditions of the Bonds provide that the Trustee may, without the consent of Holders, agree to any modification of the Terms and Conditions of the Bonds, the Trust Deed or the Deed of Guarantee, which in the opinion of the Trustee is not materially prejudicial to the interests of Bondholders and to any modification of the Bonds, the Trust Deed or the Deed of Guarantee, which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or an error which is in the opinion of the Trustee, proven. In addition, the Trustee may, without the consent of the Holders, authorise or waive any proposed breach or breach of the Bonds, the Trust Deed, or the Deed of Guarantee if, in the opinion of the Trustee, such waiver or authorisation is not materially prejudicial to the interests of the Holders.

Decisions that may be made on behalf of all Holders may be adverse to the interests of individual Holders.

The Terms and Conditions of the Bonds contain provisions for calling meetings of Holders (including by way of conference call using a videoconference platform) to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of Holders may be adverse to the interests of individual Holders.

The Bonds and the Guarantee will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, and effectively subordinated to the Issuer's and the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.

The Bonds and the Guarantee will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, whether or not secured. The Bonds will not be guaranteed by any of the Issuer's and the Guarantor's subsidiaries, and the Issuer and the Guarantor may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer or the Guarantor. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer and the Guarantor is subject to various restrictions under applicable laws and may be subject to restrictions under the terms of their indebtedness or other agreements they have entered into. Each of the Issuer's and the Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Bonds or the Guarantee or make any funds available therefore, whether by dividends, loans or other payments. The Issuer's and the Guarantor's right to receive assets of any of the Issuer's and the Guarantor's subsidiaries, respectively, upon that subsidiary's liquidation or reorganization will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer or the Guarantor is a creditor of that subsidiary). Consequently, the Bonds and the Guarantee will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's and the Guarantor's subsidiaries, other than the Issuer, and any subsidiaries that the Issuer or the Guarantor may in the future acquire or establish.

If we are unable to comply with the restrictions and covenants in our debt agreements, there could be a default under the terms of these, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants in our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Bonds, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under our other debt agreements, including the Trust Deed. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

The Issuer may not be able to redeem the Bonds upon the due date for redemption thereof.

The Issuer may, at its option, and at maturity or at any time following the occurrence of a Change of Control Triggering Event (as defined in the Terms and Conditions of the Bonds) will, be required to redeem all of the Bonds. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's or the Group's other indebtedness.

Changes in interest rates may have an adverse effect on the price of the Bonds.

The Bondholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Bonds, resulting in a capital loss for the Bondholders. However, the Bondholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Bonds may rise. The Bondholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

The Bonds are redeemable in the event of certain withholding taxes being applicable.

No assurances are made by the Issuer or the Guarantor as to whether or not payments on the Bonds may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or China or any subdivision or authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions of the Bonds, the Issuer and the Guarantor are required to gross up payments on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Bonds at any time in the event it has or will become obliged to pay additional amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or China (only where such tax or withholding is in excess of the Applicable PRC Rate (as defined in the Terms and Conditions of the Bonds)) or any political subdivision or any authority therein or thereof having power to tax as a result of any change in, or amendment to, the laws or regulations of Hong Kong or China or any political subdivision or any authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective in or after 2021.

The Bonds may be redeemed at the Issuer's option in accordance with Condition 5(e) of the Terms and Conditions of the Bonds.

The Issuer may, at any time, on giving not less than 30 nor more than 60 days' notice, redeem the Bonds in whole but not in part only at a redemption price equal to 100% of the principal amount of the Bonds plus the Applicable Premium (as defined in the Terms and Conditions of the Bonds). The date that the Issuer elects to redeem the Bonds may not accord with the preference of individual holders, which may be disadvantageous to holders in light of market conditions or the individual circumstances of the holder of the Bonds. Additionally, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective yield at the same level as that of the Bonds.

USE OF PROCEEDS

The aggregate net proceeds from the issuance of the Bonds, after deducting underwriting commissions and estimated offering expenses payable by the Issuer and us, are estimated to be approximately US\$298 million.

The net proceeds will be used to repay offshore indebtedness.

The foregoing represents our current intentions regarding the use and allocation of the net proceeds of this offering based upon our present plans and business conditions. Our management, however, will have significant flexibility and discretion to apply the net proceeds from the issuance of the Bonds. If an unforeseen event occurs or business conditions change, we may use the proceeds from the issuance of the Bonds differently than as described in this Offering Memorandum.

CAPITALIZATION

The following table sets forth our consolidated capitalization and indebtedness under IFRS as of December 31, 2020:

- on an actual basis; and
- on an as adjusted basis to give effect to the issuance of the Bonds, before deduction of the underwriting discounts and commissions and estimated offering expenses payable by us in connection with this offering and not including the application of the net proceeds.

The as adjusted information below is illustrative only. You should read this table together with our consolidated financial statements as of and for the year ended December 31, 2020 and the notes thereof included in this Offering Memorandum.

	As of December 31, 2020			
	Actual		As Adjusted	
	RMB	US\$ ⁽¹⁾	RMB	US\$ ⁽¹⁾
	(in millions)			
	(audited)	(unaudited)	(unaudited)	(unaudited)
Indebtedness				
Borrowings — due within one year	31,382.1	4,809.5	31,382.1	4,809.5
Borrowings — due after one year	60,880.8	9,330.4	60,880.8	9,330.4
Bonds offered hereby	—	—	1,957.5	300.0
Total borrowings	92,262.9	14,139.9	94,220.4	14,439.9
Shareholder's equity				
Share capital	4,860.0	744.8	4,860.0	744.8
Reserves	53,034.8	8,127.9	53,034.8	8,127.9
Owners of perpetual capital securities . . .	5,217.7	799.6	5,217.7	799.6
Non-controlling interests — Others	28,970.8	4,440.0	28,970.8	4,440.0
Total shareholders' equity	92,083.2	14,112.4	92,083.2	14,112.4
Total capitalization⁽²⁾	184,346.1	28,252.3	186,303.6	28,552.3

(1) Calculated at the exchange rate of RMB6.5250 to US\$1.00 as of December 31, 2020.

(2) Total capitalization equals total borrowings plus total shareholders' equity.

As of September 30, 2021, the aggregate amount of our borrowings amounted to approximately RMB54.8 billion, including current portion of approximately RMB13.1 billion and non-current portion of approximately RMB41.7 billion. These financial information are derived from the unaudited and unreviewed 2021 Third Quarter Result (as defined below), which are prepared in accordance with the relevant regulations on Disclosure of Information in Quarterly Reports for Listed Companies promulgated by the Shanghai Stock Exchange as well as with the relevant requirements and interpretations under the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance of the PRC and do not form part of this Offering Memorandum. See “Recent Developments — Performance of our Group for the Nine Months Ended September 30, 2021”.

Save as disclosed above, there has been no material change in our consolidated capitalization and indebtedness since December 31, 2020.

REGULATION

REGULATION OF THE PRC COAL INDUSTRY

Mining activities in the PRC are also subject to the MNR. According to the Coal Industry Law of the People’s Republic of China, amended in November 2016 (the “**PRC Coal Industry Law**”), before a coal mine is put into production, the coal mining enterprise shall obtain a coal production license according to the relevant laws and administrative regulations on safety in production. After June 2013, coal mining enterprises 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 Inner Mongolia Xintai)	Taxable income	15%
VAT (for coal and other products)	Sales revenue	16% ⁽²⁾
VAT (for heat supply)	Sales revenue	13%
VAT (for coal transportation services)	Revenue from service	10% ⁽²⁾
Business tax (for other service) . .	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%
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.
 - (2) On April 4, 2018, MOF and SAT jointly released the “Notice relating to Adjusting the VAT Rates (Cai Shui [2018] No. 32, Notice)” (關於調整增值稅稅率的通知) (財稅[2018]32號). From May 1, 2018, the effective VAT applicable to our coal and other products was adjusted from 17% to 16% and the effective VAT applicable to our coal transportation services was adjusted from 11% to 10%.

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 USD1 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 coal should be subject to export quota management. According to the Catalogue of Goods subject to Export Licensing Administration in 2016 promulgated by the Ministry of Commerce and General Administration of Customs of the PRC on December 19, 2015, the export of coal should be subject to export quota management. On December 31, 2019, the MOFCOM and the General Administration of Customs of PRC issued the 2020 Catalog of Goods subject to the Export Permit Management, pursuant to which coal is still 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. According to Tariff Execution Plan for 2016 announced on December 28, 2016, the Tariff for lignite remains 3% in 2016.

The 2015 United Nations Climate Change Conference was held in Paris, France, on November 30, 2015. It was the 21st yearly session of the Conference of the Parties to the 1992 United Nations Framework Convention on Climate Change. China's recent commitments on climate change includes the signing of climate change agreements with the United States and France; submitted an Intended Nationally Determined Contribution to the United Nations, pledging to have emissions peaks by 2030.

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%.

On December 26, 2019, the Customs Tariff Commission of the State Council issued Import and Export Tariff of the People's Republic of China (2020), which effective from January 1, 2020, further provides different tax rates for import and export of coal products involving different countries or regions.

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 Environmental Impact Assessment Law of the PRC, 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.

According to Environmental Protection Tax Law of the People's Republic of China (Presidential Order No. 61), enterprises, public institutions and other producers/operators that discharge taxable pollutants directly to the environment are the taxpayers of environmental protection tax and shall pay such tax.

On October 26, 2018, the Law on Prevention and Control of Atmospheric Pollution (the "**Atmospheric Pollution Law**") was amended and promulgated by the Standing Committee of National People's Congress of the PRC. The Atmospheric Pollution Law has, among other things, set standards, plan and timeline to reach the atmospheric pollution control targets, provide detailed regulations on major pollution sources and impose stringent requirements to control the pollution from coal-fire, automobile, vessel and volatile organic compounds.

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 26, 2019, the Regulation on Land Reclamation issued on March 5, 2011 and the Implementation Measures on the Regulation on Land Reclamation amended on July 24, 2019, 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 State Administration of Work Safety (the "SAWS", now has incorporated into the MOE), 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 was amended on July 18, 2013. 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 material 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 and the National Coal Mine Safety Administration of the PRC ("NCMSA", currently known as "NMSA") issued 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) on September 26, 2005. 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 Measures for Reporting and Rewarding in the Field of Work Safety on January 8, 2018, which encourages reporting on material accident hazards on working safety systems and other illegal activities. On November 20, the Ministry of Emergency Management of the PRC issued the Judgment Standards for Hidden Dangers of Major Coal Mine Accidents. On March 18, 2020, NCMSA office issued Standards in Judging the Coal Mines Major Latent Dangers for Accident.

The SAWS, the NCMSA 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.

On September 10, 2019, MOE issued Coal Mine Work Safety Regulations (draft) for public comments. The rules aim to improve the coal mine work safety mechanism of “national supervising, local inspecting, and enterprise taking responsibility” to ensure the safe development of the coal industry.

On September 3, 2020, NCMSA office issued the Implementation Plan for the Three-Year-Action of Implementing Main Responsibilities for Safety Production of Coal Mining Enterprises, which aims to improve and implement working mechanism of coal mining for fundamentally avoiding latent accidents.

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. On December 19 2017, NDRC, MOF, Ministry of Human Resources and Social Security of the PRC, Ministry of Land and Resources, Ministry of Environmental Protection, the People’s bank of PRC, SASAC, General Administration of Quality Supervision, State Administration of Work Safety, China Banking Regulatory Commission, the National Energy Administration of the PRC, NCMSA issued Opinions on Further Promoting the Upgrading and Merging of Coal Enterprises.

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. On August 3, 2020, the general office of the government authorities of Inner Mongolia Autonomous Region issued Implementation Plan for Mining Environmental Governance in the Autonomous Region, which indicate to close open pit coal mine by 2025.

The government authorities of Shanxi Province issued the Advices on Deepening the Reform of Coal Mining Management System (Jin Fa [2015] No. 3), which requires to accelerate the optimization of the disposition of regional coal industry and encourage coal mining enterprises and groups, on voluntary basis, to realize the integration of coal mining business through acquisition, disposal, participating in investment, merger or other manners, as well as well resolve the following-up issues after the integration of coal resources and merger and acquisitions of coal mines.

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, territory and local government departments and authorities, including at a federal level the Department of Industry, Science, Energy and Resources and the Department of Agriculture, Water, and the Environment.

Environmental and planning issues

Our mining operations in Australia are regulated by federal, state, territory 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 and regulators 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 and rehabilitation 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; the generation, handling, storage and transportation of waste; 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 Agriculture, Water and the Environment and federal regulatory approval may be required. Most coal projects require such federal approval.

Work Health and Safety (WHS)

The Commonwealth, States and Territories adopt their own WHS laws in each Australian jurisdiction.

Model WHS laws (based on a nationally agreed model) are in operation in New South Wales, Queensland, the ACT, the Northern Territory, South Australia, Tasmania and Commonwealth jurisdictions, although it should be noted that the WHS laws are not fully harmonized between each of these jurisdictions. Victoria is yet to implement WHS laws based on the national model but have WHS laws in place, referred to as Occupational Health and Safety (OHS) laws.

Western Australia recently enacted the WHS Act WA, which adopts duties and obligations contained within model WHS laws. While this Act received royal assent in November 2020, the substantive provisions of will not come into effect until the accompanying regulations are finalised, which is not expected to occur until January 2022. Until that point, pre-harmonisation OHS laws and duties will continue to apply.

New South Wales, Queensland, the ACT, the Northern Territory, South Australia, Tasmania

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

- the health and safety of employees and contractors, and workers whose activities are influenced or directed by it, while they are at work; and
- that the health and safety of other persons (including visitors and the public) is not put at risk from work carried out as part of its business.

Workers are defined to include employees, contractors, subcontractors, and employees of a contractor or subcontractor.

Under WHS laws, what is 'reasonably practicable' to ensure health and safety means that which is reasonably able to be done by a particular party in the context of its control or influence, and having regard to:

- the likelihood of the hazard or risk concerned eventuating;
- the degree of harm that would result if the hazard or risk eventuated;
- what the person knows, or ought reasonably to know, about the hazard or risk and any ways of eliminating or minimising the hazard or risk;
- the availability and suitability of ways to eliminate or minimise the hazard or risk; and
- after assessing the extent of the hazard or risk and the available ways of eliminating or minimising the hazard or risk, the cost associated with the available ways of eliminating or minimising the hazard or risk, including whether the cost is grossly disproportionate to the hazard or risk.

A person conducting a business or undertaking must take all reasonably practicable steps to:

- provide and maintain a safe working environment without risks to health and safety;
- provide and maintain safe plant and structures, including machinery;
- provide and maintain safe systems of work, including safety equipment, safe plant and work materials;
- provide adequate facilities for the welfare at work of workers in carrying out work, including ensuring access to those facilities;
- ensure the safe use, handling and storage of plant, structures and substances;
- provide any information, instruction, training and supervision that is necessary to protect all persons from risks to their health and safety; and
- monitor 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.

Maximum penalties which may be imposed for a breach of the model WHS laws vary across the jurisdictions and currently range from AUD3 million to AUD3,565,158.50 for a corporation (although higher penalties can be imposed for industrial manslaughter in jurisdictions that have adopted that as an

offence, as touched on below). In addition, the model WHS laws impose obligations on officers (including directors and other persons who make, or participate in making, decisions that affect the whole or a substantial part of a business) of a person conducting a business or undertaking. This requires officers to take proactive steps to ensure the business of which they are an officer is meeting its corporate WHS duties. The maximum penalties that can be imposed on an officer for failing to meet this duty currently range from AUD600,000 to AUD712,928.75 or 5 years imprisonment, or both.

In some model WHS jurisdictions (Queensland, the ACT and the Northern Territory) WHS laws also include industrial manslaughter offences with maximum penalties of up to 20 years imprisonment for an individual in Queensland and the ACT, and life imprisonment in the Northern Territory. For corporations, the maximum penalties that can be imposed for an industrial manslaughter offence can be in excess of AUD10 million. Workplace manslaughter laws have also commenced in Victoria, and will soon commence in Western Australia.

In June 2020, Queensland recorded Australia's first conviction for industrial manslaughter, with a Court in Queensland imposing a fine of AUD3 million on a body corporate.

The maximum monetary penalties referred to above are subject to change, noting that some jurisdictions have fixed the value of the penalties in accordance with the value of a penalty unit (which can be, and often are, increased by way of legislation), and/or have indexed such penalties in line with inflation, as has recently occurred in NSW.

Western Australia

Western Australia is still operating under a local occupational health and safety (OHS) regime — however, as noted above, substantive provisions of the WHS Act WA are expected to commence in January 2022. Relevantly, the WHS Act WA adopts many of the duties and obligations contained within model WHS laws. Whilst the OHS regime is similar to the WHS regime (in the harmonised jurisdictions) 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. Employers must also make arrangements for ensuring, so far as is practicable, that the use, handling, cleaning, maintenance, transportation, and disposal of plant and substances at the mine is carried out in a manner that employees are not exposed to hazards.

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.

Duty holders that breach their OHS obligations in Western Australia can be subject to penalties of up to AUD2.7 million for a first offence or AUD3.5 million for a subsequent offence, if the duty holder is a body corporate. Individual duty holders can be subject to penalties of up to AUD550,000 and imprisonment for five years for a first offence, or AUD680,000 and imprisonment for five years a subsequent offence.

Coal Industry Specific Legislation

In recognition of the specialized nature of mining and mining activities, specific WHS obligations have been mandated under mining specific WHS laws. In Queensland and Western Australia, mining specific safety laws apply to the exclusion of the general WHS laws. In New South Wales and South Australia, mining specific laws apply concurrently with the general WHS laws.

Workers' Compensation Laws

In all Australian jurisdictions, it is mandatory for employers to have insurance coverage with respect to the compensation of injured workers (workers' compensation insurance). Similar 'no fault' workers compensation schemes are in place in each of the States and Territories in Australia as well as the Commonwealth. These schemes provide for benefits to workers who suffer a work related injury or illness up to a prescribed level.

The specific benefits vary by jurisdiction, but generally include the payment of weekly compensation to an employee, together with payment of medical, hospital and related expenses. In some situations, injured employees may, instead of receiving these benefits, elect to sue their employer for common law damages if a case of negligence can be established (generally, common law damages will be offset against any workers compensation benefits paid).

Workers' compensation laws have recently been amended in New South Wales to make adjustments for the COVID-19 pandemic. For example, workers compensation laws in New South Wales now include a presumption that for workers in certain types of employment (i.e. retail, health care and education), it is presumed that COVID-19 was contracted in the course of employment and that the employment was both the main and substantial contributing factor to contracting COVID-19 unless the contrary is proven.

COVID-19

Throughout 2020 and 2021, various workplace restrictions have put in place to manage the COVID-19 pandemic. These restrictions vary across Australian states and territories, and can include, for example, vaccination requirements on workers in certain industries or travelling from certain areas of concern, testing requirements, physical distancing, worker density limits and mask wearing.

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% or more of any asset or business or any acquisition of an interest of less than 10% 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 Australian land (regardless of the value of the investment). An interest in Australian land includes any interest in an exploration, mining or production tenement.

Foreign government investors must also obtain Australian Government approval to acquire a legal or equitable interest in a tenement or an interest of at least 10% in securities in an exploration, mining, or production entity.

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.

On October 12, 2015, the CPC Central Committee and the State Council adopted Several Opinions on Promoting the Reform of the Price Mechanism, provide orderly release of on-grid electricity prices and non-public electricity sales prices, and establish a mechanism for the market to determine energy prices. Separate the transmission and distribution price from the sale price in the formation mechanism, and separately verify the transmission and distribution price, and realize step by step the realization of the sale price outside the public interest by the market.

In 2019, the NDRC issued Guiding Opinions on Deepening the Reform of the On-grid Tariff Formation Mechanism for Coal-fired Power Generation in order to steadily realize the goal of fully liberalizing the on-grid electricity pricing for coal-fired electricity, pursuant to which the coal-fired electricity benchmark on-grid pricing mechanism was changed to a market-based pricing mechanism of “base price plus fluctuations”. Under such mechanism, the base price would be determined in accordance with the current local coal-fired electricity benchmark on-grid electricity price, and the fluctuation range of electricity price would be no more than 10% of the benchmark electricity price and no less than 15% of the benchmark electricity price.

Safety

In accordance with the Measures for Supervision and Administration of the Safe Production of Electricity, issued by the NDRC, power plants shall establish a sound power generation production responsibility system in accordance with relevant national laws, regulations, measures, and standards on safety production, enhance the management of power generation, perfect production conditions for power generation, and ensure production safety for power generation.

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. According to 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.

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.

On October 24, 2021, the State Council of the PRC issued, Carbon Peak Action Plan by 2030, it is required to achieve strict project access, rationally arrange construction schedules, strictly control new oil refining and traditional coal chemical production capacity, and develop modern coal chemical industries in a steady and orderly manner.

Regulation on the Issuance of Foreign Bonds

Pursuant to the Circular 2044, which was promulgated by the NDRC and became effective on September 14, 2015, where domestic enterprises, overseas enterprises controlled by a domestic enterprise or their overseas branches issue foreign debts, which are debt instruments of not less than one year that are denominated in domestic currency or foreign currency, including bonds issued overseas and long and medium-term international commercial loans, the enterprises shall apply to NDRC for dealing with the formalities of record-filing and registration before issuance. NDRC shall decide to accept such applications or not within five working days upon the receipt of the application and provide the Record Filing and Registration Certification of Issuance of Foreign Debts by Enterprises within seven working days after acceptance. The enterprises shall submit the issuance information to NDRC within 10 working days of the end of issuance each time. On May 1, 2018, the NDRC and the MOF promulgated Circular 706. Pursuant to Circular 706, an enterprise that intends to incur medium and long-term debt in offshore markets shall have established a sound and stable corporate governance structure, management decision-making mechanism and financial management system.

Such enterprise shall have existing operations, implement market-based financing in compliance with laws and regulations, and fully demonstrate the necessity, feasibility, economy, and financial sustainability of offering debt in offshore markets, and such enterprise shall form a debt and interest repayment scheme based on its own credit and indebtedness situations and implement repayment security measures. Moreover, such enterprise is not permitted to request or accept any offer by its local government or a government department to provide guarantee or assume debt repayment obligations for its debt issued in offshore markets. Such enterprise may not count public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government offices, and public institutions, municipal roads, non-toll bridges, non-managed water conservancy facilities, non-chargeable network facilities or any other public assets or the rights to use land reserves, as assets owned by the enterprises for reporting purposes either.

Furthermore, such enterprise is required to standardize its information disclosure. Such enterprise shall not make any statement or disclosure that implicitly or explicitly indicates government endorsement by describing the local or national government's creditworthiness, such as financial information regarding revenue, expenditures, and government debt, nor issue any misleading public statement which implies such issuer having a connection, an association with the government's creditworthiness or otherwise.

Where an enterprise is owned by a local government entity, such enterprise shall specify in the relevant bond Offering Memorandums that the local government, as a shareholder, bears only limited liability to the extent of its equity contribution in the issuer, and the debt owed by such enterprise shall be solely repaid by such enterprise, as an independent legal person.

Pursuant to Circular 23, state-owned financial institutions should carefully evaluate the sources and ability of repayment by issuers that are local government financing vehicles, seeking to issue offshore bonds, before they provide financial support to such issuers, especially when the proceeds will be used for infrastructure construction. Where the repayment source made by an issuer involves government investment funds, the state-owned financial institution shall carry out a due diligence investigation and carefully verify the legality, authenticity and validity of such repayment source. By the same token, in bond issuance documents such as bond Offering Memorandum, such enterprise shall not make any statement or disclosure that implicitly or explicitly indicates government endorsement by describing the local or national government's creditworthiness, such as financial information regarding revenue,

expenditures, and government debt, nor issue any misleading public statement which implies such issuer having a connection or an association with the government's creditworthiness. Moreover, such enterprise shall specify in the relevant bond Offering Memorandums that the local government, as a shareholder, bears only limited liability to the extent of its equity contribution in the issuer, and the debt owed by such enterprise shall be repaid by such enterprise, in the case of a Local SOE, as an independent legal person.

CORPORATE STRUCTURE

THE GUARANTOR

We will unconditionally and irrevocably guarantee the Issuer's obligations under the Bonds. Our legal and commercial name is Yanzhou Coal Mining Company Limited. We were established on September 25, 1997 as a joint stock company with limited liability under the Company Law of the PRC. 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, our predecessor was incorporated under the name Yanzhou Mining (Group) Corporation Limited and subsequently renamed as Yankuang Group Corporation Limited after undergoing a reorganization in 1999. In 1999, the Minister of Foreign Trade and Economic Cooperation, the predecessor of the MOC, approved our conversion into a Sino-foreign joint stock company with limited liability under the Company Law of the PRC and the Sino-Foreign Joint Venture Law of the PRC. Our business address is 949 Fushan South Road, Zoucheng City, Shandong Province, PRC (273500). Our telephone number is (86) 537 538 2319. Our website is <http://www.yanzhoucoal.com.cn>. The contents of our website do not constitute part of this Offering Memorandum.

On April 17, 2018 and on February 19, 2020, S&P and Moody upgraded our rating to "BB" and "Ba1" respectively, both with a stable outlook. In addition, on April 24, 2019, Dagong Global Credit Rating Co., Ltd. affirmed our rating of AAA, with a stable outlook; on May 28, 2019, China Chengxin Securities Rating Co., Ltd. affirmed our rating of AAA, with a stable outlook. On July 15, 2020, Fitch placed our rating of "BB-" on rating watch positive; on January 21, 2021, Fitch maintained such rating as "BB-"; on June 30, 2021, Fitch upgraded the rating to "BB+" with a stable outlook and maintained such level as of September 20, 2021.

THE ISSUER

The Issuer, Yancoal International Resources Development Co., Limited, is our indirect, wholly owned subsidiary and was incorporated as a limited liability company in Hong Kong under the laws of Hong Kong on July 20, 2011. Its registered office is 14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong. The Issuer was registered as a public company on March 20, 2012.

The Issuer, whose primary purpose is to act as a financing subsidiary, will remain a wholly owned subsidiary of the Guarantor as long as the Bonds are outstanding. As of the date of this Offering Memorandum, the Issuer has no material assets and will conduct no business except in connection with the issuance of the Bonds and other securities and borrowings of indebtedness, and to invest in, or loan or advance the net proceeds from the issuance of the Bonds and such other securities and borrowings to, offshore subsidiaries controlled by the Guarantor, or to repay the offshore indebtedness of the Issuer or the Guarantor.

As of the date of this Offering Memorandum, the directors of the Issuer are Mr. Liu Jian, Mr. Wu Xiangqian, and Mr. Zhao Qingchun. The objectives for which the Issuer was established are set forth in clause 11 of the Issuer's Memorandum of Association (copies of which are available as described under "*General Information*"). As of the date of this Offering Memorandum, the Issuer has full power and authority to carry out any business not prohibited by the Hong Kong Companies Ordinance.

The Issuer had 600,000 shares as of the date of this Offering Memorandum. All the shares have been issued and have been fully paid. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

THE HOLDING COMPANY

The holding company of the Issuer, Yancoal International, was incorporated as a limited liability company in Hong Kong under the laws of Hong Kong on July 13, 2011. Its registered office address is 1401 Hutchison House, 10 Harcourt Road, Hong Kong. The Issuer is a direct, wholly owned subsidiary

of Yancoal International which is, in turn, wholly owned by the Company. Yancoal International, which is mainly engaged in investment holding, is a wholly owned subsidiary of the Company and is the intermediate holding company for the Issuer.

The directors of Yancoal International are Mr. Liu Jian, Mr. Wu Xiangqian, and Mr. Zhao Qingchun.

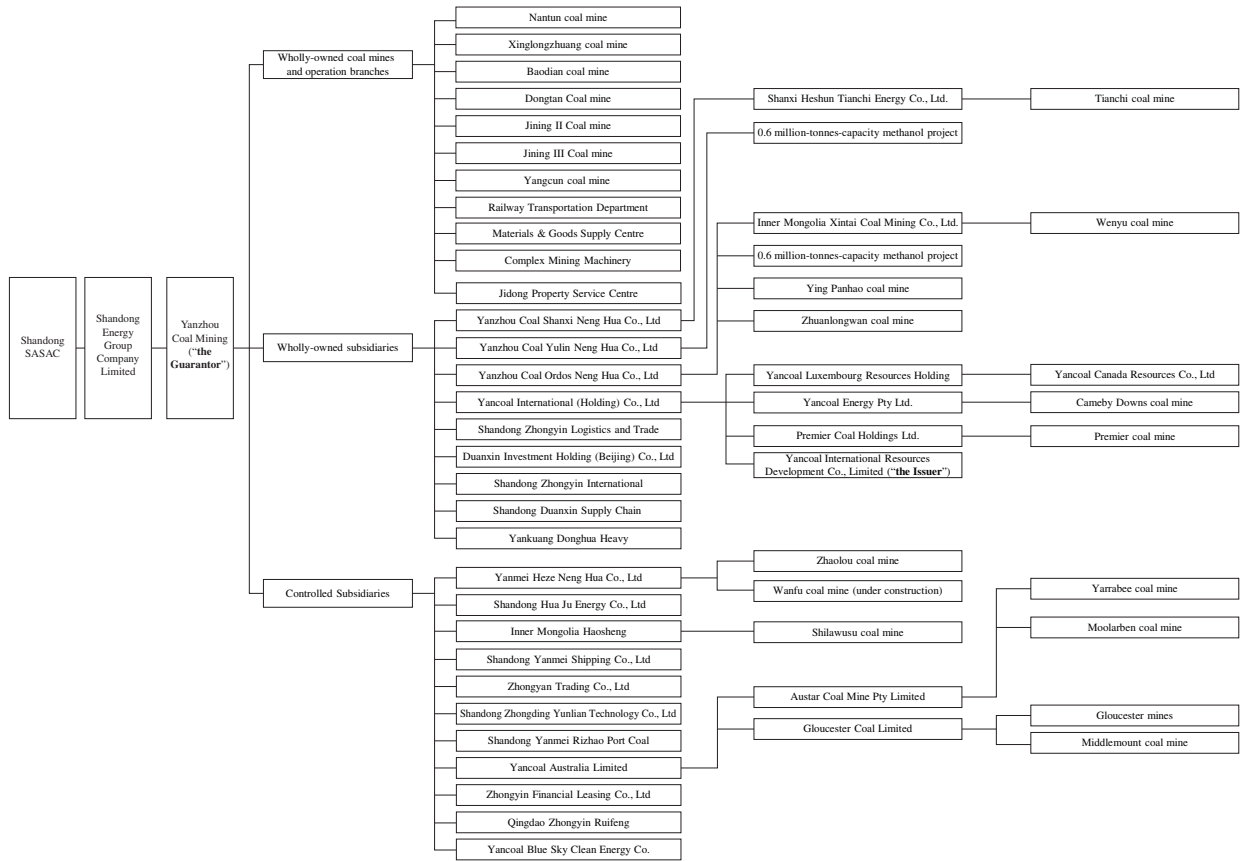
CONTROLLING SHAREHOLDER

As of June 30, 2021, Shandong Energy Group and its concert parties held in aggregate 55.76% of the total issued share capital of the Guarantor. Shandong Energy Group is controlled by the Shandong Provincial Government under the control of the SASAC of the Shandong Provincial Government. Shandong Energy Group (previously known as Yankuang Group) was founded in 1973 as the first enterprise authorised by the SASAC of the Shandong Provincial Government to focus on coal mining and sales, the coal chemical industry, power generation, aluminium production, machinery manufacturing and financial investments.

On April 1, 2021, as approved by the Administration for Market Regulation of Shandong Province, the name of our controlling shareholder has been changed from “Yankuang Group Company Limited” (兗礦集團有限公司) to “Shandong Energy Group Company Limited” (山東能源集團有限公司) (“**Shandong Energy Group**”). On August 14, 2020, the shareholders of the then Yankuang Group, namely, Shandong Provincial State-owned Assets Supervision and Administration Commission (山東省人民政府國有資產監督管理委員會), Shandong Guohui Investment Co., Ltd. (山東國惠投資有限公司), and Shandong Provincial Council for Social Security Fund (及山東省社會保障基金理事會), approved a merger proposal. On the same date, Shandong Energy Group, another enterprise controlled by Shandong Provincial State-owned Assets Supervision and Administration Commission, and Yankuang Group entered into a merger agreement, pursuant to which Yankuang Group was renamed as Shandong Energy Group as the surviving company (the “**Surviving Company**”) after the merger (the “**Merger**”). With effect from November 30, 2020, being the date of completion of the Merger, all the assets, liabilities, business, employees, contracts, qualifications and other rights and obligations will be inherited, assumed or enjoyed by the Shandong Energy Group as the Surviving Company; the respective entities under Shandong Energy Group and Yankuang Group and the respective equities and interests in companies held by Shandong Energy Group and Yankuang Group will be transferred to the Shandong Energy Group as the Surviving Company.

CORPORATE STRUCTURE

The following chart shows our simplified corporate structure as of the date of this Offering Memorandum:



RECENT DEVELOPMENTS

PROPOSED CHANGE OF NAME OF THE GUARANTOR AND PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Proposed Change of Name and Proposed Amendments to the Articles of Association

On October 29, 2021, as approved by the Board of Directors of the Guarantor, the Guarantor announced the proposed change of its English name from “Yanzhou Coal Mining Company Limited” to “Yankuang Energy Group Company Limited” and its Chinese name from “兗州煤業股份有限公司” to “兗礦能源集團股份有限公司” (the “**Proposed Change of Name**”). The Board of Directors also proposes to make certain amendments to the articles of association in respect of the Proposed Change of Name. The Board of Directors of the Guarantor believes that since its listing, the Guarantor has developed from a local and regional enterprise engaged in the single activity of coal mining and sales to an international energy group with multiple industries and global layout. Changing the Guarantor’s name to “Yankuang Energy Group Company Limited” can more comprehensively reflect the Guarantor’s business connotation and industrial layout, which also meets the needs of operation management and business development of the Guarantor.

After the Proposed Change of Name becomes effective, all existing certificates of securities in issue bearing the present name of the Guarantor shall continue to be evidence of title to such securities and the existing share certificates will continue to be valid for trading, settlement, registration and delivery purposes.

General

The Proposed Change of Name is subject to (i) the passing of a special resolution by the shareholders at an 2021 third extraordinary general meeting of the Guarantor on December 1, 2021 (the “**EGM**”) and (ii) any necessary approval or filing with the relevant authorities in the PRC. Subject to the satisfaction of these conditions, the Proposed Change of Name will take effect from the date of completion of the registration of change in Guarantor name with the relevant authorities in the PRC. The Guarantor will then carry out all necessary filing procedures with the Companies Registry in Hong Kong.

A circular has been published on the website of the Hong Kong Stock Exchange as follow: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1108/2021110800481.pdf>. Such information does not and will not form part of this Offering Memorandum. As a result, prospective investors of the Bonds are reminded that, in making their investment decisions as to whether to purchase the Bonds, they should rely only on the financial, operating and other information included in this Offering Memorandum. By agreeing to purchase the Bonds in the offering, investors will be deemed to have agreed that you will not rely on any information other than that contained in this Offering Memorandum.

PERFORMANCE OF OUR GROUP FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

We have prepared our unaudited and unreviewed condensed third quarter consolidated financial statements as of and for the nine months ended September 30, 2021 (the “**2021 Third Quarter Result**”), which have not been audited or reviewed by an independent auditor and may be subject to further adjustments. The 2021 Third Quarter Results have been published on the website of the Hong Kong Stock Exchange at www.hkex.com.hk. The 2021 Third Quarter Results are not incorporated by reference in this Offering Memorandum and do not form part of this Offering Memorandum and should not be relied upon by the investors in any way. The 2021 Third Quarter Results are prepared in accordance with the relevant regulations on Disclosure of Information in Quarterly Reports for Listed Companies promulgated by the Shanghai Stock Exchange as well as with the relevant requirements and interpretations under the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance of the PRC.

Investors are reminded of the different reporting standards adopted in the 2021 Third Quarter Results, the interim report and the annual report of the Company. They do not include all of the information required in interim and annual financial statements in accordance with International Financial Reporting Standards (“IFRSs”), and should be read in conjunction with the consolidated financial statements for the six month ended June 30, 2021 and year ended December 31, 2020. The 2021 Third Quarter Results should not be taken as an indication of our business, financial condition or results of operation expected for these periods and potential investors should not rely on such quarterly financial information to evaluate our financial condition and results of operation for these periods or the full year ending December 31, 2021. The 2021 Third Quarter Results are not necessarily indicative of our results to be expected for the full year.

Our operating revenue decreased for the nine months ended September 30, 2021 as compared to the corresponding period of the previous year. For the nine months ended September 30, 2021, the sales volume of saleable coal of our Group decreased as compared to the corresponding period of the previous year. For the nine months ended September 30, 2021, the production volume of saleable coal of our Group decreased as compared to the corresponding period of the previous year.

None of the Joint Lead Managers, the Trustee, the Agents, or any of their directors, officers, employees, representatives, agents, advisers or affiliates, makes any representation, warranty or undertaking of, express or implied, or accepts any responsibility or liability with respect to us or our financial condition or results of operations.

MEDICAL SERVICES COOPERATION FRAMEWORK AGREEMENT

On August 27, 2021, the Company entered into the Medical Services Cooperation Framework Agreement with Shandong Guoxin Yiyang Healthcare Industry Development Group Limited (山東國欣頤養健康產業發展集團有限公司) (“**Guoxin Yiyang**”). Pursuant to Medical Services Cooperation Framework Agreement, from September 1, 2021 to December 31, 2023, Guoxin Yiyang will provide medical services to the Group. The Medical Services Cooperation Framework Agreement and transactions contemplated thereunder can satisfy the needs of the Company in rescue and protection emergency services of coalmines, public health of coalmines, epidemic control and prevention and other aspects, which is beneficial to the safe and stable operation of the coalmines.

CAPITAL INCREASE IN YANCOAL FINANCING COMPANY

On August 27, 2021, as approved by the Board, the Company entered into the agreement on capital increase in Yankuang Group Finance Co., Ltd (“**Yankuang Finance**”) with Shandong Energy Group, the controlling shareholder of the Company. As of August 27, 2021, Yankuang Finance is 95% held by the Company and 5% held by Shandong Energy Group. Pursuant to the agreement, the Company and Shandong Energy Group will increase the registered capital of Yankuang Finance in proportion to their respective shareholding interest in Yankuang Finance in cash (the “**Capital Increase**”).

The Capital Increase can enable Yankuang Finance to expand its business scale and expand its business scope, which will allow the Company and its subsidiaries to obtain a higher amount of low interest financing, so as to reduce the overall financing cost. The Capital Increase can enable Yankuang Finance to improve its resilience against risks, which will allow the Company and its subsidiaries to enjoy safer and more efficient financial services. The Capital Increase is in line with the interests of the Company and all its shareholders and will not have an adverse impact on the current and future financial position and operating results of the Company.

RE-CONSOLIDATION OF WATAGAN

On December 16, 2020, Watagan Mining Company Pty Ltd and its subsidiaries (collectively, “**Watagan**”) re-consolidated into Yancoal Australia Limited (“**Yancoal Australia**”), a subsidiary of the Company. Previously, Watagan had been de-consolidated from Yancoal Australia, as the external financiers of the U.S.\$775 million of secured debt bonds (“**Watagan Bonds**”) controlled the board of Watagan and the major decision-making of the operation and strategy of Watagan.

On December 16, 2020, following an exercise of a put option by an external financier in 2019, a series of supplemental agreements were signed, in which two other external financiers exercised their put options and Shandong Energy Group (previously known as Yankuang Group) or its designated entity would become the only holder of the Watagan Bonds. Following these arrangements, Yancoal Australia obtained the control of the board of Watagan and the decision-making power in the major operation and strategy of Watagan. Watagan had been re-consolidated into Yancoal Australia on December 16, 2020.

COMPLETION OF ACQUISITION OF THE TARGET EQUITY INTERESTS AND TARGET ASSETS

On September 30, 2020, the Company entered into the transaction agreement with Yankuang Group (currently known as Shandong Energy Group) in relation to a major and connected transaction. Pursuant to the transaction agreement, the Company intends to acquire 49.315%, 100%, 100%, 100%, 100% and 99% equity interests in Shaanxi Future Energy, Fine Chemical, Lunan Chemical, Chemical Equipment, Trading Company, and Jisan Electricity, respectively, as well as relevant assets of the Information Center held by Yankuang Group (currently known as Shandong Energy Group) at a consideration of approximately RMB18.355 billion. The Company paid the consideration in cash from its own funds and self-raised funds. The transaction has closed on December 15, 2020.

CHANGE OF NAME OF CONTROLLING SHAREHOLDER

On April 1, 2021, as approved by the Administration for Market Regulation of Shandong Province, the name of our controlling shareholder has been changed from “Yankuang Group Company Limited” (兗礦集團有限公司) to “Shandong Energy Group Company Limited” (山東能源集團有限公司) (“**Shandong Energy Group**”) (the “**Change of Name**”). On August 14, 2020, the shareholders of the then Yankuang Group, namely, Shandong Provincial State-owned Assets Supervision and Administration Commission (山東省人民政府國有資產監督管理委員會), Shandong Guohui Investment Co., Ltd. (山東國惠投資有限公司) and Shandong Provincial Council for Social Security Fund (及山東省社會保障基金理事會), approved a merger proposal. On the same date, Shandong Energy Group, another enterprise controlled by Shandong Provincial State-owned Assets Supervision and Administration Commission, and Yankuang Group entered into a merger agreement, pursuant to which Yankuang Group was renamed as Shandong Energy Group as the surviving company (the “**Surviving Company**”) after the merger (the “**Merger**”). With effect from November 30, 2020, being the date of completion of the Merger, all the assets, liabilities, business, employees, contracts, qualifications and other rights and obligations will be inherited, assumed or enjoyed by the Shandong Energy Group as the Surviving Company; the respective entities under Shandong Energy Group and Yankuang Group and the respective equities and interests in companies held by Shandong Energy Group and Yankuang Group will be transferred to the Shandong Energy Group as the Surviving Company.

As of the date of this Offering Memorandum, the Merger and Change of Name does not involve any material asset reorganization of our Group or any change of the controlling shareholder of our Company. The Merger and Change of Name has no significant impact on the production and operation of our Group. Currently our production and operation proceed as normal.

BUSINESS

OVERVIEW

We are an international integrated energy group in China and a leading pure-coal producer in Australia in terms of total coal resources, coal reserves and saleable coal production volume in 2020, with growing coal mining operations. We primarily engage in coal mining, coal railway transportation, methanol, electricity and heat supply, equipment manufacturing and chemical products. Our products, which are mainly sold to East China, North China, South China, Northwest China and other regions of China as well as Japan, South Korea, Singapore, Australia, and other countries, 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. 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. In 2015, we expanded to equipment manufacturing business after we acquired 100% equity interest in Donghua Heavy Industry. In 2017, we acquired 100% equity interest in C&A. In 2018, Yancoal Australia listed its shares on the main board of The Stock Exchange of Hong Kong Limited. In 2020, we acquired controlling shares of Inner Mongolia Mining (Group) Co., Ltd., (“**Inner Mongolia Mining**”) through capital increase, which contributed an additional 4,750 million tonnes of coal resource to the Group’s coal resources when adjusted for the Group’s equity holding in the the subsidiary; we also purchased additional 10% equity interest of Moolarben Coal Mine, which maximised synergy between the Shandong headquarter, Shaanxi-Inner Mongolia base and Australia base to realize complementary support in economic benefit. In addition, we acquired approximately 49.32% equity interests and became the controlling shareholder of Shaanxi Future Energy Chemicals Co., Ltd. (“**Future Energy**”) in 2020.

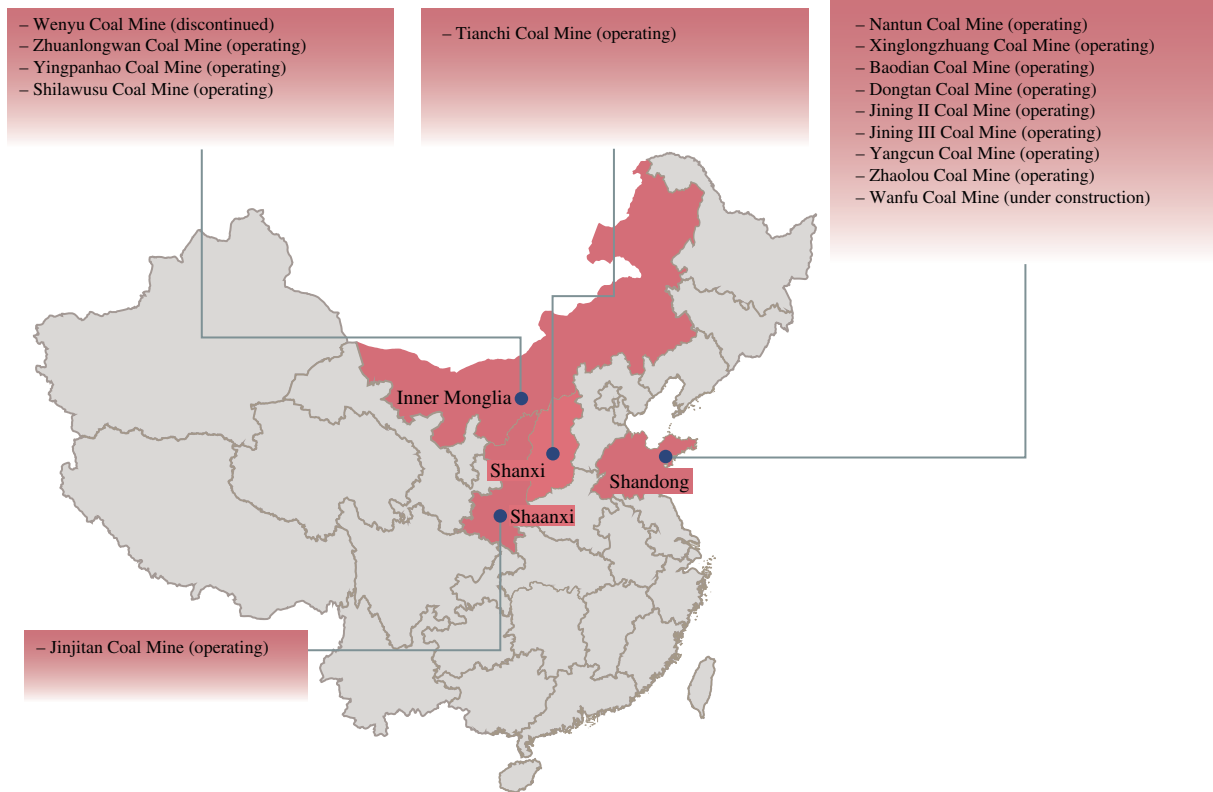
We were established in 1997 and we are listed on the SSE and HKSE since 1998 and we were the fourth largest listed coal mining company in PRC in terms of total revenue for the year ended December 31, 2020. In addition, our subsidiary, Yancoal Australia, has been listed on the ASX since 2012 and on the HKSE since 2018. Yancoal Australia is the first dual-listed PRC holding company on both HKSE and ASX. For the years ended December 31, 2019 and 2020 and six months ended June 30, 2020 and 2021, our revenue was approximately RMB67.80 billion, RMB69.12 billion, RMB35.32 billion and RMB42.67 billion, respectively, and our gross profit was approximately RMB21.03 billion, RMB14.09 billion, RMB7.78 billion and RMB12.99 billion, respectively.

As of June 30, 2021, Shandong Energy Group (previously known as Yankuang Group), which is controlled by the Shandong Provincial Government under the control of the SASAC of the Shandong Provincial Government owned a total of 55.76% of our total share capital directly and through its wholly owned subsidiary incorporated in Hong Kong. Shandong Energy Group was founded in 1973 to focus on coal mining and sales, the coal chemical industry, power generation, aluminium production, machinery manufacturing and financial investments.

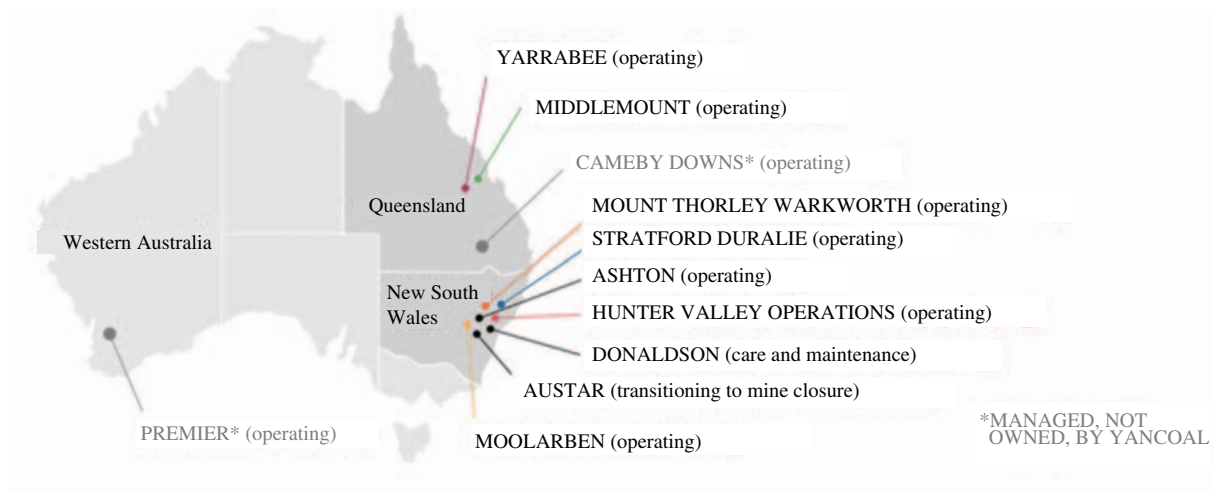
As of June 30, 2021, we owned and operated 25 coal mines across China and Australia with abundant coal resources, including Shandong and Shanxi Provinces and the Inner Mongolia Autonomous Region in China. Yancoal’s New South Wales mines include Moolarben, Hunter Valley Operations, Mount Thorley Warkworth, Stratford-Duralie, Ashton, Austar and Donaldson. Queensland mines include Yarrabee and the Middlemount Joint Venture. Yancoal also manages the Cameby Downs and Premier coal mines in Queensland and Western Australia respectively, on behalf of Yanzhou. In addition, we have one coal project under construction in China and one potash mineral exploration project in Canada as of December 31, 2020, and have interests in several early stage coal exploration and assessment sites in Australia. As of September 30, 2021, our total assets was approximately RMB283.1 million.

In PRC, we produced approximately 64% of our total raw coal output in 2020 in 15 coal mines, namely Nantun, Xinglongzhuang, Baodian, Dongtan, Jining II, Jining III, Yangcun, Zhaolou, Tianchi, Shilawusu, Yingpanhao, Zhuanlongwan, Anyuan (which has been disposed in April 2021), Wenyu and Jinjitan. The map below shows the approximate locations of our coal mines in China as of June 30, 2021.

Domestic assets



In Australia, we conduct our operations primarily through our subsidiaries, Yancoal Australia and Yancoal International. Yancoal Australia is the largest pure-coal producer in Australia in terms of total coal reserves and production volume of saleable coal in 2020. Yancoal Australia has ownership interests in nine coal mine complexes across New South Wales and Queensland, and manages two others across Queensland and Western Australia, as of June 30, 2021. We believe that significant potential synergies can be derived from coal blending, tax planning, and infrastructure and port resource sharing. The map below shows the approximate locations of our major coal mines in Australia.



We have been listed on the Platts Top 250 Global Energy consecutively. In 2018, in recognition of our outstanding performance in the state-owned enterprise reform, we were selected by the State Council of the PRC as one of the 100 Subsidiaries of Central SOEs and 100 Outstanding Local SOEs. We are also the only coal enterprise in the PRC which has been granted “Asian Outstanding Quality Award” and “Global Outstanding Performance Award”. In 2020, we ranked the 53th overall and the 2nd for coal enterprises among the “Top 500 Fortune China” and ranked 1st among Chinese coal companies in the emerging market rating by Dow Jones Sustainable Development Index (DJSI).

HISTORY AND DEVELOPMENT

We were established as a joint stock company with limited liability in the PRC on September 25, 1997. Since establishment, we have successfully developed our strengths and competitive advantages in the cross-region, cross-industry and international energy sector, and established our leading position.

From our establishment in 1997 to 2020, the sales volume of saleable coal has increased by approximately nine times.

The following table sets forth the key development milestones in our history:

Year	Event
1997	<ul style="list-style-type: none"> ● We were founded exclusively by Yankuang Group (currently known as Shandong Energy Group).
1998	<ul style="list-style-type: none"> ● Our A shares were listed on the Shanghai Securities Exchange, our H shares were listed on The Stock Exchange of Hong Kong Limited, and our American Depositary Shares (one ADS represents 10 H shares) were listed on the New York Stock Exchange, Inc. We issued 850 million H shares and 80 million A shares. ● We acquired Jining II coalmine.
2001	<ul style="list-style-type: none"> ● We issued 100 million new A shares and 170 million new H shares. ● We acquired Jining III coalmine.
2002	<ul style="list-style-type: none"> ● We acquired the railway assets which in turn became the divisions of Shandong Energy Group (previously known as Yankuang Group).
2004	<ul style="list-style-type: none"> ● We issued 204 million new H shares. ● We set up Yulin Neng Hua and Yancoal Australia. ● We acquired Austar coalmine.
2005	<ul style="list-style-type: none"> ● We acquired Heze Neng Hua.
2006	<ul style="list-style-type: none"> ● We acquired Shanxi Neng Hua.
2009	<ul style="list-style-type: none"> ● We acquired Hua Ju Energy and Yancoal Resources (formerly Felix). ● We established Ordos Neng Hua.
2010	<ul style="list-style-type: none"> ● We acquired Haosheng Company

Year	Event
2011	<ul style="list-style-type: none"> ● We established Yancoal International. ● We acquired Anyuan Coal Mine (which has been disposed in April 2021), mining rights of Zhuan Longwan Coal Mine Zone, and Inner Mongolia Xintai. ● We acquired Syntech Resources Pty Ltd., Syntech Holdings II Pty Ltd. and Premier Coal Limited in Australia. ● We acquired Potash Exploration Permits in Canada.
2012	<ul style="list-style-type: none"> ● We acquired Beisu Coal Mine and Yangcun Coal Mine. ● Yancoal Australia successfully completed the merger with Gloucester and listed on the Australian Securities Exchange. ● We established Shandong Coal Trading Centre Co., Ltd.
2013	<ul style="list-style-type: none"> ● We established Shandong Yanmei Rizhao Port Storage and Blending Company Limited.
2014	<ul style="list-style-type: none"> ● We established Zhongyin Logistics and Trade Company Limited. ● We established Duanxin Investment Holding (Beijing) Company Limited (“Beijing Duanxin”).
2015	<ul style="list-style-type: none"> ● We expanded to equipment manufacturing business after we acquired Donghua Heavy Industry and contributed RMB550 million to Dongguan Haichang Industry Co., Ltd. Upon completion of capital investment, we held 20.89% equity interest in Dongguan Haichang Industry Co., Ltd. and stepped into rail haulage business, with contributed to our business expansion along the coal industry chain. ● We acquired the mining right of Wanfu Coal Mine. ● We acquired 11.59% of equity interests in Haosheng Company with 150 million tonnes of coal resources.
2016	<ul style="list-style-type: none"> ● We established and increased capital in corresponding subsidiaries for the investment in China Zheshang Bank and the capital increase in Zhongyin Logistics and Beijing Duanxin.
2017	<ul style="list-style-type: none"> ● We applied for deregistration to NYSE on January 25, 2017 and the delisting became effective on February 16, 2017. ● We acquired Coal & Allied Industries Limited. With HVO and MTW consolidated into Yancoal Australia, we believe that Yancoal Australia became the largest independent coal miner in Australia. ● We acquired 65% equity interest in Yankuang Group Finance Co., Ltd.

Year	Event
2018	<ul style="list-style-type: none"> ● Yancoal Australia successfully listed on the main board of The Stock Exchange of Hong Kong Limited and became the first stated-owned enterprise which is dual primary listed on the Australian Securities Exchange and The Stock Exchange of Hong Kong Limited. ● Three 10 million tonnes coal mines (namely Zhuanlongwan, Yingpanhao and Shilawusu coal mine) commenced operation.
2019	<ul style="list-style-type: none"> ● We were included in the MSCI China Index in May. ● We increased our capital contribution of RMB1.425 billion to Yankuang Finance Company Limited and remained holding 95% equity interest in Yankuang Finance Company Limited. ● Xibu New Era Evergy Investment Joint-stock Company increased capital contribution to Haosheng Company. Haosheng Company acquired all rights and interests in 400 million tonnes of coal reserves in Shilawusu coal field. ● Yancoal International and Shandong Shipping Asset Management jointly established the Blue Gold Shipping Industry Investment Fund in July. ● Yankuang Intelligent Ecological Investment Development Co., Ltd was established in September.
2020	<ul style="list-style-type: none"> ● Yancoal Australia completed the acquisition of a 10% stake in Moolarben and its stakeholding reached 95% in March. ● The original controlling shareholder Yankuang Group (currently known as Shandong Energy Group) announced a joint strategic reorganization with Shandong Energy Group in July. ● Participated in the capital increase of Inner Mongolia Mining, after which we hold 51% equity interest after the increase. ● Completed the acquisitions of 49.315%, 100%, 100%, 100%, 100% and 99% equity interests in Shaanxi Future Energy, Fine Chemical, Lunan Chemical, Chemical Equipment, Trading Company and Jisan Electricity, respectively, as well as relevant assets of the Information Center held by Yankuang Group (currently known as Shandong Energy Group) at a consideration of approximately RMB18.36 billion. ● Following put options exercised on the Watagan Bonds, Watagan was re-consolidated into Yancoal Australia.
2021	<ul style="list-style-type: none"> ● Yankuang Group (currently known as Shandong Energy Group) completed the change of name to Shandong Energy Group.

AWARDS AND RECOGNITIONS

The following table provides details of the awards and recognitions granted to our Group in respect of our achievements as of the date of this Offering Memorandum:

<u>Year</u>	<u>Award/Recognition</u>
1992	<ul style="list-style-type: none"> ● First Prize in the National Scientific Innovation Award for our longwall top caving mining technology.
2008	<ul style="list-style-type: none"> ● Ranked the 3rd in the Platts Global Coal and Consumption Fuel Enterprise. ● Listed on the 2008 Platts Top 250 Global Energy Companies.
2012	<ul style="list-style-type: none"> ● The only Chinese coal company to win the Quality Excellence Award (Asian Recognition for Excellent in Quality Practice).
2015	<ul style="list-style-type: none"> ● The Global Performance Excellent Award-World Top Class. ● The only company in the PRC coal industry to be recognized with the “China Quality and Credibility Commitment” designation.
2017	<ul style="list-style-type: none"> ● Selected as one of the “Top100HK” Hong Kong listed companies.
2018	<ul style="list-style-type: none"> ● Awarded 20 science and technology awards of China coal industry and two science and technology awards of Shandong province among which our freeze-sinking method was awarded First Prize. ● Awarded the “Best Board of Directors in Investor Relations among China Listed Companies on the Main Board”. ● Awarded the “Taurus Foundation Evergreen Awards among China Listed Companies”. ● Awarded the “Top 100 Enterprises in China”. ● Awarded the “Gold Round Table Award for the Best Board of Directors among China Listed Companies”. ● Awarded the “Gold Hong Kong Shares-Listed Company with the Most Valuable Energy and Resources Shares”. ● Awarded the “A Class for Information Disclosure”. ● Ranked 74th among “2018 Top 100 Global Energy Companies”.
2019	<ul style="list-style-type: none"> ● Awarded the “High-quality Development Pioneer Award of Listed Companies in China”. ● Awarded the “Top 100 Chinese Enterprise Award”. ● Ranked 58th among the “Fortune 500” and 35th among the “Top 50 Global Mining Companies”. ● Selected as the “Gold Round Table Award for the Best Board of Directors among China Listed Companies” and “A Class for Information Disclosure” for two consecutive years. ● Awarded “Customer Satisfaction Enterprise”, the highest recognition for market quality and credit management from China Quality Association — the first coal enterprise to have received this honor.

Year	Award/Recognition
2020	<ul style="list-style-type: none"> ● Tianma Awards of Best Board of Directors of Chinese main board listing companies in term of investors relationship. ● Top 100 Listed Companies in Company Value. ● AAA Creditable Coal Enterprise. ● The international large-scale energy project of the Australian Base was awarded Excellence Project Award of National Quality Award. ● Selected as Hang Seng Sustainable Development Index Constituent Share. ● Ranked the 1st among Chinese coal companies in the emerging market rating by Dow Jones Sustainable Development Index (DJSI). ● Ranked 4th for coal enterprises and the 53th in “Top 500 Fortune China”.
2021	<ul style="list-style-type: none"> ● Ranked 2nd for coal enterprises and the 53th overall in “Top 500 Fortune China”. ● Ranked 40th among the “2021 Top 50 Global Mining Companies” by market value.

OUR COMPETITIVE STRENGTHS

We believe we have the following competitive strengths.

We have an abundant and diversified portfolio of coal reserves and resources strategically located in key areas in the PRC and Australia.

Our mines have significant coal reserves and resources. Our total saleable coal production in 2020 was 104.04 million tonnes. We are one of the largest coal companies in Eastern China in terms of production volume in 2020 with distinctive regional advantages and strategically located assets. We are positioned to take advantage of coal demand in the PRC as our mines in Shandong and Shanxi are strategically located in close proximity to end customers that are situated in economically developed areas of Eastern China where there is strong demand for thermal and coking coal. In 2020, approximately 34.46% of domestic sales of our Company were made to Eastern China. Capitalizing on the close proximity to, and strong demands in, Eastern China, we are in a better position to sell our projects at a more competitive price.

In addition, the developed infrastructure of the region, with railways, ports and roads, self-owned railways, and abundant port capacity, provides valuable access to transport and enables us to quickly respond to customer demand while controlling our transportation and logistics costs. At the same time, our growing operations in Inner Mongolia Autonomous Region are expected to provide us with increased access to markets in Northern China.

Yancoal’s New South Wales mines include Moolarben, Hunter Valley Operations, Mount Thorley Warkworth, Stratford-Duralie, Ashton, Austar and Donaldson. Queensland mines include Yarrabee and the Middlemount Joint Venture. Yancoal also manages the Cameby Downs and Premier coal mines in Queensland and Western Australia respectively, on behalf of Yanzhou Coal. Yancoal also has interests in several early stage coal exploration and assessment sites in Australia. Our Australian coal mines are strategically located in close proximity to ports where we have secured sufficient long-term port capacity for our exports. Yancoal Australia owns a 27% interest in Newcastle Infrastructure Group (“NCIG”), a joint venture responsible for constructing and operating the third export terminal at Newcastle Port, and Yancoal Australia has been allocated an annual port capacity of approximately 19.6 million tonnes on a 100% basis through NCIG’s facility. Yancoal Australia owns a 30.0% interest in Port Warratah Coal Services (“PWCS”) and has also been allocated an annual port capacity of approximately 35.1 million tonnes on a 100% basis through acquisition of C&A in 2017. As of December 31, 2020, Yancoal

Australia is one of the four equal owners of Wiggins Island Coal Export Terminal (“WICET”) at Gladstone, Queensland, and has contracted annual port capacity of 1.5 million tonnes on a 100% basis, which is allocated to Yarrabee.

We have established effective sales and marketing strategies with our well-diversified and high quality coal product portfolio and diversified and stable customer base.

We have established effective sales and marketing strategies underpinned by our well-diversified and high quality coal product portfolio. We are able to offer our customers a diversified thermal and metallurgical coal product portfolio, which includes thermal coal, semi-soft coking coal, semi-hard coking coal, PCI coal and other mixed coal products. In 2020, sales of our No. 1 clean coal, No. 2 clean coal, semi-soft coking coal, semi-hard coking coal and PCI coal represented approximately 25.11% of our total sales income generated from our self-produced coal products while sales of our lump coal, No. 3 clean coal and other coal products represented approximately 74.89% of our total sales income generated from our self-produced coal products, respectively. We strategically increase the sales of coal products with higher sale prices to increase our revenue and profit. With our advanced processing technologies and extensive experience, our processing plants are able to process and blend our diversified raw coal products as well as third party purchased coal across China and Australia in accordance with the market demand and specifications of different customers. In addition, our diversified product mix, international production base and marketing network enable us to flexibly process and blend our products to match revenue maximizing opportunities.

Our long-standing strategic priority to focus on quality control underpins our consistency in providing high quality coal products. The quality of our coal products has been recognized domestically and internationally. We were the first domestic coal enterprise awarded national quality management prize and China quality prize in 2012, and our export products are inspection-free in both Japan and South Korea. We believe the variety of our coal products, coupled with our competitive quality, pricing and value-added coal processing services, have enabled us to build strong relationships with a variety of customers located in China, Japan, South Korea, Australia and other countries. This balanced product mix also enables us to minimize the effects of market fluctuation of specific products and expand our earning potential. In 2019, we implement the “win by clean coal” strategy. We devoted greater efforts on CHPP technical upgrade to uplift our market share on clean coal. During 2020, the production volume of our clean coal accounted for approximately 45.17% of the product mix across our coal mines within Shandong, and we achieved significant progress in generating revenue with clean coals.

As a result of our superior product quality and competitive position, we have established strong long-standing relationships with our diversified customer base. Our major strategic clients include China Huaneng, China Huadian Corporation Ltd., China Datang Corporation, Baosteel, Shan Steel, Baogang Group and Shaanxi Iron and Steel (Group) Co., Ltd, among others. This customer network is critical to our sales and marketing advantage, as it enables us to understand our customers’ demand for different coal products, react timely to the changing coal industry and develop effective strategies going forward. We have taken a systematic, structured approach to maintain a constant understanding of market conditions, customer demand and new product opportunities under changing market conditions. By leveraging our market intelligence derived from our customer network and relationships, as well as our diverse product mix from China and Australia, we have established long-term strategic relationships with customers with large purchase, good credit histories and reputation. Through our strategy to increase long-term contract and direct supply to end-users, the sales for long-term contract clients in our headquarters base accounted for approximately 74% in 2020, and the sales for direct-supply clients in headquarter base accounted for more than 85% in 2020. We evaluate our key customers annually. We assign sales staff to visit our key customers regularly, monitoring the performance of the strategic agreements we have entered into with our key customers and collecting our customers’ feedback on demand for different types of coal products, through which we are able to adjust our production and processing plan. Further, we have established effective sales and marketing strategy. In addition, we have actively participated in “coal and steel exchange trade” since 2015. We believe we will be able to take advantage of our diverse coal product offerings to continue building our business and developing relationships with existing and new customers.

We have comprehensive cost control mechanisms across our business platform and asset portfolio.

We focus on cost management and operational efficiency as a strategic priority. We have established comprehensive cost control mechanisms across our business platform and assets portfolio costs were reviewed regularly and early warnings were given if needed, through which our operation quality and cost control is well coordinated. We have implemented transformative strategic initiatives to reduce costs and optimize efficiency across all of our operations since 2016. Through our ongoing review of operating plans, we have streamlined our operations and systems, including selectively reducing the number of work surfaces, underground tunnel lengths and equipment fleet size (the “**Three Reduction**”) to optimize efficiency, improve quality and reduce costs (the “**Three Optimization**”) at our mines while maintaining production levels. We have also maximized the use of our idle equipment and machinery inventory and optimized our procurement strategies to realize cost savings. For example, we have centralized our purchases and replaced our tendering system to select suppliers with a view to establishing long term strategic partnerships with suppliers, which can provide us with economies of scale, increased bargaining power and more flexibility to reduce redundant costs. In addition, we have been optimizing the overall budget management by continuously carrying out benchmarking program to record the rate of material consumption, equipment energy consumption and equipment utilization and idle rate, which aims to promote the application of green and energy saving technologies. To maximize expenditure reduction and cost control, we strengthened procurement management by setting up centralized, transparent and public bidding procurement system. With the help of big data technology, we formed an integrated, informationised and standardized resource management with improved operational efficiency. We also established integrated accounting platform to share financial resources. As a result, we reduced expenditure and improved efficiency of our business. In Australia, we have improved our internal control system and adopted a flat management structure to optimize the efficiency. We have also focused on cost reduction initiatives (where applicable) across all of our mines in Australia.

Our gross margin for our coal business segment decreased from 37.3% in 2019 to 26.4% in 2020. Compared to that in 2019, gross margin for our power generation business increased in 2020. From 2019 to 2020, the cost of sales of self-produced coal has decreased from RMB271 per tonne to RMB264 per tonne, while the cost of sales of traded coal has decreased from RMB619 per tonne to RMB610.5 per tonne.

We have a prudent financial policy and risk control system.

We have established a prudent financial policy and risk control system to maintain sufficient liquidity and reasonable gearing at reduced costs. Our financial policy requires us to consider our actual financial capabilities before adopting any investment strategy. Our Board regularly reviews our capital structure and the annual budget and makes adjustment based on the evaluation of capital costs. Under our prudent financial structure, we continually optimize our debt structure to maintain capital liquidity. As of December 31, 2020, the total bank credit limit of the Company was RMB169.38 billion, of which RMB93.15 billion remained unused. As of December 31, 2020, the total borrowings of the Company was approximately RMB92.26 billion, of which approximately 34% was due within one year, 16.2% was due between one to two years, 42.3% was due between two to five years and 7.6% was due after five years, and 32.7% was unsecured debt, 32.0% was secured debt, and 35.4% was bonds payable. We maintain long-term cooperative relationships with our lending banks such as Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of Communications, China Development Bank and The Export-Import Bank of China, among others. In 2019, we issued three short-term commercial papers, raising RMB8 billion; in 2020, we issued three short term commercial papers, raising RMB5.5 billion, five onshore corporate bonds, raising RMB10 billion and one offshore bond, raising US\$500 million; in 2021, as of September 30, we issued three short term commercial papers, raising RMB7 billion, and two corporate bonds, raising RMB4 billion, three renewable corporate bonds (which are equity fundings), raising RMB6 billion and one medium term note, raising RMB2 billion. We aim to maintain a healthy level of indebtedness, and consistently evaluate strategies to reduce our funding costs. We also aim to optimize our credit and debt maturity profile by seeking opportunities to replace short-term borrowings with long-term borrowings. In addition, we have diversified and will continue to diversify our funding channels to include equity and hybrid funding. With the combination of medium term notes, corporate bonds and super-short-term

bonds, the average cost of funds in the PRC for such debt remains low. For the years ended December 31, 2018, 2019 and 2020 and for the nine months ended September 30, 2021, our onshore financing interest rate (weighted average interest rate) of super and short-term commercial paper was approximately 4.90%, 3.23%, 2.15% and 3.03%, respectively, with an aggregate issuance size of RMB7.5 billion, RMB8.0 billion, RMB5.5 billion and RMB7.0 billion. We have also issued medium term notes in 2018 and 2021 (up to September 30, 2021) with an aggregate issuance size of RMB4.5 billion and RMB2.0 billion, respectively, and a weighted average interest rate of 4.56% and 3.80%, respectively. In addition, for the year ended December 31, 2018, 2020 and for the nine months ended September 30, 2021, we have issued corporate bonds with an aggregate issuance size of RMB5 billion, RMB10 billion and RMB4 billion, respectively, and a weighted average interest rate of 6.00%, 3.88% and 3.84%, respectively. Further, we have a global cash management system and strict guidelines to manage our operating capital and cash on hand in order to ensure sufficient cash flows.

Moreover, we maintain a disciplined credit policy in respect of our customers and commercial banks to strictly comply with credibility ratio requirement. We regularly evaluate and classify our customers into four categories each with different credit periods to assess and manage counterparty risks. New customers and medium- and small-sized customers are typically required to make pre-payment for their orders with us. We also implement strict measures to ensure collection of our trade receivables.

A number of members of our Group are listed on major stock exchanges. Accordingly, we have established advanced and robust internal control systems to ensure our continuous compliance with the requirements from the applicable stock exchanges and regulatory authorities in the PRC, Hong Kong and the U.S.

Considering our overseas operations, we also regularly evaluate and monitor our foreign exchange risks.

We have industry-leading research and development capabilities.

We maintain our competitiveness, increase the efficiency of our mining operations and reduce costs through technology and innovation. In line with our development strategy with a focus on technology innovation, we have established a multi-layer development system consisting of various entities, including technology and professional committees and technology centers, as well as cooperation with external research institutions and organizations with specialized technology-development capabilities. In August 2018, the “Shandong Research Centre for Ecological Mine Projects” was established with us as the first provincial research platform of the center, with the aim of carrying out research on coal green mining technology, key process tests and the R&D and manufacturing of major equipment development.

Our research and development cost were approximately RMB265 million and RMB509 million for the years ended December 31, 2019 and 2020, respectively. We had 2,596 research and development personnel in 2020 which contributed to our research and development capabilities. In addition, we have accumulated extensive experience and expertise in coal mining and coal processing, particularly with respect to underground raw coal mining technology. For example, we have patented our independently developed technology for longwall top caving mining in the PRC, Australia and South Africa and received the First Prize in the National Scientific Innovation Award in 1992 and the State Scientific and Technological Progress Award (Second Place) by the National Office for Science and Technology Awards of the PRC in 2009. We also developed the world’s first horseshoe-shaped overall freezing scheme and overcame major technical problems such as water leakage in inner shaft wall with large thickness and created two world records. As of December 31, 2020, we were awarded 27 China Coal Industry Science and Technology Awards, one Huaihai Science and Technology Award, and two Shaanxi Science and Technology Award of Petrochem achievement, among others. We were also awarded Outstanding Unit for the 40th Anniversary of Quality Management Promotion, and Asia Outstanding quality Award in 2020.

We completed various scientific and technological achievements which have optimized our business operations. For example, with the implementation of our on-going big data project and digital management and control, we launched all-round digital transformation and set up data shared and

covered system for our core business; aiming to a green and low carbon recycling growth, we promoted our key technology on civil coal-fired clean heating process to international standards, and we also sped up the construction of an ecological rehabilitation model project in the subsidence area. As a result of such achievements in our research and development activities, in 2020, we made 283 patent applications, 96 of which were related to invention, 184 of which were related to utility model and 3 of which related to design and appearance. We also obtained 187 patents, 16 of which were related to invention and 171 of which were related to utility model. With a team of 2,596 scientific researchers dedicated to the research and development projects, we have completed 86 research and development projects, among which 36 passed the technical appraisal and 23 reached an international advance level. Overall, these projects also led to 30 provincial and ministerial science and technology awards. These technology improvements have enhanced our coal mining and related business operations. Leveraging our technical and technological expertise, we were able to optimize mining operations quickly in 2020 while preserving production levels across our Group. We believe our achievements in, and capabilities with respect to, research and development, will enable us to continue increasing our production efficiency and utilization rates of our coal resources, while reducing our operating costs.

We have a sound safety control and environmental production system.

We highly value the importance of building a solid safety control system. Our safety control program combines close supervision and routine inspection of mining conditions with continual implementation of safety features and procedures at coal mines. In our PRC operations, each of the coal mines has a safety inspection unit which is responsible for the supervision and inspection of mining activities. We reward employees who report unsafe mining conditions to encourage accident prevention, and compensate officers and managers of each division based on the division's safety record. As a result of our safety control program, we have been able to maintain a zero fatality rate in our PRC operations since 2007, which is outstanding in the industry both within China and around the world. We have been continuously reviewing and evaluating our safety control and performance in Australia.

In addition, we pursue a thorough environmental production system. We adopt a series of measures to increase our environmental standards, including environmental remediation and several clean-up measures. In our PRC operations, we are subject to strict PRC environmental protection laws and regulations, which charge fees for the discharge of waste substances, and impose fines for serious pollution. Under PRC regulations, government agencies are authorized 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 damages. In addition, our operation in Australia is in compliance with relevant Australian environmental laws and regulations. Simultaneously, we largely save energy and reduce consumables, meeting standards on pollutants discharge. We further reduce greenhouse gases emission and comply with limits on discharge of mine water, dusts, SO₂ and on utilization of solid wastes. We reclaim wastes and realize environmental-friendly waste treatment, satisfying all relevant requirements made by local environmental authorities.

We have a strong and experienced management team with a proven track record.

Our senior management team has extensive industry knowledge and management experience. LI Wei, Chairman of our Company has over 30 years of experience in the coal mining industry, and has been instrumental to our achievements and development to date. Other members of our senior management team provide strong strategic direction and leadership for our Company, which we believe will sustain our success and position us for continued growth. A majority of our senior management team have over 30 years of experience in the coal mining, coal processing and engineering industries and general business management. Thanks to our experienced management team, we were awarded the "Gold Round Table Award for the Best Board of Directors among China Listed Companies" and in 2020 we received the Tianma Awards of Best Board of Directors of Chinese main board listing companies in term of investors relationship. Our day-to-day operations are managed by a capable team with significant operational experience and management capacity. We have a strong on-the-ground management team at Yancoal Australia, which has enabled us to grow our Australian operations. We believe the experience of our management team makes us well-positioned to compete in the global coal industry.

We have strong support from the PRC government.

We were established by Yankuang Group (currently known as Shandong Energy Group), which was then a wholly owned subsidiary of SASAC of the Shandong Provincial Government, upon approval by the Ministry of Coal Industry in 1997. Since then, the majority of our directors and senior management have maintained close professional relationships with the PRC government decision-makers, regulatory authorities and industry experts. The majority of directors and officers of Shandong Energy Group are jointly appointed by the Organization Department of the Communist Party of China and SASAC of the Shandong Provincial Government.

As a major state-owned enterprise in Shandong Province, we have received and benefited from various forms of government support. We have received government support for our domestic operations and foreign expansion, including financing arrangements at reduced costs, preferential tax and foreign exchange treatment and governmental subsidies for our foreign investment projects. In addition, we are able to enjoy the benefit of local government's "green channel" through which the governmental approval process for our investment projects can be shortened and the debt financing cost can be reduced. These measures have enabled us to rapidly grow and to maintain our competitiveness, while reducing our investment and acquisition costs, which enables us to increase our profits.

As a result of our strong domestic performance, the PRC government has also encouraged and supported our overseas development through its "Go Out" policy, which has facilitated our overseas expansion and acquisitions. We expanded to Australia through the establishment of Yancoal Australia in 2004, the acquisition of Felix (which subsequently changed its name to Yancoal Resources) in 2009, the merger with Gloucester in 2012 and the acquisition of C&A in 2017. We are prioritized when selecting coal projects in Australia. In addition, we are encouraged to go aboard and are active in the overseas equity markets. In 1998, our Company became listed in Hong Kong, New York (subsequently delisted in 2017) and Shanghai. In 2012, Yancoal Australia became listed in Australia and completed its dual primary listing in Hong Kong in 2018.

However, the PRC Government and the Shandong Provincial Government as the controlling shareholder of the Company only have limited liability in the form of their equity contribution in the Company. As such, neither the PRC Government nor the Shandong Provincial Government has any payment obligations under the Bonds or the Guarantee. The Bonds and the Guarantee are solely to be repaid by the Issuer or the Company, each as an obligor under the relevant transaction documents and as an independent legal person.

OUR BUSINESS STRATEGIES

Our long-term objective is to maintain our leading position in the PRC and global coal industry and diversify our operations to sustain our growth. The principal components of our strategies are to:

Optimize industry layout and improve the operation quality.

Mining is at the core of our business. Capitalizing on our advantages in our core business, we expanded our businesses to cover upstream and downstream of the industry, including process and trading of coal and non-ferrous metals, high-end chemical industry, and logistics and engineering technology services. We will transform and upgrade the traditional growth drivers like coal, chemical electricity and equipment manufacturing to build a real industry system with more rational layout, clearer business and more efficient operation.

Innovate and create a diversified international mining company.

Centered around the coal industry, through organic growth and acquisitions, we have become one of the largest coal producers in China and Australia, with growing coal mining operations. We plan to actively expand into non-ferrous metals to hedge cyclical industry risks and create a diversified international mining company. To that end, we have established Xinyinlian in the second half of 2018, which is mainly engaged in international trade of bulk commodities in Singapore, including, among other things, non-ferrous metals. Where possible and subject to Yancoal Australia Board approval, we

will further expand the capacity of key mines in the Australia base and optimize its allocation of human resources, strictly control the operation cost, and improve its operation quality and economic benefits. In particular, we will continue to focus on exploration and expansion works across the tier-one assets of MTW, HVO, and Moolarben.

Strengthen the supporting function of logistics and trade business.

Our products are usually transported in bulky and heavy cargoes. Naturally, logistics has been a strong support to our business. We plan to accelerate the construction of a specialized, regionalized and coordinated logistics and trade industrial system that will be developed in accordance with risk control principles, focusing on the strategy of “big trade and big logistics”, lean operations, scale expansion and efficiency improvement. To that end, we have established Intelligent Logistics Company in the second half of 2018, focusing on bonded warehousing, warehousing transportation, coal wholesale business, supply chain management and coal supply chain consulting services. Also, in the first half of 2020, we divested two non-coal trading companies so as to improve our operational risk control.

Reduce cost and improve the inherent quality of economic operation.

To respond to changes in market conditions, regulations and policies, we plan to realign our strategic focuses from scale and expansion to quality and efficiency while continuing to achieve organic growth. We will strive to remain benefit-orientated, strengthen the research and judgment of coal market with the help of big data and marketing. In addition, we will leverage tools and implement smart marketing to achieve effective marketing and value-added services. Benefiting from our continuous efforts in our “Three-reductions and Three-enhancements” policy, which aims to reduce our costs per unit through streamlining of operations and systems, enhancing production volume and yield, optimizing our mine design and equipment use, and realigning our labor force, we plan to promote such policy to the whole industry, the whole procedures and the whole direction. We will deeply excavate the potential and expand the scope of our expense control, cost cutting and benefit increase. Furthermore, we plan to implement comprehensive budget strictly, intensify the closed-loop management of all projects and raise the fund use value at our operations.

Strengthen and optimize our financial investments function.

We aim to follow the principle of “financial services for businesses; business support financial services” to innovate new models of business and financial services integration to construct a multi-layered, multi- purpose and multi-licensed financial services model. We aim to optimise and enhance the Beijing, Shanghai Shenzhen and Qingdao integration in the “four cities one entity” (四位一體) layout and to expand financing channels and ensure that the capital demands of our Group is met.

Deepen lean management to further control costs and increase efficiency.

We aim to strengthen lean management of costs through whole life cycle management and extending cost control from production to investment, procurement and other areas. We aim to improve efficiency of our inventory through strengthening the management of the transfer and use of materials, conducting regular warehouse checks, making better use of the stored goods, repairing old equipment, utilizing recyclable wastes and liquidating unused assets.

Optimize product structure, improve quality of product offerings.

We aim to persist on “winning with clean coal” by refining our product offering. We actively explore new ways for clean and efficient use of coal and to promote the transition to using high quality fuel. We also aim to offer product customization to our customers by organizing production that deliver products under prescribed timeframe with designated coal mines and types so as to cater to different customers’ needs. We seek to optimize the market layout by fostering sales to areas with higher market prices and lower logistics costs, and therefore increase our profit margin.

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

	For the year ended December 31				For the six months ended June 30			
	2019		2020		2020		2021	
	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)	Sales volume (^{'000} tonnes)	Sales income ⁽¹⁾ (RMB in millions)
The Company	31,082	19,437	31,222	16,381	15,847	8,332	10,571	7,355
No. 1 clean coal	1,122	1,051	783	589	413	321	389	348
No. 2 clean coal	9,469	8,205	9,119	6,437	4,375	3,068	3,518	3,355
No. 3 clean coal	3,129	1,904	3,327	1,860	1,809	972	1,539	1,255
Lump coal	2,112	1,527	2,161	1,303	1,271	744	8	7
Sub-total of clean coal . .	15,832	12,687	15,390	10,189	7,869	5,106	5,454	4,964
Screened raw coal	15,250	6,750	15,832	6,192	7,978	3,226	5,116	2,391
Heze Neng Hua	2,385	2,409	3,093	2,690	1,588	1,395	777	915
No. 2 clean coal	2,080	2,297	2,638	2,517	1,355	1,314	777	915
Screened raw coal	305	112	455	174	233	81	—	—
Shanxi Neng Hua	1,681	542	1,661	469	734	206	627	244
Screened raw coal	1,681	542	1,661	469	734	206	627	244
Future Energy	—	—	1,312	562	—	—	6,538	3,491
No. 3 clean coal	—	—	184	81	—	—	1,079	597
Lump coal	—	—	321	146	—	—	2,074	1,134
Screened raw coal	—	—	807	335	—	—	3,385	1,760
Ordos Neng Hua	11,546	2,957	13,131	3,411	6,164	1,407	4,443	1,812
Screened raw coal	11,546	2,957	13,131	3,411	6,164	1,407	4,443	1,812
Haosheng Company	3,849	1,157	8,124	2,422	3,481	971	1,910	935
Screened raw coal	3,849	1,157	8,124	2,422	3,481	971	1,910	935
Inner Mongolia Mining . .	—	—	—	—	—	—	537	202
Screened raw coal	—	—	—	—	—	—	537	202
Yancoal Australia	35,518	19,495	37,275	15,420	17,748	8,249	17,100	8,047
Semi-hard coking coal . .	183	155	205	140	85	64	60	38
Semi-soft coking coal . . .	2,780	2,289	1,610	990	729	492	1,335	768
PCI coal	2,386	2,016	2,303	1,413	1,051	739	1,270	792
Thermal coal	30,169	15,035	33,157	12,877	15,883	6,954	14,435	6,449
Yancoal International . . .	5,534	2,083	5,253	1,856	2,663	958	2,389	992
Thermal coal	5,534	2,083	5,253	1,856	2,663	958	2,389	992
Traded coal	24,524	15,698	35,177	22,208	19,396	11,980	6,021	6,962
Total	116,119	63,778	136,248	65,420	67,620	33,497	50,914	30,954

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

Our coal sales price was RMB549.24 per tonne, RMB480.15 per tonne, RMB495.38 per tonne and RMB607.97 per tonne, respectively, in 2019, 2020 and the first half of 2020 and 2021. The Group's coal products are mainly sold in markets such as China, Japan, South Korea, Singapore, and Australia.

Saleable Coal Production

The following table sets out the saleable coal production volume of our Group for the periods specified:

	For the Year Ended December 31		For the six months ended June 30	
	2019	2020	2020	2021
	('000 tonnes)			
The Company	31,172	30,659	15,731	12,013
Heze Neng Hua	2,725	3,282	1,596	1,181
Shanxi Neng Hua	1,717	1,612	750	631
Future Energy	—	1,532	—	8,456
Ordos Neng Hua	13,784	15,821	7,441	6,418
Haosheng Company	3,907	8,241	3,477	1,748
Inner Mongolia Mining	—	—	—	519
Yancoal Australia	35,517	37,776	18,428	17,512
Yancoal International	5,647	5,118	2,686	2,492
Total	94,469	104,041	50,109	50,970

For the years ended December 31, 2019 and 2020, the saleable coal production volume of our Group was approximately 94.47 million tonnes and 104.04 million tonnes, respectively.

Coal Resources/Reserves

The following table sets out the coal reserves of our Group as of December 31, 2020.

Major coal mine	Location	Coal Type	In-situ Coal reserve ⁽¹⁾	Recoverable reserve ⁽¹⁾
			(million tonnes)	
Coal mines belonging to the Company	Jining, Shandong Province, China	Thermal coal	722	269
Coal mines belonging to Heze Neng Hua	Heze, Shandong Province, China	1/3 coking coal	90	25
Coal mines belonging to Shanxi Neng Hua	Heshun, Shanxi Province, China	Thermal coal	26	12
Coal mines belonging to Future Energy	Yulin, Shannxi Province, China	Thermal coal	972	323
Coal mines belonging to Ordos Neng Hua ⁽²⁾	Ordos, Inner Mongolia, China	Thermal coal	315	198
Coal mines belonging to Haosheng Company	Ordos, Inner Mongolia, China	Thermal coal	730	509
Coal mines belonging to Inner Mongolia Mining ⁽³⁾	Dongsheng District and Jungar Banner, Inner Mongolia, China	Thermal coal	/	/
Subtotal of coal reserves of coal mines in China	—	—	2,855	1,336
Coal mines belonging to Yancoal Australia	Queensland and New South Wales, Australia	PCI, thermal coal, Semisoft coking coal, Semi-hard coking coal	9,548	1,680
Coal mines belonging to Yancoal International	Queensland and West Australia, Australia	PCI, thermal coal	1,642	209
Subtotal of coal reserves of overseas coal mines ⁽⁴⁾	—	—	11,190	1,830
Total	—	—	14,045	3,166

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

Their In-situ Resources and Recoverable Reserves of coal are estimated in accordance with 100% equity and JORC Code as of December 31, 2020, in which, In-situ Resources and Recoverable Reserves from China domestic coal mines are based upon the competent person's report prepared by John T. Boyd Company in March 2021 and overseas In-situ Resources and Recoverable Reserves are based on the report prepared by competent persons appointed by overseas subsidiary.

- (2) In accordance with China National Standards GB/T 1776-2020 Solid Mineral Resources/Reserves Classification, as of December 31, 2020, the retained resource reserves, probable reserves and proved reserves of Yingpanhao Coal Mine of Ordos Neng Hua was about 2.258 billion tonnes, 324 million tonnes, and 998 million tonnes, respectively. And the resources/reserves assessment has not been made due to the ongoing approval procedures through administrative authorities.
- (3) Inner Mongolia Mining holds the exploration rights of coal fields of Liusan Ge Dan and Galutu. Due to the ongoing exploration, there is no reserve data at present.
- (4) The Group did not make assessment on the resources/reserves of the coal mines of Yancoal Australia and Yancoal International in accordance with China National Standard of Resource Reserve.

The total recoverable coal reserves of our Group within PRC, not taking into account those of Yingpanhao Coal Mine of Ordos Neng Hua, is 1,336 million tonnes as of December 31, 2020. The total recoverable coal reserves in Australia is 1,830 million tonnes as of December 31, 2020.

The following table further sets out the coal reserves of subordinate coal mines of Yancoal Australia as of and for the year ended December 31, 2020:

	Total Recoverable Coal Reserves	Total Marketable Coal Reserves
	(million tonnes)	
Moolarben (OC) ⁽¹⁾	184	149
Moolarben (UG) ⁽¹⁾	51	52
Mount Thorley (OC)	18	13
Warkworth (OC)	256	175
HVO (OC)	880	640
Yarrabee (OC)	46	37
Gloucester (OC) ⁽²⁾	17	10
Middlemount (OC) ⁽³⁾	78	60
Austar (UG) ⁽⁴⁾⁽⁵⁾	0	0
Ashton (AWOC) ⁽⁴⁾	17	9
Ashton (UG) ⁽⁴⁾	22	11
Donaldson (UG) ⁽⁴⁾	110	62
Total Coal Reserves	1679	1216

- (1) Attributable figure used for Moolarben is 85% up to and including December 31, 2020, and 95% after that date.
- (2) Gloucester comprises the Stratford, Duralie and Grant & Chainey deposits.
- (3) The project has two product types for Marketable Coal Reserves each with a different Moisture basis, Coking at 10.5%, PCI at 9% and Ash% of 10% for Coking & 11% for PCI.
- (4) On February 17, 2016, Yancoal Australia announced a new financing arrangement. It secured US\$775 million in debt-funding via the issuing of nine-year secured debt bonds by a newly established Yancoal Australia subsidiary, Watagan Mining Company Pty Ltd ("Watagan"), to Industrial Bank Co. Ltd, BOCI Financial Products Limited and United NSW Energy Limited. Under the arrangement, Yancoal Australia's interests in the assets of Ashton, Austar and Donaldson were transferred to and held by Watagan. On December 16, 2020, Yancoal announced that a commercial arrangement had been entered into between Yankuang Group (currently known as Shandong Energy Group), its wholly owned subsidiary Yankuang Group (Hong Kong) Limited and the other two holders of the bonds issued by Watagan, which resulted in Yancoal regaining accounting control of Watagan on that date.
- (5) The Austar mine suspended production on March 31, 2021 and transitioned to care and maintenance operations. On March 1, 2021, an announcement was made to transition Austar to closure activities.

The following table further sets out the production volume of subordinate coal mines of Yancoal Australia for the year ended December 31, 2019 and 2020 and for the six months ended June 30, 2020 and 2021:

	Production Volume (ROM)⁽¹⁾				Production Volume of saleable coal			
	for the year ended		for the six months		for the year ended		for the six months	
	December 31		ended June 30		December 31		ended June 30	
	2019	2020	2020	2021	2019	2020	2020	2021
	ROM production				Saleable production			
	(million tonnes)							
Moolarben	20.5	21.7	11.1	10.1	17.8	10.2	9.2	
Mount Thorley Warkworth . . .	17.6	17.6	8.2	7.4	12.1	5.3	5.0	
HVO	19.2	16.9	8.4	6.4	13.7	6.3	5.1	
Yarrabee	3.4	3.3	1.4	1.1	2.8	1.5	1.2	
Stratford Duralie	1.2	1.0	0.4	0.5	0.8	0.2	0.3	
Middlemount	3.4	4.0	1.7	2.5	2.7	1.2	1.8	
Watagan	3.7	3.6	1.7	1.3	2.2	0.9	0.6	
Total — 100% basis	69.0	68.1	32.9	29.3	52.1	25.6	23.2	

(1) ROM (Run of Mine) coal production, reported on a 100% basis and subject to certain limitations and qualifications set forth in the separate Competent Person's Report in accordance with the JORC Code prepared for Yancoal Australia.

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 into 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 out the Group's coal sales income by industries for the year ended December 31, 2019 and 2020. For the purposes of the table below, the figures of sales income include inter-segment sales.

	For the year ended December 31			
	2019		2020	
	Sales income⁽¹⁾	% of sales income	Sales income⁽¹⁾	% of sales income
	(RMB in millions)		(RMB in millions)	
Power	23,562	36.9	19,810	30.3
Metallurgy	6,696	10.5	5,694	8.7
Chemicals	6,802	10.7	7,702	11.8
Trade	26,407	41.4	30,848	47.2
Others	311	0.5	1,365	2.1
Total	63,778	100.0	65,420	100.0

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

Our coal products are mainly sold in markets including China, Japan, South Korea, Singapore, Australia. 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.

	For the year ended December 31			
	2019		2020	
	Sales income⁽¹⁾	% of sales income	Sales income⁽¹⁾	% of sales income
	(RMB in millions)		(RMB in millions)	
China	46,117	72.3	50,774	77.6
Eastern China	25,344	39.7	28,432	43.5
Southern China	9,598	15.0	6,541	10.0
Northern China	7,321	11.5	9,448	14.4
Northwest China	2,041	3.2	3,255	5.0
Other regions in China	1,813	2.8	3,098	4.7
Japan	6,157	9.7	4,041	6.2
South Korea	2,692	4.2	2,045	3.1
Singapore	1,840	2.9	2,825	4.3
Australia	2,554	4.0	2,882	4.4
Others	4,418	6.9	2,853	4.4
Total	63,778	100.0	65,420	100.0

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

The majority of our sales income of coal are made in the PRC. For the years ended December 31, 2019 and 2020, we generated 72.3% and 77.6%, respectively, of our sales income from the PRC. 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 39.7% and 43.5% for the years ended December 31, 2019 and 2020, respectively. In terms of sales volume, for the year ended December 31, 2020, sales to Eastern China represented 43.5% of total sales, while sales to Southern China, Northern China, Northwest China and other regions in China represented 10.0%, 14.4%, 5.0% and 4.7% of total sales, respectively.

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. For the years ended December 31, 2019 and 2020, we sold externally purchased coal ("traded coal") of approximately 24.5 million tonnes and 35.2 million tonnes, respectively. For the years ended December 31, 2019 and 2020, the sales income of traded coal were approximately RMB15.70 billion and RMB22.21 billion, respectively, and the costs of sales of traded coal were RMB15.18 billion and RMB21.47 billion, respectively. We also established Shandong Coal Trading Centre Company Limited and Shandong Yanmei Rizhao Port Coal Storage and Blending Co., Ltd. in 2012 and 2013 respectively to facilitate trade and logistics of our products.

Customers

For the years ended December 31, 2019 and 2020, our top five customers accounted for 14.0% and 8.5% of our revenue, respectively, and sales to our largest customer accounted for 3.4% and 2.7%, respectively.

Leveraging the high quality of our products and the strength of our brand, we have established long-term relationships with our customers. We endeavor 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. Our customer base includes certain renowned state-owned steel players, big power and utilities enterprises and international metals and mining companies. To maintain our 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 60 days. We evaluate the creditworthiness of any potential new customer before entering into a sales contract with it 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 depends 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 to a less extent, 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 marine transportation.

We also ship coal on the national railway system through Yanzhou-Shijiusuo Railway and Tianjin-Shanghai Railway. Rizhao Port is also 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 Wenyu Coal Mine to Hebei and the surrounding areas. In Inner Mongolia Autonomous Region, we transport coals to the surrounding users by truck, or to users in west Inner Mongolia, east Ningxia, coastal ports, North China, East China, central China, Southwest China and other regions through Dongsheng-Wuhai Railway, Baotou-Xianzhangqiao Railway, Huaidong Railway, and Haoji Railway.

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 various ports in NSW and Queensland in Australia at our cost using third parties' railway networks. Premier Coal Mine in Australia has entered into a long-term supply contract with the Electricity Generation and Retail Corporation (trading as

Synergy) which is owned by the WA government. The coal from Premier Coal Mine is transported to the power stations via overland conveyor, and to other customers via rail and road transport modes. The coal from the mines located in eastern Australia is transported to Newcastle Port, Gladstone Port and other ports through railways of third parties. These coal products are then exported across the Asia Pacific region by sea. Our port and rail capacity in Australia is generally contracted via long-term take-or-pay arrangements. We will generally be required to pay for our contracted rail or port tonnage irrespective of whether it is utilized. As of June 30, 2021, Yancoal Australia owns a 27.0% interest in NCIG, a joint venture responsible for constructing and operating the third export terminal at Newcastle Port, and has an annual port capacity allocation of approximately 19.6 million tonnes on a 100% basis through NCIG's facility. As of June 30, 2021, Yancoal Australia owns a 30.0% interest in PWCS and has an annual port capacity allocation of approximately 35.1 million tonnes on a 100% basis through acquisition of C&A in 2017. As of June 30, 2021, Yancoal Australia is one of four equal owners of WICET (Wiggins Island Coal Export Terminal), and has been allocated 1.5 million tonnes of annual port capacity on a 100% basis.

Coal Mines and Coal Production Facilities

We operate substantially all of our mines either directly or through our subsidiaries and we have contracted the mining operations at Wenyu Coal Mines to third party contractors. Please see below for a description of our major coal mines operated by the Group.

Coal Mines Operated by the Company

The Company operates Nantun, Xinglongzhuang, Bodian, Dongtan, Jining II, Jining III, and Yangcun coal mines. Nantun, Xinglongzhuang, Baodian, Dongtan, Jining II, Jining III 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.

Nantun Coal Mine

Nantun is located in the southern portion of our coalfield. 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.

We primarily use the fully mechanized or comprehensive sublevel caving mining method to extract coal. Nantun produced coal from two 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. Xinglongzhuang began commercial production in 1981 with an approved annual raw coal production capacity of 6.5 million tonnes. The main coal seam of Xinglongzhuang is concentrated in one leaf with an average thickness of 8.3 meters.

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. 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. Baodian began commercial production in 1986 with an approved annual raw coal production capacity of 6.0 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.

We primarily use the fully mechanized sublevel caving method to extract coal. At this coal mine, we maintained two work faces. 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. 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.

We primarily use the fully mechanized sublevel caving method to extract coal. At this coal mine, we maintained two work faces. 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

We acquired Jining II Coal Mine in 1998. Jining II is located in the northern portion of the Jining coalfield. 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.

We primarily use the fully mechanized sublevel caving method to extract coal. At this coal mine, we produced coal from two work faces. 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

We acquired Jining III Coal Mine in 2001. Jining III is located in the southern portion of the Jining coalfield and covers an area of 105.1 square kilometres. Jining III has an approved annual raw coal production capacity of 6.5 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.

We primarily use the fully mechanized sublevel caving method to extract coal from three work faces in Jining III Coal Mine. 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.

Yangcun Coal Mine

Yangcun Coal Mine is located in the north portion of our coalfield. 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 use 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. Yangcun Coal Mine has two work faces and primarily produces thermal coal. Yangcun Coal Mine does not have any coal preparation plant.

Coal Mines operated by Shanxi Neng Hua and Heze Neng Hua

Shanxi Neng Hua and Heze Neng Hua operate Tianchi and Zhaolou coal mines. We acquired Heze Neng Hua, the operator of Tianchi Coal Mine in 2006 and subsequently the mining rights of Zhaolou Coal Mine through Heze Neng Hua in 2008. In March 2016, Heze Neng Hua acquired the mining right of Wanfu Coal Mine from Yankuang Group (currently known as Shandong Energy Group). The Wanfu Coal Mine project is still under construction. For the years ended December 31, 2019 and 2020, raw coal production of the two coal mines operated by Shanxi Neng Hua and Heze Neng Hua amounted to 4.5 million tonnes and 4.9 million tonnes, respectively.

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

	<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 kilometres</i>)	18.7	143.4	162.1

(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.

Tianchi Coal Mine

Shanxi Neng Hua holds 81.3% shareholding interests in Tianchi Coal Mine. Tianchi Coal Mine is an underground mine located in Heshun County of Shanxi, with an area of approximately 18.7 square kilometres. 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. Tianchi Coal Mine uses an upright inclined shaft to carry out mechanised top-caving mining, the coal produced are of high quality with high heat value and low ash. The mine is conveniently located near the borders of Shanxi province, three kilometres away from the 207 national highway in the east, 16 kilometres from Yangshe railway meeting point in the north east, and three kilometres from the Zuoquan county Hanwang train station in the south.

We primarily use the high seam mechanization mining method to extract coal from one work face at Tianchi Coal Mine. 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 Tianchi Coal Mine to Hebei and surrounding areas on the Yangshe 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 kilometres, and is accessible by roadway and railway.

Zhaolou Coal Mine commenced commercial production in 2009 and has an approved annual raw coal production capacity of 3.9 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.

We primarily use the longwall caving mining method to extract coal from two work faces at Zhaolou Coal Mine. 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. Electricity generated from Zhaolou Coal Mine, after being applied internally, is sold to external parties. We ship coal products to Shandong and Hebei Provinces and surrounding areas by truck.

Coal Mines operated by Ordos Neng Hua

Our wholly owned subsidiary, Ordos Neng Hua acquired the mining rights of Zhuanlongwan Coal Mine through public bidding in 2011. Ordos Neng Hua also acquired the Anyuan Coal Mine in 2011, which was disposed of on April 2021. 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. Ordos Neng Hua operates Wenyu, Zhuanlongwan and Yingpanhao coal mines. For the years ended December 31, 2019 and 2020, raw coal production of the coal mines (including Anyuan coal mine which has been disposed of on April 2021 and is currently not operated by Ordos Neng Hua) operated by Ordos Neng Hua amounted to 13.8 million tonnes and 15.8 million tonnes, respectively.

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

	<u>Wenyu</u>	<u>Zhuanlongwan</u>	<u>Total</u>
Background data:			
Commencement of construction	1996	2012	N/A
Commencement of commercial production	1997	2016	N/A
Coalfield area (<i>square kilometres</i>)	9.4	43.5	62.2

Wenyu Coal Mine

Wenyu Coal Mine is located in Ordos City in Inner Mongolia Autonomous Region, and covers an area of approximately 9.4 square kilometres.

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 extract coal from two work faces at Wenyu Coal Mine. In Wenyu Coal Mine, we usually adopt full-mechanized and full-seam mining method. Wenyu Coal Mine has a simplified coal separation system. Wenyu Coal Mine is located in close proximity to Baofu road, Wenyu Coal Mine and railway transportation.

Zhuanlongwan Coal Mine

Zhuanlongwan Coal Mine is located in Yijinhualuoqi of Ordos City in Inner Mongolia Autonomous Region, and covers an area of approximately 43.5 square kilometres. The annual raw coal production capacity of Zhuanlongwan Coal Mine is 5.0 million tonnes.

Yingpanhao Project

On April 16, 2010, Ordos Neng Hua acquired the entire equity interest in Inner Mongolia Rongxin Chemical Co., Ltd., Inner Mongolia Daxin Industrial Gas Co., Ltd. and Inner Mongolia Yize Mining Investment Co., Ltd. from Kingboard Chemical Holdings Limited at a consideration of approximately RMB190.0 million and obtained a 600,000-tonnes methanol project following these acquisitions. Yingpanhao project is the auxiliary coal mine of the methanol project. Yingpanhao Coal Mine commenced operation in the second half of 2017. As considered and approved at the twenty-seventh meeting of the seventh session of the Board dated August 30, 2019, we increased capital contribution to the registered capital of Ordos Neng Hua in cash in an amount of RMB2.7 billion, which Ordos Neng Hua used to increase its capital contribution to the registered capital of Yingpanhao. After the completion of the capital increase, the registered capital of Ordos Neng Hua increased from RMB8.1 billion to RMB10.8 billion, and the registered capital of Yingpanhao increased from RMB0.3 billion to RMB3 billion.

Shilawusu Coal Mine operated by Haosheng Company

Through our subsidiary, Haosheng Company, we operate Shilawusu Coal Mine. From September 2010 to May 2012, the Company acquired 74.82% of the equity interest in Haosheng Company from independent third parties at a total consideration of approximately RMB7.14 billion and obtained the mining rights of Shilawusu Coal Mine through Haosheng Company. In November 4, 2019, the Company's shareholding in Haosheng Company decreased from 77.74% to 59.38% and the Company acquired 400 million tonnes of coal reserves in Shilawusu coal fields. Shilawusu Coal Mine has commenced operations since January 2017 and is currently fully operational. For the year ended December 31, 2019 and 2020, raw coal production volume of Shilawusu Coal Mine operated by Haosheng Company amounted to 3.9 million tonnes and 8.24 million tonnes, respectively.

Jinjitan Coal Mine Operated by Future Energy

We acquired approximately 49.32% equity interests and became the controlling shareholder of Future Energy in 2020, which operates Jinjitan Coal Mine. Jinjitan Coal Mine has commenced operations since 2014 and is currently fully functional. For the year ended 2020, raw coal production volume of Jinjitan Coal Mine operated by Future Energy amounted to 17.8 million tonnes.

Coal Mines Operated by Inner Mongolia Mining

We acquired 51% equity interests in Inner Mongolia Mining in 2020. Inner Mongolia Mining was incorporated in 2013 and primarily conducts capital investments and management of coal resources, and coal mining and washing. As of December 31, 2020, the recoverable reserve of the coal mines belonging to Inner Mongolia Mining amounted to 1,336 million tonnes. For the six months ended June 30, 2021, its sales volume of saleable coal amounted to 537 kilotonnes, with a revenue of RMB202 million. As of June 30, 2021, the registered capital of Inner Mongolia Mining was approximately RMB6.70 billion.

Other Coal Mine and Project

Wanfu Project

On March 29, 2016, we acquired the mining right of Wanfu Coal Mine through our subsidiary, Heze Neng Hua from Yankuang Group (currently known as Shandong Energy Group) at a consideration of approximately RMB1.25 billion.

Wanfu Coal Mine is located at the south point of Juye coal field in the southwest of Shandong Province, with a designed production capacity at 1.8 million tonnes per year. The centre of Wanfu Coal Mine is approximately 45 kilometres from Heze City, Shandong Province and 32 kilometres from Juye County, Heze City. As of the date of this Offering Memorandum, Wanfu project is still under construction.

Coal Mines operated by Yancoal Australia

Yancoal Australia has ownership interests in and operates nine mines in NSW and Queensland, namely Mount Thorley Warkworth, Stratford Duralie, Ashton, HVO, Donaldson, Austar, Moolarben, Yarrabee and Middlemount. In addition, Yancoal Australia manages two mines in Western Australia and Queensland, namely Premier and Cameby Downs. For the years ended December 31, 2019 and 2020, the saleable production volume of the coal mines owned by Yancoal Australia amounted to 52.1 million tonnes and 51.8 million tonnes, respectively.

Yancoal Australia's major acquisitions in the past include the acquisition of Yancoal Resources (formally Felix) in 2009 and the C&A Acquisition in 2017. We believe that the acquisitions further improved our asset base as there are limited opportunities to acquire high quality coal assets. These acquisitions strengthened Yancoal Australia's position as the Company's international platform.

HVO

HVO is a multi-pit open cut mine located 24 kilometres north-west of Singleton in the Hunter Valley Basin of NSW. HVO produces a mixture of thermal and semi-soft coking coal for export to international markets and produced approximately 13.6 million tonnes and 12.0 million tonnes of thermal and semi-soft coking product coal in 2019 and 2020, respectively.

We acquired our interest in HVO on September 1, 2017 as part of the C&A Acquisition, following which we owned 67.6% of HVO. On May 4, 2018, our ownership of HVO was subsequently reduced to 51.0%, and HVO is currently operated as a 51: 49 unincorporated joint venture with Glencore.

HVO uses dragline and truck and shovel/excavator methods, and is operational 24 hours a day, seven days a week. ROM coal is processed through two on-site coal preparation plants to produce low, medium and high ash thermal coals and a semi-soft coking coal for the export market. Product coal is loaded onto trains for transportation 99 kilometres through the Hunter Valley rail network to the Port of Newcastle where it is shipped to international customers.

MTW

MTW is an integrated operation of two open cut mines, Mount Thorley and Warkworth, located adjacent to each other 15 kilometres south-west of Singleton in the Hunter Valley of NSW. MTW produces a mixture of thermal coal and semi-soft coking coal for export to international markets and produced more than 12.0 million tonnes and 11.9 million tonnes of thermal and semi-soft coking product coal in 2019 and 2020, respectively.

Both Mount Thorley and Warkworth have been in operation since 1981. C&A became the manager of Mount Thorley in 1989 and purchased an interest in Warkworth in 2001. Under an operational integration agreement entered into in January 2004, the two mines were integrated and managed together to realise operational and mine planning efficiencies.

We acquired our interest in MTW on September 1, 2017 as part of the C&A Acquisition in which we acquired 100% equity interest in C&A, following which we began managing MTW and owned 80% of Mount Thorley and 55.6% of Warkworth. On March 7, 2018, we purchased an additional 28.9% of Warkworth from Mitsubishi Development Pty Ltd which increased our ownership of Warkworth to 84.5% and increased our share of coal production from the integrated MTW mine from 64.1% to 82.9%.

MTW uses a dragline and truck and shovel/excavator methods, and is operational 24 hours a day, seven days a week. ROM coal is processed through two on-site coal preparation plants to produce low, medium and high ash thermal coal and semi-soft coking coal for the export market. Product coal is loaded onto trains for transportation 80 kilometres through the Hunter Valley rail network to the Port of Newcastle where it is shipped to international customers.

As of the date of this Offering Memorandum, at MWT there is a coal resource that could potentially support an underground operation. An initial concept study was undertaken, but it remains subject to study and assessment.

Moolarben

The Moolarben Coal Complex is an open cut and underground coal asset located approximately 40 kilometres north of Mudgee in the Western Coalfields of NSW. Moolarben produces thermal coal for export to international markets and produced more than 17.8 million tonnes and 19.7 million tonnes of product thermal coal in 2019 and 2020, respectively.

Moolarben open cut mining areas commenced operations in 2010 and underground mining areas commenced operation in 2016. We committed to developing the Moolarben Stage Two expansion project in 2014 during the global coal market downturn. Now fully developed, mining operations at the Moolarben Coal Complex comprise a multi-pit open cut mine, a longwall underground mine, and mining related infrastructure (including coal processing and transport facilities). The integrated Moolarben Coal Complex has approval to produce up to 16 million tonnes ROM coal from the open cut mine and 8 million tonnes from the underground mine for a total of 24 million tonnes ROM coal per annum. Moolarben is now one of the top ten thermal coal mines in Australia by saleable production.

We have commenced the approval process to optimise the open cut mine and related infrastructure and increase the production limit of the open cut mine to 16 million tonnes ROM coal per annum. We expect to lodge the application documentation in the third quarter of 2022. While the timing of a decision will be determined by the Department of Planning, Industry and Environment and by the Independent Planning Commission, we expect that the application will be determined by the end of the first quarter of 2024.

We acquired 80% interest in Moolarben in December 2009 as part of our acquisition of Yancoal Resources (formerly Felix), an additional 1% joint venture interest in 2015 and a further 4% interest on November 30, 2018. After a further increase of 10% equity interest in 2020, we currently hold an 95% interest in Moolarben (through our joint venture with the Australian subsidiaries of a consortium of South Korean companies).

Moolarben utilizes conventional truck and excavator and bulk dozer push methods in its open-cut mining areas, and longwall operations in its underground mining areas. Moolarben is operational 24 hours a day, seven days a week. ROM coal from the open cut operation is processed through an on-site coal preparation plant while ROM coal from the underground operation is bypassed, in each case to produce thermal coals for the export market. Product coal is loaded onto trains for transportation 260 kilometres through the Hunter Valley rail network to the Port of Newcastle where it is shipped to international customers.

We are seeking approval from the NSW Department of Planning, Industry and Environment and Australia Federal Department of Agriculture, Water and the Environment to modify the current approvals in line with the State government approval described above. In September 2019, we received the Australian federal government's approval to increase open cut mine production. We continue to maximize improved extraction rates in both the open cut and underground mines, which includes working with external stakeholders to ease rail capacity constraints.

Stratford Duralie

In July 2012, Yancoal Australia completed the merger with Gloucester (which operated the Donaldson and Stratford and Duralie Coal Mines), shortly before which Yancoal became a listed company on the ASX.

Stratford is an open-cut mine located approximately 100 km north of Newcastle in the Gloucester Basin in New South Wales. Duralie is an open-cut mine located in the Southern part of the Gloucester Basin, 20 km south of the Stratford mine. The Duralie operation is integrated with the Stratford Operation through its use of the Stratford infrastructure and processing facilities. Stratford Duralie

produces high fluidity semi-hard coking and thermal coals for export to international markets and supplied approximately 0.8 million tonnes and 0.6 million tonnes of thermal and semi-soft coking coal in 2019 and 2020, respectively.

Stratford Duralie is 100% owned by us as a result of our merger with Gloucester Coal Ltd in June 2012 and has been managed by us since.

Stratford commenced operations in June 1995 and Duralie commenced mining operations in 2003. Stratford ceased coal production in July 2014 and recommenced operations in May 2018 under the Stratford extension project, which was approved in June 2015. This allows for the efficient extraction of additional coal resources within an existing mine and ensures the continuation of Stratford's strong association with the nearby Duralie mine.

Stratford Duralie uses conventional truck and excavator methods. ROM coal from the Duralie and Stratford coal mines is processed at the centralized Stratford Coal Handling and Preparation Plant. ROM coal from each of the Stratford and Duralie mining areas is washed and blended if required to produce the required export coking and thermal product coal specifications. Product coal is then transported 128 kilometres by rail to the Port of Newcastle for export to international markets. It may also be blended with coals from our other mines to realise premium coal prices for the blended product.

Yarrabee

Yarrabee is an open cut coal mine located approximately 40 kilometres north-east of Blackwater in central Queensland's Bowen Basin. Yarrabee produces low volatile PCI and thermal coal for export to international markets and produced approximately 2.7 million tonnes and 2.9 million tonnes product coal in 2019 and 2020, respectively.

Yarrabee commenced production in 1982 as a small open-cut mine with a limited life. Since acquiring the mine, we have delineated further Coal Resources and Coal Reserves that have extended the mine life and increased production.

We acquired 100% of Yarrabee in December 2009 as part of our acquisition of Yancoal Resources (formally known as Felix).

Yarrabee uses conventional truck and excavator methods. ROM coal is mined from a number of pits and is either processed at the site's coal handling preparation plant or bypassed for crushing only. About 40% of the ROM coal is bypassed due to its superior in situ quality. Product coal is road hauled to the Boonal load out facility on the Blackwater railway system and then railed 287 kilometres to the RG Tanna and Wiggins Island Coal Terminals at the Port of Gladstone for export to steelmakers in the Asian region.

Yarrabee produces a low volatile, low ash coal that is ideal for PCI use in steel making. If the PCI is weak, this coal can also be sold as a thermal coal.

Middlemount

Middlemount is an open cut mine located 90 kilometres north-east of Emerald in Queensland's Bowen Basin. Middlemount produces low volatile PCI coal and hard coking coal used for export to international markets and produced 2.6 million tonnes and 2.9 million tonnes of product coal in 2019 and 2020, respectively. Full-scale operations at the open cut mine commenced in late 2011.

Middlemount is operated by Middlemount Coal Pty Ltd, an incorporated joint venture between Peabody Energy and the Company (with the Company having a near 50% interest in the joint venture). We acquired our interest in the joint venture as a result of our merger with Gloucester Coal Ltd in June 2012.

Middlemount uses conventional truck and excavator methods. ROM coal is washed at an onsite facility with a ROM capacity of about 5.4 Mtpa. Environmental authority approval is 5.7Mtpa ROM. Middlemount produces low volatile PCI coal and hard coking coal for export markets. Product coal is transported 284 kilometres by rail via the Goonyella System to the Port of Hay Point or 446 kilometres by rail via the Newlands network to the Port of Abbot Point. Middlemount has contracted rail and port capacity through Dalrymple Bay Coal Terminal at the Port of Hay Point and Abbot Point Coal Terminal at the Port of Abbot Point.

Watagan Mines

Our interests in Ashton, Austar and Donaldson are held under Watagan, which is one of our wholly owned subsidiaries. As set out by Yancoal Australia in an announcement dated December 16, 2020, Watagan has been re-consolidated into Yancoal Australia on December 16, 2020, after it had been previously de-consolidated due to the loss of accounting control through the loss of the right to appoint the majority of directors to the bondholder after issuing the Watagan Bonds on March 31, 2016.

On December 16, 2020, a commercial arrangement was entered into between Yankuang Group (currently known as Shandong Energy Group), its wholly owned subsidiary Yankuang Group (Hong Kong) Limited (Yankuang HK) and the remaining two Watagan bondholders. The arrangement included that the remaining US\$575 million bonds would be put to Yankuang Group; the put being completed on March 31, 2021. The bondholders also agreed with Yankuang Group that their nominated directors would step down from the Watagan Board with effect from December 16, 2020. The resignation of the Bondholder nominated Watagan directors resulted in Yancoal acquiring control of Watagan from that date.

On March 31, 2016, as a result of an issuance of nine-year secured bonds by Watagan, a wholly owned subsidiary of Yancoal Australia to a consortium of financiers comprising Industrial Bank Co. Ltd., BOCI Financial Products Limited and United NSW Energy Limited, Yancoal Australia's equity interest in the mining assets of Ashton, Austar and Donaldson Coal Mines was transferred to and held by Watagan and Yancoal Australia ceased to control Ashton, Austar and Donaldson Coal Mines as United NSW Energy Limited, as the instructing bondholder has the right to appoint the majority of the directors of Watagan, resulting in de-consolidation. However, Yancoal Australia was appointed as the exclusive provider of mine management, marketing and infrastructure, and other corporate services for Ashton, Austar and Donaldson Coal Mines for a term of ten years. We managed and operated the mines and received fees in respect of management services provided by us.

Ashton

Ashton is an operating underground mine and a potential open cut project located 14 kilometres north of Singleton in the Upper Hunter Valley region of NSW. Ashton produces semi-soft coking coal for export to international markets. Ashton underground mine produced approximately 2.1 million tonnes and 3.3 million tonnes ROM and 0.8 million tonnes and 1.6 million tonnes saleable coal production in 2019 and 2020, respectively.

Ashton commenced underground operations in 2005. We acquired 60% of Ashton in December 2009 as part of our acquisition of Yancoal Resources (formerly known as Felix). We acquired a further 30% interest and the remaining 10% interest in 2011 and 2014, respectively.

The current Ashton operation consists of an underground multi-seam longwall operation, coal handling and preparation plant and a rail siding. The underground Ashton mine is operational 24 hours a day, seven days a week.

ROM coal from the underground operation is processed through an on-site coal preparation plant to produce a semi-soft cooking coal product.

Ashton is located next to the main northern railway. Product coal is loaded onto trains at a dedicated rail siding and railed 97 kilometres where coal is exported via the Port of Newcastle. Product coal is exported to international markets for sale to a number of Asian based steel mills.

Austar

We acquired Austar Coal Mine in Australia through Yancoal Australia in 2004. Austar is an underground mine located eight kilometres southwest of Cessnock in the Newcastle Coalfields. Austar used to produce premium semi-hard coking coal which had very high fluidity, low ash and low phosphorous which made it a premium blending coal for our customers. Austar mine suspended production and transitioned to “care and maintenance” operations after March 2020. A majority of Austar’s underground mining employees were successfully redeployed to the neighboring Ashton mine. Mining evaluations to re-commence production at Austar in the Stage 3 area were completed in 2020 which had a significant adverse impact on future commercial operations at the mine. In February 2021, the Yancoal Australia Board made the decision to transition the Austar mine from “care and maintenance” to “mine closure”.

We purchased 100% of the Southland Coal Mine, which consisted of the former Ellalong Pelton and Southland Collieries with mining operations dating back to 1916, and renamed it Austar in December 2004.

Donaldson

Donaldson is located in the northeast corner of the Sydney Basin, 25 kilometres northwest of the Port of Newcastle. Donaldson includes an open cut mine which closed in April 2013 and the Abel underground mine which was placed on care and maintenance in June 2016.

Donaldson is 100% owned by us as a result of our merger with Gloucester Coal Ltd in June 2012 and has been managed by us after which. Abel previously produced thermal and semi-soft coking coal for export. However, the mine ceased operations in June 2016 and was placed on care and maintenance. Studies to consider potential future mining options, including possible longwall mining methods commenced with the majority of Abel’s underground mining employees being successfully redeployed to the neighboring Ashton and Austar mines.

Historically, the large majority of past mining at the Donaldson mine was extracted by bord and pillar method. Following extraction, ROM coal was hauled to the third party coal washing and loading facilities at Bloomfield Coal Handling and Preparation Plant. Product coal was transported by rail and exported through the Port of Newcastle.

We moved Donaldson to care and maintenance in 2016 in response to ongoing global market challenges as the operation considers the future development of new underground working areas. Care and maintenance includes the ongoing rehabilitation of the Donaldson site in accordance with existing approvals, as well as the management of the site both above and below ground as we work to consider all options for the potential further mining of the Abel underground. As Donaldson has all required permits and contains coal reserves, recommencement of production is at our discretion, and is dependent on optimal market conditions and the performance of our other operations to best fit our asset portfolio. As of the date of this Offering Memorandum, Donaldson had not recommenced operations.

Coal Mines operated by Yancoal International

Yancoal International operates Cameby Downs and Premier coal mines for our Company. For the years ended December 31, 2019 and 2020, raw coal production of the two coal mines operated by Yancoal International amounted to 6.49 million tonnes and 5.95 million tonnes, respectively.

The following table sets out the recoverable coal reserves breakdown of Yancoal International as of December 31, 2020.

Major coal mine	Recoverable reserve
	(million tonnes)
Cameby Downs Coal Mine	181
Premier Coal Mine	28
Coal mines of Yancoal International	209

The following table sets out the breakdown for production volume of saleable coal of Yancoal International for the year ended December 31, 2020.

Major coal mine	Production Volume of saleable coal for the year ended December 31, 2020
	(million tonnes)
Cameby Downs Coal Mine	2.02
Premier Coal Mine	3.10
Coal mines of Yancoal International	5.12

Cameby Downs Coal Mine

In 2011, Yanzhou Coal acquired the entire equity interest of both Syntech Holdings Pty Ltd and Syntech Holdings II Pty Ltd, which operate the Cameby Downs Coal Mine in Chinchilla, Queensland. Cameby Downs Coal Mine consists of an open-pit mine located west of Miles in southwest Queensland. The mine covers an area of 300.3 square kilometres. The construction of the mine commenced in 2009 and commercial production started in late 2010. Yancoal International owns 100% of Cameby Downs Coal Mine. Cameby Downs Mine produces thermal coal and the average cumulative thickness of the mined coal seams at Cameby Downs Coal Mine ranges from 5.8 to 7.7 meters. The phase one stage of Cameby Downs Coal Mine has raw coal annual production capacity of 3.5 million tonnes. As of December 31, 2020, Cameby Downs Coal Mine had a recoverable coal reserve of 181 million tonnes. The recoverable coal reserves of the Cameby Downs Coal Mine was reported under the CRIRSCO “*International Standards for Reporting of Mineral Resources and Reserves*” and are based on the reports prepared by the Competent Persons in accordance with the JORC Code (2012).

Cameby Downs Coal Mine has a coal preparation plant with an annual preparation capacity of approximately 380 TPH, and utilizes dense medium cyclones, spiral banks and other associated equipment. 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.

For the year ended December 31, 2019 and 2020, Cameby Downs Coal Mine had a raw coal production volume of 2.83 million tonnes and 2.79 million tonnes, respectively. Cameby Downs Coal Mine had a saleable coal production volume of 2.02 million tonnes for the year ended December 31, 2020.

Premier Coal Mine

In 2011, Yanzhou Coal acquired the entire equity interest in Premier Coal Limited, which operates the Premier Coal Mine in Collie, Western Australia and the Wilga Exploration Area. Premier Coal Mine is located in the Collie Basin to the south of Perth, approximately 10 km east of Collie. Premier Coal Mine is an open-pit coal mine and operates under a State Agreement which covers an area of approximately 136 square kilometres. Yancoal International indirectly wholly owns Premier Coal Mine. The annual production capacity of Premier Coal Mine is approximately 3.0 million tonnes. Premier Coal Mine primarily produces low ash and low sulfur sub-bituminous coal. The operation utilizes conventional truck and 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 screened and sold without washing with coal product quality controlled through blending. As of December 31, 2020, Premier Coal Mine had a recoverable coal reserve of 28 million tonnes. The recoverable coal reserves of the Premier Coal Mine was reported under the CRIRSCO “*International Standards for Reporting of Mineral Resources and Reserves*” and are based on the reports prepared by the Competent Persons in accordance with the JORC Code (2012).

The operations at Premier Coal Mine are powered by electricity from local power grids. We entered into a long-term coal sales agreement with the Electricity Generation and Retail Corporation (trading as Synergy), a power generator owned by the Western Australian Government. We transport coal products from Premier Coal Mine by conveyors and railway to the power stations it supplies.

For the year ended December 31, 2019 and 2020, Premier Coal Mine had a raw coal production volume of 3.66 million tonnes and 3.16 million tonnes, respectively. Premier Coal Mine had a saleable coal production volume of 3.10 million tonnes for the year ended December 31, 2020.

In 2020, Yancoal International had a net loss of RMB165 million, while the net profit in 2019 was RMB590 million, which is mainly due to the fall of international coal price compared with same period of last year and RMB’s exchange rate against the USD rose, and the foreign exchange losses increased year on year.

Exploration Projects in Australia

We have several exploration projects in Australia. The Monash underground project is situated in the Hunter Valley and has reported Coal Resources of 96.8 million tonnes of thermal coal. We also conducted the MTW underground mine exploration and Moolarben new underground mine exploration projects. The Oaklands project is a sub-bituminous thermal coal deposit located near the Victoria border. As of June 30, 2021, at Moolarben, we have the required approvals to increase annual ROM production from 21 million tonnes to 24 million tonnes (16 million tonnes from the open cut mine and 8 million tonnes from underground). Studies under review incorporate work to assess the optimal production profile and address the various licensing requirements. Our ability to increase open-cut production to 16Mtpa depends on increasing the capacity at the Coal Handling and Preparation Plant. At MTW, we have identified a coal resource that could support an underground operation with the concept subject to study and assessment. We continually examine opportunities to grow the business. We are open to expanding or extending the operational profile of our existing assets with organic projects, like those identified at Moolarben. Going forward, we would also consider acquiring additional coal assets or diversifying into other minerals, energy or renewable energy projects should suitable opportunities arise.

Financial Performance of Yancoal Australia

For the years ended December 31, 2019 and 2020 and for the six months ended June 30, 2020 and 2021, the total revenue of Yancoal Australia was A\$4,459 million, A\$3,473 million, A\$1,987 million and A\$1,792 million, respectively; and the total operating EBITDA of Yancoal Australia was A\$1,654 million, A\$748 million, A\$488 million and A\$406 million, respectively. For the years ended December 31, 2019 and 2020, the total operating EBITDA to finance costs ratio of Yancoal Australia was approximately 7.1x and 3.9x, respectively. As of December 31, 2019 and 2020 and June 30, 2021, the total assets of Yancoal Australia were A\$11,093 million, A\$11,055 million and A\$10,877 million, respectively.

In 2020, Yancoal Australia had a net loss of approximately RMB4.44 billion, the net profit decreased by approximately RMB7.96 billion or 225.87% from RMB3.53 billion in 2019, which is mainly due to the fall of international coal price compared with same period of last year and the reconsolidation of Watagan into its consolidated statement, resulting in a one-off non-cash loss of approximately RMB6.84 billion. For the first half of 2021, Yancoal Australia’s net loss was RMB638 million, while the net profit of the first half of 2020 was approximately RMB3.65 billion, representing a decrease of approximately RMB4.28 billion or 117.5% as compared with that of the same period of last year, which was mainly due to the fact that Yancoal Australia gained a one-off income from the purchase of the 10% equity interest of Moolarben Coal Joint Venture during the corresponding period of

the previous year. As of June 30, 2021, Yancoal Australia's total assets decreased by A\$178 million, mainly reflecting a A\$151 million decrease in mining tenements due to amortisation in the period, as compared with December 31, 2020.

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 Yankuang Group (currently known as Shandong Energy Group) and us in 1997 and its supplemental agreement, we undertook to make ten annual payments of approximately RMB13.0 million to Yankuang Group (currently known as Shandong Energy 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 instalment 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, each enterprise that has obtained 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 RMB2.48 billion for the mining rights of Nantun, Xinglongzhuang, Baodian, Dongtan and Jining II coal mines, and we fully paid the consideration in 2017. 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.

Jining III Coal Mine

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

Tianchi Coal Mine

We acquired Shanxi Neng Hua for RMB748.3 million in 2006, 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 in 2005 for a consideration of RMB747.3 million in 2008.

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 RMB2.80 billion. 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 Coal Mine

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 RMB7.88 billion on January 28, 2011.

Shilawusu Coal Mine

From September 2010 to May 2012, the Company acquired 74.82% of the equity interest in Haosheng Company from independent third parties at a total consideration of RMB7.14 billion and obtained the mining rights of Shilawusu Coal Mine through Haosheng Company. On November 4, 2019, the Company's shareholding in Haosheng Company decreased from 77.74% to 59.38% and the Company acquired 400 million tonnes of coal reserves in Shilawusu coal fields.

Yangcun and Beisu Coal Mine

In May 2012, we purchased from Yankuang Group (currently known as Shandong Energy Group) and Beisu Company all of the assets and liabilities of Beisu Coal Mine (voluntarily closed in September 2016) and Yangcun Coal Mine, including mining rights, building ownership certificates, mining and related equipment and other fixed assets, for a consideration of RMB824.1 million. In September 2016, we voluntarily closed Beisu Coal Mine to implement the national policy of reducing excess coal production capacity. 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, respectively, as of August 31, 2011.

Yingpanhao Project

Yingpanhao Coal Mine is the auxiliary coal mine of a methanol project Ordos Neng Hua acquired in 2010 and this coal mine commenced operation in the second half of 2017. On April 16, 2010, Ordos Neng Hua acquired the entire equity interest in Inner Mongolia Rongxin Chemical Co., Ltd., Inner Mongolia Daxin Industrial Gas Co., Ltd. and Inner Mongolia Yize Mining Investment Co., Ltd. from Kingboard Chemical Holdings Limited at a total consideration of approximately RMB190.0 million and obtained a 600,000-tonne methanol project following these acquisitions. In 2020, our Group acquired 51% equity interests of Inner Mongolia Mining while, at the same time, Inner Mongolia Mining acquired 57.75% equity interests of Yingpanhao Coal Company Limited of Ordos Neng Hua. Therefore, the operating data of Yingpanhao Coal Mine for the first half of 2021 was listed under Inner Mongolia Mining. As of the date of this Offering Memorandum, we have obtained pollutant discharge licenses for the Yingpanhao Coal Mines and have not fully paid the total consideration to the equity interest.

Wanfu Project

On March 29, 2016, we acquired the mining right of Wanfu Coal Mine through our subsidiary, Heze Neng Hua from Yankuang Group (currently known as Shandong Energy Group) at a consideration of approximately RMB1.25 billion. For the year ended December 31, 2020, the investment amount in Wanfu Coal Mine is RMB646 million.

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 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

of Ashton Coal Mine Joint Venture was valued at approximately A\$294.0 million. On September 30, 2014, Yancoal Australia acquired the remaining 10% equity interest of Ashton Coal Mine Joint Venture held by ICRA Ashton Pty Ltd. for AUD17.9 million. As a result, Ashton Mine Joint Venture became a wholly-owned subsidiary of Yancoal Australia.

Austar Coal Mine

We obtained an exploration license for Austar Coal Mine from the New South Wales Department of Primary Industries (as it was then known) 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.

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\$202.5 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 Syntech Holdings Pty Ltd manages Cameby Downs Mines and holds all current mining license; Syntech Holdings II Pty Ltd holds all exploration tenements.

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\$296.8 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 July 2012. Gloucester comprises the Stratford, Duralie and Grant & Chainey deposits, with an aggregate coal resources of 313 million tonnes as of December 31, 2020.

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 kilometres in Saskatchewan, Canada. The Potash mineral exploration was led by Yancoal Canada, which was established in Saskatchewan in August 2011, with registered capital of US\$2.9 billion. According to the preliminary exploration report, we expect that the permitted area may have abundant potash resources.

As of the date of the Offering Memorandum, we expect that the Canadian potash resource project will obtain the necessary approvals. The feasibility study and the NI43-101 technical report and outline study of this potash resource project have been completed. The mine has a total thickness of 30 meters, with potassium chloride of 32% average grade and 5.09 billion tonnes of potassium salts resources. We have obtained six mining permits for potassium mining.

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: tunnelling, coal extraction, transportation and coal preparation. The tunnelling process is necessary for the construction of underground roadways, which are required for the installation of mining equipment. We conduct a majority of our tunnelling 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 Wenyu Coal Mine 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 is a surface mining technique extracting coal from the earth by removal from an open-pit. Coal seams are mined in sequence after removal of overburden (consisting of topsoil and rock) covering the coal. Open-pit coal is found relatively close to the surface, similar to the open-pit mines in China. The extracted coal is then transported to surface stockpiles before it is sent to a Coal Handling & Preparation Plant (CHPP) for washing, processing and final coal product preparation. We rehabilitated the open-pit mining area by replacing the overburden into the pit and the area revegetated, leaving a final void upon the completion of mining process.

Australian Underground Mining Operations

With respect to underground mines in our Yancoal Australia mining operations, mining is conducted using a combination of continuous tunnelling, longwall and “bord & pillar” operations. The extracted coal is transported from the underground operations utilising a series of conveyor belts to treatment facilities on surface for processing and final coal preparation.

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 Iron and Steel Group Co., Ltd. Jinan Branch and Laiwu Branch, Shandong Shiheng Special Steel Group Co., Ltd., Ansteel Wire Rope Co., Ltd. and Guizhou Steel Rope (Group) Co., Ltd., and cement primarily from Shandong Lucheng Cement Company, Ltd. and Shandong Luzhu Group Cement Company Ltd. We procure water primarily from Yankuang Group (currently known as Shandong Energy 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 are 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, 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 fuel, steel (including heavy mining equipment), cement, explosives and water. We procure such materials primarily from local suppliers (who themselves source those materials both domestically and internationally) 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 and Inner Mongolia, 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

As a pure-play Australian coal producer for which all of our products are exported to end customers located in the Asia-Pacific region, our operation in Australia face competition primarily from other Australian coal producers whose primary export markets overlap with ours, including Peabody Energy, Whitehaven, Centennial Coal and New Hope among the pure-play coal producers, and Glencore, BHP and Anglo American among the diversified mining companies. We also compete with Indonesian coal producers in the Asian seaborne market, in addition, within our end user markets, we may compete with domestic suppliers, particularly in the PRC, which is the world's largest overall coal producer and where major producers may enjoy home market advantages. Furthermore, we may also face competition from other major coal exporting nations such as the United States, Canada, South Africa, Colombia and Russia.

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 centre 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. We produce one of the highest quality coal products for export which has high heat value, low ash and sulphur level, achieving leading position in international clean coal standards.

Each of Nantun, Xinglongzhuang, Baodian, Dongtan, Jining II, Jining III, 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 to win this prize then. In 2015, we won the Global Performance Excellent Award-World Top Class selected by Asia Pacific Quality Organization. In March 2015, we became the only company in the PRC coal industry to be recognized with the “China Quality and Credibility Commitment” designation. In 2018, we received various awards and recognition, including the Best Board of Directors in Investor Relations among China Listed Companies on the Main Board, the Taurus Foundation Evergreen Awards among China Listed Companies, Top 100 Enterprises in China, the Gold Hong Kong Shares-Listed Company with the Most Valuable Energy and Resources Shares, and ranked 74th among 2018 Top 100 Global Energy Companies. In 2019, we were awarded High-quality Development Pioneer Award of Listed Companies in China, the Top 100 Chinese Enterprise Award, and ranked 58th among the Fortune 500 and 35th among the Top 50 Global Mining Companies. We won the Gold Round Table Award for the Best Board of Directors among China Listed Companies and A Class for Information Disclosure for two consecutive years in 2018 and 2019.

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 each mine in Australia to ensure quality control and independently certify the quality of each export shipments.

Safety Control

In our PRC operations, we implement 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 operate under the Work Health and Safety Act 2011 (NSW) and Work Health and Safety (Mines and Petroleum Sites) Act 2013 (NSW). Our operations in Queensland operate under the Occupational Health and Safety Act 2011 (QLD) and Coal Mining Safety and Health Act 1999 (QLD). Our operations in West Australia operate under the Mines Safety and Inspection Act 1994 (WA) and Work Safety and Health Act 1984 (WA), noting substantive provisions of the WHS Act WA will commence in early 2022. We adopted various channels and methods to provide safety trainings to our employees. For the year ended December 31, 2020, we provided safety trainings to 37,943 person times, representing for 138.7% of our planned person times of safety trainings. We also attained 100% screening coverage of occupational disease in 2018. In addition, our rescue brigade has maintained the national title of Super Standardized Rescue Brigade for many years, and all the seven subordinated squadrons have been honored as super team.

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. For the years ended December 31, 2019 and 2020 and six months ended June 30, 2021, we did not experience any production accidents that involved serious work injuries or death in our PRC operations. We have been continuously reviewing and evaluating our safety control and performance in Australia. On April 15, 2014, an underground incident occurred at Austar Coal Mine and two employees died. In April 2016, Yancoal Australia and Austar Coal Mine received non-prosecution notices in connection with this underground incident issued by the Department of Industry and Department of Resources and Energy (as it was then known) of New South Wales. Subsequent to this safety incident, a series of coal bursts occurred at our Austar Coal Mine, one of which resulted in minor injuries to a worker. We have received several prohibition notices which were later cancelled or expired. A prohibition notice is a direction to prohibit an activity issued when a mine inspector reasonably believes that there is a serious risk emanating from an immediate or imminent exposure to a hazard. On August 30, 2018, operations at Austar Coal Mine were halted on account of technical issues related to de-stressing activity in certain areas of the long wall, and on September 5, 2018, a prohibition notice was received relating to this activity. Due to the nature of coal burst risks in longwall mining, the location, timing and magnitude of coal bursts cannot be predicted and as a result are difficult to prevent. We have implemented additional risk mitigation controls to manage and mitigate the hazard of coal bursts, and such control strategy emphasizes mitigation, which is in line with industry practice.

In addition, as a result of the C&A Acquisition, Yancoal Australia inherited a safety prosecution that was underway in respect of an incident at MTW which happened prior to the acquisition of our interests in MTW. These proceedings were discontinued in 2017 upon MTW agreeing to undertake an enforceable undertaking social project that completed in 2019.

Environmental Protection

We are subject to PRC environmental protection laws and regulations which charge fees for the discharge of waste substances and impose fines for serious pollution. PRC regulations also authorize government agencies to close any facility that fails to comply with orders to cease and operations that cause environmental damage, or bring them into compliance with relevant laws and regulations. We implement measures such as environmental remediation and other clean-up measures. Each of Nantun, Xinglongzhuang, Baodian, Dongtan, Jining II, Jining III, Yangcun, Zhaolou and Tianchi has obtained Quality Certificate, Environmental Management Certificate, Occupational Health Certificate and Security Certificate. Besides, each of Nantun, Baodian, Dongtan, Jining II, Jining III has obtained Measurement Management System AAA certificate. In addition, the operations of Yancoal Australia must comply with relevant Australian environmental protection laws and regulations.

Simultaneously, we largely save energy and reduce consumables, meeting standards on pollutants discharge. In 2018, we conducted mine water treatment, investing more than RMB100 million, for the in-depth mine water treatment projects in Yingpanhao Coal Mine and Shilawusu Coal Mine, in order to further reduce pollution discharge from production and operation. In 2019, we completed building mine water and domestic sewage treatment facilities to all the coal mines affiliated to us. We also invested RMB850 million to build silos or steel structure coal sheds and enclosed seven coal mines in the department in 2018, which has effectively reduced the environmental impact of coal mines. We have completed the renovation of the coal yards and coal gangue yards, and the construction of silos, closed coal sheds and closed material sheds in 2019. In order to reduce the environmental impact, we have carried out a number of boiler dust removal, desulfurization, denitration transformation projects. By the end of 2019, we have completed ultra-low emission renovation of the boilers of all our power plants. Our coal chemical business completed industrial sewage treatment plants, construction and ultra-low emission renovation for boilers. We further reduce greenhouse gases emission and comply with limits on and discharge of mine water, dusts and SO₂, and on utilization of solid wastes. We reclaim wastes and

realize environmental-friendly waste treatment, satisfying all relevant requirements made by local environmental authorities and in 2019, we achieved 100% of required standards relating to waste water and 100% compliance rate of hazardous waste disposal. As a result of the above measures, we were awarded as “The First Batch of the Most Influential Green Enterprise Brands in 2018” in January 2019 and was included in the “2018 Green China Most Influential Corporate Brand” in December 2019. In 2020, our dust disposal was reduced by 25% compared to that in 2019. The comprehensive utilization rate of coal gangue and ash in 2020 remained at 100%. In 2020, our comprehensive energy consumption of industrial output was 1.55 tonnes of standard coal/RMB 10,000. The annual emissions of particulate matters, sulfur dioxide(SO₂), nitric oxides (NO_x), chemical oxygen demand (COD), and ammonia nitrogen were 83.8%, 82.3%, 71.8%, 77.6%, and 92.2% less than the regulatory assessment indicators, respectively. In addition, in 2020, we built a high-quality demonstration area for clean coal-fired heating, adding 19,000 environmentally friendly stoves and 62,000 tons of clean coal, and carried out various high-salt water treatment projects, with most of the high-salt water reused after being qualified to reduce external discharge and reduce environmental pollution.

RAILWAY TRANSPORTATION BUSINESS

In addition to transporting coal to support our own operations, we also provide railway transportation services to our customers, including Shandong Energy Group, for fees. We entered into railway transportation sector since 1966 and started to acquired railway assets since 2002. In 2019 and 2020, we transported 19.3 million tonnes and 18.3 million tonnes of coal on our railway network. In 2019 and 2020, we generated income of RMB383 million and RMB378 million from railway transportation services, and the cost of our railway transportation business was RMB177 million and RMB207 million.

As of June 30, 2021, we own 15 diesel locomotives, 358 K18 train wagons, one stepping type large tamping car, over 194 kilometres of railway tracks constructed for coal transportation. Our railway network also connects to two major national railways, namely, Beijing-Shanghai Railway and Xinxiang-Rizhao 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. It also allows us to connect domestic and overseas operation and enhance overall competitiveness.

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.

METHANOL, ELECTRICITY AND HEAT SUPPLY BUSINESS

Since 2004, 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 Neng Hua and Ordos Neng Hua. In 2019 and 2020, we produced 1,762 kilotonnes and 1,823 kilotonnes of methanol and sold 1,749 kilotonnes and 1,864 kilotonnes of methanol. We generated sales income of approximately RMB2.86 billion and RMB2.43 billion in 2019 and 2020. The cost of sales of methanol business was approximately RMB2.15 billion and RMB2.06 billion in 2019 and 2020.

Our Group started electric power business since 2009 and owns seven power plants. The seven power plants generate electricity for internal use and external sales. In 2020, we generated a total of 2,867.93 million KWh of electricity, 1,883.72 million KWh of which was sold. For the six months ended June 30, 2021, we generated a total of 3,602.84 million KWh of electricity, 3,012.41 million KWh of which was sold. We generated sales income of RMB583 million, RMB651 million, RMB322 million and RMB918 million for the year ended 2019 and 2020 and for the six months ended June 30, 2020 and 2021, respectively. For the six months ended June 30, 2021, the sales volume, sales income and cost of power generated by Yulin Neng Hua increased significantly, which is mainly due to the increase in external sales volume of power, as compared with that of the corresponding period of the previous year.

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.

Methanol Plants

Yulin Neng Hua

Yulin Neng Hua, located in Yunlin City of Shaanxi, operates a 600,000-tonne methanol plant and a supporting power plant which commenced production since 2008. Phase II of the 1,800,000-tonne methanol plant has also commenced production in the end of 2019. 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 Neng Hua also operates a supporting power plant with an installed capacity of 60 MW for its methanol production.

Ordos Neng Hua

Ordos Neng Hua, located in Ordos of Inner Mongolian Autonomous Region, operates a methanol plant with an approved annual capacity of 600,000 tonnes of methanol, 400,000 tonnes of ethylene glycol and 300,000 tonnes of DMMn and a supporting power plant which commenced production since May 2015. Phase II of the project were put into a trial production. 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.

Lunan Chemicals

We acquired 100% equity interests of Yankuang Lunan Chemicals Co., Ltd. ("**Lunan Chemicals**") in 2020. Lunan Chemicals is a company with limited liability incorporated under the laws of the PRC in 2007, which is mainly engaged in the development, production and sales of chemical products. For the six months ended June 30, 2021, its production volume and sales volume of coal chemicals amounted to 1,065 kilotonnes and 874 kilotonnes, respectively, bringing a sales income of approximately RMB5.64 billion. For the six months ended June 30, 2021, the operating revenue of Lunan Chemicals was approximately RMB6.06 billion, increased by 132.7% as compared with that of the previous corresponding period; its net profit was RMB1.96 billion, while that of the previous corresponding period recorded a loss of RMB57 million, which was mainly due to a significant increase of the price of its main products. As of June 30, 2021, the registered capital of Lunan Chemicals was approximately RMB5.04 billion, with a total asset of approximately RMB12.91 billion.

Fine Chemicals

We acquired 100% equity interests in Yankuang Yulin Fine Chemicals Co., Ltd. ("**Fine Chemicals**") in 2020. Fine Chemicals operates an Environmental Protection Catalyst Production and Recycling Project, which is a subordinate project of and supplies with Fischer-Tropsch synthesis catalyst to Yankuang Yulin Coal Indirect Liquefaction Demonstration Project. Fine Chemicals is also engaged in the production and sales of industrial sodium nitrate.

Production Process

At the methanol plants, 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 of methanol relies on thermal coal, which we currently source from local coal mines owned by third parties. We also source water from a local reservoir for the methanol production.

Quality Control

We implement 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 Neng Hua, 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.

For our coal chemical operations, we implement 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 Neng Hua's methanol project achieved optimal utilization of its facilities in 2014 and Ordos Neng Hua's methanol plant commenced operations in January 2015.

Seasonality

Our coal chemical operations are not affected by seasonality.

Power Plants

The tables below set forth information on our power plants for the periods indicated:

Power Generation

	For the year ended December 31		For the six months ended June 30	
	2019	2020	2020	2021
		(10,000 KWh)		
Hua Ju Energy	82,236	75,673	41,288	—
Jining No.3 Power Plant.	—	14,717	—	53,277
Heze Neng Hua.	155,051	155,308	83,772	70,842
Lunan Chemicals.	—	1,930	—	13,869
Yulin Neng Hua	28,020	28,429	16,642	13,804
Future Energy.	—	10,735	—	57,910
Inner Mongolia Mining	—	—	—	150,582
Total.	265,307	286,792	141,702	360,284

Power Output Dispatch (Power Sold)

	For the year ended December 31		For the six months ended June 30	
	2019	2020	2020	2021
	(10,000 KWh)			
Hua Ju Energy	27,339	25,056	14,478	—
Jining No.3 Power Plant.	—	14,717	—	53,277
Heze Neng Hua.	132,401	137,145	74,211	61,124
Lunan Chemicals.	—	1,097	—	4,938
Yulin Neng Hua	1,599	6,694	748	8,439
Future Energy.	—	3,663	—	22,880
Inner Mongolia Mining	—	—	—	150,582
Total.	265,307	286,792	141,702	360,284

Sales Income

	For the year ended December 31		six months ended June 30	
	2019	2020	2020	2021
	(RMB'000)		(RMB'000)	
Hua Ju Energy	118,252	104,500	59	—
Jining No.3 Power Plant.	—	37,107	—	181
Heze Neng Hua.	462,146	477,955	261	215
Lunan Chemicals.	—	4,992	—	27
Yulin Neng Hua	3,060	15,258	1	21
Future Energy.	—	10,777	—	66
Inner Mongolia Mining	—	—	—	408
Total.	583,458	650,589	321	918

Sales Cost

	For the year ended December 31		six months ended June 30	
	2019	2020	2020	2021
	(RMB'000)		(RMB'000)	
Hua Ju Energy	111,246	111,246	52	—
Jining No.3 Power Plant.	—	37,276	—	141
Heze Neng Hua.	379,588	372,098	182	194
Lunan Chemicals.	—	4,769	—	25
Yulin Neng Hua	7,229	5,695	3	21
Future Energy.	—	12,944	—	73
Inner Mongolia Mining	—	—	—	409
Total.	498,063	544,028	237	863

We commenced heat supply operations, which consist of the production and sale of heat, following our acquisition of Hua Ju Energy in 2009. For the years ended December 31, 2019 and 2020, Hua Ju Energy generated 1.04 million steam tonnes and 3.34 million steam tonnes of heat energy, respectively. Our coal mines consume the substantial majority of heat energy produced by Hua Ju Energy. We sold 0.20 million steam tonnes and 0.94 steam tonnes of heat to third parties, and generated sales income of RMB32.86 million and RMB92.52 million in 2019 and 2020, respectively.

Sales and Marketing

We consume a major portion of the heat generated by our power plants and, to a lesser extent, sell to Shandong Energy Group. In addition to our own use and our sales to Shandong Energy Group, we also sell the electric power we produced to other end-users through power grids.

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.

Power Plants

Hua Ju Energy

Hua Ju Energy is headquartered in Zoucheng City, Shandong. As of December 31, 2020, Hua Ju Energy has 15 boilers, with total capacity of 2,715 steam tonnes, which are all equipped with de-dusting, desulfurization and de-nitration facilities and have achieved ultra-low emission retrofit and are in normal operation. In response to the governmental requirements in 2020, it totally closed down 12 boilers in Jining No.2 Coal Mine, Nantun Power Plant, Dongtan Power Plant, Baodian Power Plant and Xinglongzhuang Power Plant, with total capacity of 810 steam tonnes.

Jining No.3 Power Plant

We acquired 99% equity interest in Shandong Yankuang Jining No.3 Power Co., Ltd. (“**Jining No.3 Power Plant**”) in 2020. Jining No.3 Power Plant covers an area of 171,858 square meters. As of June 30, 2021, it had 2 boilers, with total capacity of 880 steam tonnes, which were all equipped with de-dusting, desulfurization and de-nitration facilities and have achieved ultra-low emission retrofit and are in normal operation. For the six months ended June 30, 2021, the electricity generated by Jining No.3 Power amounted to 532.77 million KWh, with a sales income of RMB181 million.

Heze Neng Hua

The power plant operated by Heze Neng Hua is intended to be integrated power plants for Zhaolou Coal Mine, located in Heze City of Shandong. The power plant is being constructed in two phases with designed capacity of 300 MW for each phase. We commenced construction of phase I of the power plant with designed capacity of 300 MW in March 2010, which commenced commercial operations 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.

Lunan Chemicals

Lunan Chemicals operates a thermoelectric plant with the steam turbine #2, which was built by Wuhan Turbine Generator Factory and is a high temperature and high pressure, single cylinder, impulsive, back pressure extraction steam turbine with a rated power of 25MW and rated total steam intake of 340t/h. The steam turbine provides steam required for the rear system while generating power.

Yulin Neng Hua

Yulin Neng Hua, located in Yunlin City of Shaanxi, operates a supporting power plant with an installed capacity of 60 MW for its methanol production. The power plants at Yulin Neng Hua and Tianhao Chemicals were established with the primary intention to satisfy the power demand of the methanol projects of these two entities and we also sell a small amount of electricity to third parties. 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.

Inner Mongolia Mining

Inner Mongolia Mining operates a power generation plant project with a planned installed capacity of 700MW by building a sub-critical direct air-cooled extraction and steam condensing type turbo generator, with a 220kV double loop connecting to the 220kV side of the 500kV substation at Jining East. Inner Mongolia Mining is also engaged in the production, operation and distribution solar photovoltaic power generation through its wholly owned subsidiary Ordos City Fengwei Photovoltaic Co., Ltd.

Future Energy

Future Energy has a waste heat steam power plant with an aggregate installed capacity of 150MW. In addition, it is constructing an IGCC gas power plant with a planned installed capacity of 42MW.

Production Process

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. In the production processes, we filter the exhaust gas that we produce and recycle the cinder for future use. We also transfer the crushed coal fuel 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 Neng Hua 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 Neng Hua 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.

EQUIPMENT MANUFACTURING BUSINESS

In 2015, we expanded to equipment manufacturing business after we acquired 100% of equity interest in Donghua Heavy Industry. We manufacture, sell, lease and maintain mechanical and electrical equipment, including among other, hydraulic supports, heading machine, scraper/belt conveyors and frequency converter and switch cabinet. For the year ended December 31, 2020, we manufactured 26,672 tonnes of hydraulic supports, 1789 sets of switch cabinets, 21 sets of frequency converters and

six sets of heading machines. In addition, we maintained 46 sets of heading machines and 72 sets of scraper/belt conveyors. For the year ended December 31, 2019 and 2020, our electrical and mechanical equipment manufacturing business achieved a sales income of RMB165 million and RMB149 million, respectively, with a sales cost of RMB165 million and RMB144 million, respectively.

Sales and Marketing

The equipment we manufacture are primarily used in our own production and, to a lesser extent, sold to Shanxi, Shaanxi, Gansu, Inner Mongolian Autonomous Region, and Xinjiang Uighur Autonomous Region. We mainly use regional highways for transportation of our equipment products.

Pricing

The pricing for our equipment products is primarily determined through negotiation with our customers after taking into account of market prices, market conditions and credibility of the customer. We entered into formal sales contract for sale of our products, which specify the prices for the products.

Production Process

The production process for our equipment manufacturing business mainly involves parts processing and assembling. Before the pre-treatment of the parts, we prepare the parts through de-rusting, shaping the steel plate through numerical controlled machines, cutting. After the pre-treatment, the parts are assembled through welding, heat treated before and after assembling and tested and inspected before shipment.

Raw Material and Energy Supply

The major raw material for equipment manufacturing business mainly includes steel plates, high pressure plastic pipes, electro-hydraulic control system and wires. The production process mainly consumes electricity.

Quality Control

Donghua Heavy Industry obtained ISO 9001-2008 and “CCC” products accreditation. Donghua Heavy Industry has been accredited as national measurement enterprise of second grade and qualified enterprise after national regular quality inspection. Donghua Heavy Industry has established a comprehensive quality control system. It owns several advanced testing and inspection equipment and has adopted multiple measures to test and inspect its products to ensure the quality and safety.

Safety Control

Donghua Heavy Industry has established a safety management system which comprises safety management of production and technology. We have established quality inspection management centre, department of production technology and department of products managements to oversee the safety matters and ensure the relevant safeties laws and measures are followed.

Competition

Donghua Heavy Industry faces the competition from major well-known coal mining equipment manufacturers in the PRC market. Our products have started to present their strength in the market. Tianhao Chemicals’ ZY16000 and ZY17000 hydraulic support for large mining height and high resistance were among the first class products in the domestic market; our ZY21000 hydraulic support sample machine was accredited with international advanced quality; our continuous belt conveyor was the first of its kind manufactured by domestic manufacturer; and our success in the research of visualized remote control system in heading machine has capability to carry the mining operation forward to an intelligent, high end and unattended operation.

Seasonality

Our equipment manufacturing business is not affected by seasonality.

Capital Expenditure

The capital expenditure for the first half of 2021 and the capital expenditure plan of 2021 of the Group (grouped by the usage of fund) are set out in the following table:

	<u>For the first half of year 2021</u>	<u>For the year 2021 (planned)</u>
	(RMB'000)	(RMB'000)
The Company	18,486	373,156
Ordos Neng Hua	9,565	122,984
Yulin Neng Hua	9,703	42,930
Heze Neng Hua	25,982	125,974
Haosheng Company	5,903	45,522
Donghua Heavy Industry	0	4,218
Shanxi Neng Hua	0	7,409
Future Energy	3,871	168,938
Lunan Chemicals	121,500	183,239
Yancoal Australia	67,438	226,962
Yancoal International	43,601	73,516
Inner Mongolia Mining	0	2,000
Other subsidiaries	100	3,329
Total	<u>306,149</u>	<u>1,380,177</u>

The capital expenditure for the first half of 2021 and the capital expenditure plan of 2021 of the Group (grouped by the usage of fund) are set out in the following table:

	<u>For the first half of year 2021</u>	<u>For the year 2021 (planned)</u>
	(RMB'000)	(RMB'000)
Infrastructure Project	232,508	600,368
Coal mine infrastructure	96,218	224,862
Infrastructure for chemical projects	132,378	253,586
Infrastructure for logistics and warehouse	3,913	112,430
Other infrastructures	0	9,490
Maintenance of simple reproduction	25,487	527,095
Safety production plan expenditure	8,545	99,371
Technology revamp plan	39,609	153,343
Total	<u>306,149</u>	<u>1,380,177</u>

EMPLOYEES

General

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

	<u>As of June 30, 2021</u>
Production personnel	37,650
Sales personnel	541
Technical personnel	4,142
Financial personnel	730
Administrative personnel	2,998
Other support staff	17,808
Total	<u>63,869</u>

As of the date of this Offering Memorandum, 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, 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 Shandong Energy Group. These benefits are provided in some cases by Shandong Energy Group as required by PRC laws, rules and regulations. We, in turn, pay Shandong Energy Group for such benefits.

According to the Provision of Insurance Fund Administrative Services Agreement and the annual caps from 2015 to 2020, Yankuang Group (currently known as Shandong Energy Group) has provided 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 amount of approximately RMB819.7 million to the above listed insurance fund for the year ended December 31, 2020.

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. For the year ended 2019 and 2020, we paid retirement benefit scheme contribution for our executive directors, independent non-executive directors, chief executive director, supervisors and other management team an aggregate amount of approximately RMB1.72 million and RMB2.63 million, respectively.

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. In 2020, we contributed an amount to the work injury fund equivalent to 0.95% of each employee's total remuneration the prior year.

Medical Insurance Plan

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

In 2020, we set aside 8% and 2% 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, Shandong Energy Group is partly responsible for providing housing accommodations to our domestic employees. We and Shandong Energy 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 RMB6 million and nil for 2019 and 2020, 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 2019 and 2020, we paid an aggregate of approximately RMB421 million and RMB476 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/superannuation fund. Upon retirement, our Australian employees are entitled to receive payments from the benefits fund. In addition, we subsidise commercial medical insurance policies for our Australian employees to cover part of their medical and additional expenses.

INSURANCE

In our domestic operations, we maintain property insurance coverage for our properties, equipment, and inventory. We also maintain business liability insurance to provide coverage for potential liabilities that we may be exposed to. In addition, we provide casualty and life insurance for employees who work at our mining sites. In accordance with what we believe is the customary practice for PRC coal mining entities, we do not currently maintain fire and casualty insurances covering our properties, equipment or inventory, other than insurance for boiler equipment owned by Hua Ju Energy. In addition, we do not maintain any business interruption insurance or any third-party liability insurance to cover claims in respect of personal injury, property or environmental damage arising from accidents on our property or relating to our operations, other than third-party liability insurance with respect to vehicles.

In our Australian operations, we maintain director and officer liability insurance, property damage insurance for our properties, plant and equipment and third-party liability insurance to cover claims in respect of third party injury or property damage arising from incidents occurring on our properties or as a result of our operations. We do not currently maintain business interruption insurance.

LEGAL PROCEEDINGS

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

In March 2020, Xiamen Xinda sued Zhongyin Logistics and Yanzhou Coal to the Xiamen Intermediate People's Court ("**Xiamen Intermediate Court**") on the grounds of the dispute over the sale and purchase contract, requesting Zhongyin Logistics to return the principal of the purchase price and the corresponding interest RMB23.27 billion. We are allegedly required to bear joint liability. At present, Xiamen Intermediate Court has not yet made a ruling. The case is currently in the procedure at the first instance. We are unable to assess the impact on the Company's profit after the period.

The Arbitration Case between Inner Mongolia New Changjiang Mining & Investment Co., Ltd. ("New Changjiang") and the Company

In April 2018, New Changjiang filed an arbitration application with China International Economic and Trade Arbitration Commission ("**China Trade Arbitration**") on the grounds that we violated the relevant equity transfer agreement between the two parties, requiring us to pay totally approximately RMB1,435 million including the equity transfer price of RMB749 million, the corresponding liquidated damages of RMB656 million and the legal fees, arbitration fees and security fees involved in the case.

China Trade Arbitration has heard the case in October 2018 and December 2018, but not decided.

In April 2019, New Changjiang requested to change the arbitration claims to relieving the equity transfer agreement, and permission was given by China International Economic and Trade Arbitration Commission ("**CIETAC**"). CIETAC held the third and fourth hearings on the case in August 2019 and December 2019 respectively. On December 30, 2020, CIETAC issued a ruling of suspension of the

arbitration procedure. As the case is in the progress of arbitration procedure, we are unable to estimate the impact of the arbitration on the current profit and future profit as of the date of the Offering Memorandum.

Sales contract dispute between Shanxi Jinhui and the Company

In May 2019, Shanxi Jinhui, as the plaintiff, citing the sales contract dispute, brought a lawsuit to Lvliang Intermediate Court against Tianhao Chemicals, requiring Tianhao Chemicals to pay approximately RMB136.28 million as the compensation of breaching the contract, RMB6.59 million for the gas and electricity fees, adding up to a total of RMB142.87 million. Lvliang Intermediate Court had held in favour of the Company and Shaanxi Jinhui appealed to the Shaanxi High Court.

In December 2019, the Shaanxi High Court had rejected the plaintiff's appeal.

Disputes on contract between China Huarong Asset Management Co., Ltd. Inner Mongolia Autonomous Region Branch (“China Huarong”) and Ordos Jinchengtai Chemical Co., Ltd. (“Jinchengtai”) and Others and the Company

In June 2020, China Huarong submitted two complaints to Hohhot Intermediate People's Court (“**Hohhot Intermediate Court**”) suing Jinchengtai for sales contract disputes, requiring Jinchengtai to repay debt principal and relevant interests of RMB451 million and RMB680 million, respectively. Since Jinchengtai has made a pledge to China Huarong through its account receivables of RMB2.1 billion by the Company, China Huarong sued the Company as a third party to Hohhot Intermediate Court, requiring the Company to bear the liability of repayment within the amount of the account receivables.

Hohhot Intermediate Court has not issued a judgement yet.

As the case is in the progress of the first-instance court, the Company is unable to estimate the impact of the arbitration on the current profit and post-period profit.

Disputes on contract between China Construction Bank Jining Dongcheng Subbranch (“CCB Jining Dongcheng Sub-branch”), Hengfeng Company (“Hengfeng”) and Others and the Company

In November 2015, CCB Jining Dongcheng Subbranch sued 7 defendants, including Hengfeng Company and the Company, to Jining Intermediate Court on the grounds of financial loan contract disputes, requesting Hengfeng to repay the loan principal of approximately RMB59.67 million and corresponding interest. As Hengfeng pledged its account receivables by the Company of RMB79.13 million (suspected of counterfeiting) to CCB Jining Dongcheng Sub-branch, CCB Jining Dongcheng Sub-branch requested the Company to repay as per the pledged accounts receivable of RMB79.13 million.

In April 2018, Jining Intermediate Court ruled that the Company should bear the priority liability of repayment in an amount within the pledged accounts receivable of RMB79.13 million. The Company lodged an appeal to Shandong High Court.

In December 2018, Shandong High Court ruled at the second instance that the case shall be reheard by Jining Intermediate Court.

In July 2020, Jining Intermediate Court reheard the case and ruled at the first instance that the Company shall bear part liability. The Company lodged an appeal to Shandong High Court.

In May 2021, the Shandong Higher People's Court retrial of the second instance ruled that the Company shall bear 70% of the liability for compensation within the scope of the pledge of accounts receivable.

In July 2021, the Company applied to the Supreme Court for a retrial.

The case is currently in the progress of retrial procedure at the second instance, we are unable to estimate the impact of the suit on its current profits and future profit as of the date of the Offering Memorandum.

Disputes on the acceptance bills between the bill debtors including CRRC Shijiazhuang Vehicle Co., Ltd., Shijiazhuang Gongbei Heavy Machinery Co., Ltd. and other bill holders and the Company

From December 2018, citing the bill dispute, the holders of the acceptance bill of exchange of Baota Finance Company sued the Company in 45 cases respectively, demanding to exercise the right of recourse for bills, involving a total amount of RMB54.45 million.

Up to present, the Company has lost 29 cases and paid RMB32.15 million. 10 cases were exempted from liability due to the defect of the bill, with an amount of RMB105 million; the remaining 6 cases are under trial and no decision has yet been made.

As judgments have been made in some cases and not others,, we are unable to estimate the impact of the suit on its current profits and future profit as of the date of the Offering Memorandum.

Dispute on sales contracts between Linyi Mengfei Tradeing Co., Ltd. (“Linyi Mengfei”) and the Company

In July 2020, citing the coal sales contract dispute, Yanzhou Coal sued Linyi Mengfei to Jining Intermediate Court, requiring Linyi Mengfei to refund the payment for goods of RMB140.94 million and accrued interests and expenses, and Jiangquan Group, Zhang Yinlong, Wang Wentao, Wang Wensheng to bear joint and several responsibilities for abovementioned payment. Currently, Jining Intermediate Court has not ruled yet.

The case is currently in the trial procedure at the first instance, we are unable to estimate the impact of the suit on its current profits and future profit as of the date of the Offering Memorandum.

Dispute between Shanghai Jiaorun International Trade Co., Ltd (“Shanghai Jiaorun”) and Qingdao Zhongyan

In December 2018, alleging coal sales contract dispute, Shanghai Jiaorun brought a lawsuit to Qingdao Intermediate People’s Court (“Qingdao Intermediate Court”) against Qingdao Zhongyan, a wholly owned subsidiary of the Company and Zhongyuan Huijin, who was requested to bear joint and several liabilities, requiring Qingdao Zhongyan and Zhongyuan Huijin refund RMB80 million of goods payment, contract breach fines and related loses accrued.

In November 2019, Qingdao Intermediate Court of the first instance rejected Shanghai Jiaorun’s lawsuit against Qingdao Zhongyan, and Qingdao Zhongyan bore no liability. Shanghai Jiaorun appealed to Shandong High Court.

In June 2020, Shandong Higher People’s Court ruled in the second instance that Qingdao Zhongyan returned the principal of Shanghai Jiaorun’s payment of RMB60.13 million and the corresponding interest.

The case is currently in the trial procedure at the second instance, we are unable to estimate the impact of the suit on its current profits and future profit as of the date of the Offering Memorandum.

Dispute between the Company and National Pipeline Network Group Northern Pipeline Co., Ltd. (“Northern Pipeline Network”), National Oil and Gas Pipeline Network Group Co., Ltd. (“National Pipeline Network”)

In January 2021, Yanzhou Coal sued the Northern Pipeline Network and the National Pipeline Network to Jining Intermediate People’s Court on the grounds of eliminating obstructive disputes. The Company requires them to relocate the relevant oil pipelines passing through the mining area to other areas that do not prevent the Company from exercising its mining rights before August 1, 2021, otherwise they should compensate the Company for economic losses of RMB200 million.

In April 2021, under the premise of ensuring that the Company’s enjoyment of mining rights is not affected, the two parties reached a settlement agreement. In May 2021, Jining Intermediate Court ruled that it agreed to the company’s withdrawal of the lawsuit.

Dispute between Qingdao Zhongyan Trading Co., Ltd (“Qingdao Zhongyan”) and Dalian Container Terminal Logistics Co., Ltd. (“Dalian Terminal”)

In April 2021, Qingdao Zhongyan, a wholly owned subsidiary of Yanzhou Coal, sued Dalian Terminal to the Dalian Maritime Court on the grounds of a warehousing contract dispute, demanding compensation of approximately RMB168.36 million for cargo losses.

The Dalian Maritime Court Intermediate Court has not yet made a ruling.

The case is currently in the trial procedure at the first instance, we are unable to estimate the impact of the suit on its current profits and future profit as of the date of the Offering Memorandum.

Dispute between Duanxin Supply Chain (Shenzhen) Co., Ltd. (Duanxin Supply Chain) and Shagang (Beijing) International Investment Co., Ltd. (“Shagang Beijing”)

In April 2021, Duanxin Supply Chain, a wholly owned subsidiary of Yanzhou Coal, sued Shagang Beijing to the Shenzhen Intermediate People’s Court (“**Shenzhen Intermediate People’s Court**”) on the grounds of a coal sale contract dispute, requesting it to return the principal of approximately RMB121.61 million and corresponding penalty for overdue payment. Tianjin Wantong, Li Lei and Shagang Group shall be jointly liable for the aforesaid payments.

The Shenzhen Intermediate People’s Court has not yet made a ruling.

The case is currently in the trial procedure at the first instance, we are unable to estimate the impact of the suit on its current profits and future profit as of the date of the Offering Memorandum.

Save as disclosed in this Offering Memorandum, we were not a party to any litigation, arbitration or claim of material importance, and the directors were not aware of any pending or threatened litigation arbitration or claim of material importance against us as of the date of this Offering Memorandum, that would have a material adverse effect on our results of operations or financial condition if judgment were rendered against us.

MANAGEMENT

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth selected information concerning our Board of Directors, Supervisory Committee and executive officers as of the date of this Offering Memorandum. As of the date of this Offering Memorandum, our Board of Directors consists of 11 Directors, including one chairman and four independent non-executive directors. All Directors serve three-year terms beginning their respective election date until the election of their respective successor.

The following table sets forth information on our Directors, supervisors and executive officers as of the date of this Offering Memorandum:

<u>Name</u>	<u>Age</u>	<u>Position at the Company</u>
<i>Directors</i>		
LI Wei	55	Director, Chairman of the Board
LIU Jian	52	Director
XIAO Yaomeng	49	Director, General Manager
ZHU Qingrui	55	Director
ZHAO Qingchun	53	Director, Chief Financial Officer
WANG Ruolin	54	Employee Director
HUANG Xiaolong	43	Director, Secretary to the Board and Joint Company Secretary
<i>Independent Non-executive Directors</i>		
TIAN Hui	70	Independent Non-executive Director
ZHU Limin	69	Independent Non-executive Director
CAI Chang	49	Independent Non-executive Director
POON Chiu Kwok	59	Independent Non-executive Director
<i>Supervisors</i>		
ZHOU Hong	51	Supervisor, Chairman of Supervisory Committee
LI Shipeng	43	Supervisor, Vice Chairman of Supervisory Committee
QIN Yanpo	46	Supervisor
ZHU Hao	49	Supervisor
SU Li	49	Employee Supervisor
ZHENG Kai	52	Employee Supervisor
<i>Other Management Team</i>		
GONG Zhijie	55	Deputy General Manager
ZHANG Chuanchang	52	Deputy General Manager
ZHANG Yanwei	48	Deputy General Manager
LIU Qiang	49	Deputy General Manager
WANG Chunyao	54	Chief Engineer
HUANG Xiaolong	43	Secretary to the Board and Joint Company Secretary
ZHANG Lei	49	Chief Investment Officer

(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 Wei, born in September 1966, a research fellow in applied engineering technology and PhD of engineering, is the Party secretary and chairman of Shandong Energy Group. Mr. Li joined the Company's predecessor in 1988. He was appointed as the deputy manager of Baodian Coal Mine of

Yankuang Group (currently known as Shandong Energy Group) in December 1996. In May 2002, he was appointed as the director of the Restructuring Division of the Strategic Resources Development Department of Yankuang Group. In September 2002, he was appointed as the chairman, Party secretary and general manager of Yankuang Xilin Neng Hua Company Limited, and presided over the overall CPC- and government-related affairs of Baodian Coal Mine in March 2004. He was appointed as the manager and deputy Party secretary of Baodian Coal Mine in September 2004, and manager and deputy Party secretary of Nantun Coal Mine in August 2007. He was appointed as the deputy chief engineer and deputy director of the Safety Supervision Office of Yankuang Group in August 2009, deputy general manager and director of the Safety Supervision Office of Yankuang Group in April 2010, and director, general manager and deputy Party secretary of Yankuang Group in May 2015. He was appointed as vice chairman of the Company in June 2016, the deputy Party secretary, director, and general manager of Hualu Holdings Co., Ltd. in August 2020, and Party secretary and chairman of Shandong Energy Group in June 2021. Mr. Li graduated from University of Science and Technology Beijing. As of the date of this Offering Memorandum, Mr. Li held 10,000 A shares of the Company.

LIU Jian, born in February 1969, a research fellow in applied engineering technology with a master's degree of engineering, is the Director and General Manager of the Company. Mr. Liu joined the Company's predecessor in 1992 and was appointed as the vice manager of Dongtan Coal Mine of the Company in 2009. He was appointed as the manager of Jining III Coal Mine and the manager of Dongtan Coal Mine of the Company in 2014 and January 2016, respectively. In December 2016, he was appointed as the Deputy General Manager of the Company. In May 2019, he was appointed as the Director of the Company. In April 2020, Mr. Liu was appointed as the General Manager of the Company. Mr. Liu graduated from Shandong University of Science and Technology.

XIAO Yaomeng, born in March 1972, a research fellow in applied engineering technology with a master degree of engineering, is the deputy general manager of the Company. Mr. Xiao joined the Company's predecessor in 1994 and was appointed as the director of the Safety Inspection Department of Dongtan Coal Mine of the Company in 2013, and the chairman and the general manager of Guizhou Wulunshan Coal Mining Company Limited in 2014. In 2016, he was appointed as the deputy general manager of Yankuang Guizhou Neng Hua Company Limited and chairman of Guizhou Wulunshan Coal Mining Company Limited. In July 2018, he was appointed as the manager of Jining No. 3 Coal Mine of the Company. In April 2020, he was appointed as the deputy general manager of the Company. Mr. Xiao graduated from China University of Mining and Technology. As of the date of this Offering Memorandum, Mr. Xiao held 49,500 A shares of the Company; according to the share option scheme adopted by the Company on February 12, 2019, Mr. Xiao holds 100,500 unvested options of the Company.

ZHU Qingrui, born in February 1966, a research fellow in applied engineering technology and PhD of engineering, joined Lunan Chemical Fertilizer Plant in 1990. Mr. Zhu was appointed as the deputy chief engineer and chief engineer of Yankuang Guotai Chemicals Co., Ltd. in 2003 and 2007, respectively, and was appointed as the director of the Project Planning Division and deputy general manager of Yancoal Erdos Neng Hua Co., Ltd. in 2009. He was appointed as deputy general manager of Yanzhou Coal Ordos Neng Hua Co., Ltd., executive director, general manager and deputy Party secretary of Inner Mongolia Rongxin Chemicals Co., Ltd. in 2013. He was appointed as deputy general manager of Yanzhou Coal Ordos Neng Hua Co., Ltd., executive director, general manager and Party secretary of Inner Mongolia Rongxin Chemicals Co., Ltd. in 2014. He was appointed as director, general manager and deputy Party Secretary of Yankuang Coal Chemicals Co., Ltd. in 2015, and as director, general manager and Party secretary of Yankuang Chemicals Co., Ltd. in 2016. He was appointed as director, Party secretary and general manager of Shaanxi Future Energy Chemicals Co., Ltd. in 2018. He was appointed as assistant general manager of Shandong Energy Group, and director, Party secretary and general manager of Shaanxi Future Energy Chemicals Co., Ltd. in 2020. Mr. Zhu graduated from East China University of Science and Technology.

ZHAO Qingchun, born in March 1968, a senior accountant with an EMBA degree, is a Director and the CFO of the Company. Mr. Zhao joined the Company's predecessor in 1989 and was appointed as the chief accountant of finance department in 2002 and director of the planning and finance department of the Company in 2006. In March 2011, he was appointed as the vice chief financial officer and the director of the finance department of the Company. In March 2014, Mr. Zhao was appointed the

general manager assistant and the director of the finance management department of the Company. In January 2016, he was appointed as the CFO of the Company. Mr. Zhao was appointed as the Director of the Company in June 2016. Mr. Zhao graduated from Nankai University.

WANG Ruolin, born in July 1967, a professor-level senior administrative officer, is the deputy secretary of the Party Committee and the chairman of the Labor Union of the Company. Mr. Wang joined the Company's predecessor in 1990, and was appointed as the deputy-division-director level officer in the United Front and Publicity Department of the Party Committee and the vice director of Publicity Department of Party Committee of Yankuang Group (currently known as Shandong Energy Group) in February 2003 and January 2008, respectively. In March 2014, he was appointed as the deputy secretary of the Party Committee and the deputy manager of methanol plant of Yulin Neng Hua. Mr. Wang was appointed as the secretary of Party Committee and served as the deputy manager of methanol plant of Yulin Neng Hua in July 2014. In October 2017, he was appointed as the secretary of the Party Committee and the vice manager of Dongtan Coal Mine. Mr. Wang was appointed as the deputy secretary of Party Committee and the chairman of the Labor Union of the Company in March 2020. Mr. Wang was elected as the employee representative director in June 2017. Mr. Wang graduated from Qufu Normal University, with a bachelor degree in literature.

HUANG Xiaolong, born in November 1977, is a senior economist and master of law. Mr. Huang joined the Company's predecessor in 1999. He was appointed as the Company's securities representative in 2006, deputy-division-director-level secretary of the Company's Secretary Office to the Board in 2008, and deputy director of the Company's Secretary Office to the Board in 2012. He was appointed as the director of the Equity Reform and Restructuring Office of the former Shandong Energy Group Co., Ltd. in 2013, and director and deputy general manager of Dongguan Haichang Industry Co., Ltd. in 2016. He was appointed as a member of the Secretary Office to the Board of Shandong Energy Group in August 2020. Mr. Huang graduated from University of International Business and Economics.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CAI Chang, born in December 1971, professor, doctoral tutor, Doctor of Accountancy, Post-doctor of Economics, International Certified Senior Public Accountant (ICSPA), an Independent Non-executive Director of the Company. Mr. Cai is currently the director of the tax planning and legal research center of the Central University of Finance and Economics, the director of the tax administration department and the director of Editorial Board of the Chinese Tax and Legal Think Tank. Mr. Cai is also an academic member of the council of China Certified Tax Agents Association, a visiting professor at Peking University and Tsinghua University, and a master supervisor of Chinese Academy of Social Sciences Graduate School of Taxation and Chair professor of Minjiang Scholarship. Mr. Cai presided over the completion of a number of national and provincial key scientific research projects and published ten famous works in the field of accounting and tax. Mr. Cai was appointed as the Independent Non-executive Director of the Company in November 2017. Mr. Cai graduated from Tianjin University of Finance and Economics and Chinese Academy of Social Sciences.

POON Chiu Kwok, born in April 1962, holding a bachelor's degree of laws, a bachelor's degree of business and a master's degree of international accounting, is an FCPA Australia, a senior member of Hong Kong Institute of Chartered Secretaries and a member of its consulting group, the audit committee, the China Comern Group, a senior member of the Chartered Corporate Governance Institute (formerly Institute of Chartered Secretaries and Administrators), a senior member and invited tutor of the Hong Kong Securities and Investment Association and an Independent Non-executive Director of the Company. Mr. Poon currently is the executive director, vice president and the company secretary of Huabao International Holdings Limited. Mr. Poon has worked for investment banks for many years and is experienced in listed company governance, financing and management. Now he also acts as an independent non-executive director of companies listed in the HKSE including Sunac China Holdings Limited, SANY Heavy Equipment International Holdings Limited, AUX International Holdings Limited, Chongqing Changan Minsheng APLL Logistics Co., Ltd., Green Town Service Group Co., Ltd., Tonly Electronics Holdings Limited, TUS International Limited, Yuanda China Holdings Limited, Jinchuan Group International Resource Co. Ltd and Honghua Group Co., Ltd. Mr. Poon was appointed as an Independent Non-executive Director of the Company in June 2017. He graduated from University of London.

TIAN Hui, born in August 1951, a PhD supervisor, professor-level senior engineer and national master of engineering survey and design, and enjoys special subsidies from the State Council. Mr. Tian is currently deputy director of the China Coal Industry Technology Committee. Mr. Tian was deputy division director and deputy director of the Shenyang Design Institute of the Coal Ministry, deputy director and deputy secretary of Beijing Coal Design Institute (Group), director and secretary of the Party Committee of China Coal International Engineering Design Institute, secretary of the Party Committee and vice chairman of the board of China Coal Technology Engineering Group and deputy director of China Coal Industry Association. Mr. Tian was appointed as the Independent Non-executive Director of the Company in June 2020. Mr. Tian graduated from China University of Mining and Technology.

ZHU Limin, born in October 1951, holds a master's degree in economics. Mr. Zhu was deputy division director of the Pilot Program Department of National Institution Reform Committee, division director of Comprehensive Planning and Pilot Program Department of National Institution Reform Committee, deputy general manager of China Enterprise Shareholding Consultancy Company affiliated to National Institution Reform Committee, deputy director of Audit Department of China Securities Regulatory Commission, deputy director of Audit Bureau of China Securities Regulatory Commission, director of Investors Education Office and Coordination Department of China Securities Regulatory Commission, Compliance Director of China Securities Corporation, and chairman of Supervisory Committee of China Securities Corporation. Mr. Zhu is currently a director of Focus Technology Co., Ltd, and independent director of Aisino Corporation, Goldstate Securities Corporation (a private company) and Xinda Securities Corporation (a private company). Mr. Zhu was appointed as the Independent Non-executive Director of the Company in June 2020. Mr. Zhu graduated from Nankai University and Renmin University of China.

SUPERVISORS

ZHOU Hong, born in May 1970, a senior accountant, a professor level senior administrative officer, senior economist, an A level Human Resource Professional, with a bachelor's degree in economics, is the Vice Chairman of the Supervisory Committee of the Company. Mr. Zhou joined the predecessor of the Company in 1994 and served as the chief economist, the vice director and the director of the human resource department of Yankuang Group (currently known as Shandong Energy Group) in August 2006, August 2009 and June 2012 successively. He was appointed as the director of the operation management department of Yankuang Group in March 2014, the director of the organization department of the party committee (human resource department) of Yankuang Group in November 2015, the employee supervisor of Yankuang Group in December 2015, and the general manager assistant of Yankuang Group in June 2016. He assumed as the Vice Chairman of the Supervisory Committee of the Company in June 2017. Mr. Zhou graduated from China Coal Economics Institute.

ZHENG Kai, born in September 1969, a professor level senior administrative officer with a master's degree, is an Employee Supervisor of the Company. Mr. Zheng joined the predecessor of the Company in July 1990. He was appointed as the chairman of the labor union of Baodian Coal Mine of the Company in September 2009 and the vice manager of Baodian Coal Mine in December 2014. He served as the deputy party secretary, the secretary of discipline inspection committee and the chairman of the labor union of Baodian Coal Mine of the Company in August 2016. He was appointed as the deputy director of the department of party and mass work (the labor union) of the Company in October 2017. He was appointed as the Employee Supervisor of the Company in December 2018. Mr. Zheng graduated from the Party School of Shandong Provincial Communist Committee.

LI Shipeng, born in February 1978, a senior accountant with a master degree of engineering. Mr. Li joined the Company in 2000 and was appointed as the chief accountant and the vice director of Finance Management Department of Yankuang Group (currently known as Shandong Energy Group) in December 2017 and April 2020, respectively. Mr. Li graduated from China University of Petroleum.

ZHU Hao, born in October 1971, a senior economist, is the director of the Operation Management Department of Shandong Energy Group. Mr. Zhu was appointed as the chief economist of Suncun Coal Mine of Xinwen Mining Group Limited in 2001, and as the chief economist and member of the Party

committee of Suncun Coal Mine of Xinwen Mining Group Limited in 2007. He was appointed as the deputy director of Operation Management Department of Xinwen Mining Group Limited in 2010, and as director of Operation Management Department and director of Inspection Office of Xinwen Mining Group Limited in 2012. He was appointed as deputy general manager of the Performance Operation Department of the former Shandong Energy Group Company Limited in 2014. He was appointed as director of the Economic Operation Department of the former Shandong Energy Group Company Limited in 2017, and as the Operation Management Department of Shandong Energy Group in August 2020. Mr. Zhu graduated from Shandong University.

QIN Yanpo, born in February 1975, a senior accountant with a postgraduate diploma. Mr. Qin joined the Company's predecessor in 1996, and was appointed as the director of Finance Management Department of Ordos Neng Hua in September 2014; financial director and general counsel of Ordos Neng Hua in November 2016; director, financial director and general counsel of Ordos Neng Hua in January 2019. Mr. Qin graduated from Northwestern Polytechnical University.

SU Li, born in July 1972, a professor level senior administrative officer, senior economist with a postgraduate diploma. Mr. Su is the employee supervisor and secretary of Discipline Inspection Commission of the Company. Mr. Su joined the Company's predecessor in 1996 and was appointed as the deputy head of General Manager Office of Yankuang Group (currently known as Shandong Energy Group) in October 2008. He was appointed as the director of Human Recourses Department of Yankuang Donghua Company in June 2012; the director of Human Recourses Department of the Company in March 2014; assistant general manager and the director of Human Recourses Department of the Company in January 2016; assistant general manager and the director of Human Recourses Department of the Company in June 2016. He was appointed as the secretary of Discipline Inspection Commission in March 2020. Mr. SU graduated from China University of Mining and Technology.

OTHER MANAGEMENT TEAM

GONG Zhijie, born in December 1965, a research fellow in applied engineering technology with a master's degree of engineering, serves as the Deputy General Manager of the Company. Mr. Gong joined the Company's predecessor Company in 1985 and served as the vice manager of Xinglongzhuang Coal Mine of the Company in 2003. He served as the manager of Xinglongzhuang Coal Mine in 2014 and the manager of Jining III Coal Mine of the Company in 2015 successively. In 2018, he assumed the position as the chief safety officer of the Company. He was appointed as the Deputy General Manager of the Company in December 2018. Mr. Gong graduated from the China University of Mining Technology.

ZHANG Chuanchang, born in October 1968, a research fellow in applied engineering technology with a master's degree of engineering, serves as the Deputy General Manager of the Company. Mr. Zhang currently also serves as the Deputy General Manager of Shaanxi Future Energy Chemical Co., Ltd. since May 2018 and the manager of its Jinjitan coal mine since 2014. Mr. Zhang joined the Company's predecessor in 1990 and he previously served as the vice manager of Yushuwan Coal Mine in 2006. In April 2020, Mr. Zhang was appointed as the Deputy General Manager of the Company. Mr. Zhang graduated from Shandong University of Science and Technology.

ZHANG Yanwei, born in February 1973, an engineering technology application researcher and master of engineer, is the Deputy General Manager of the Company. Mr. Zhang joined in Zaozhuang Mining Bureau in 1993 and was appointed as chief engineer of Longkou Lihai Mining Company of Zaozhuang Mining Group Co., Ltd. Then he was successively appointed as the vice director of production technology department of Zaozhuang Mining Group Co., Ltd. in 2011, the Deputy General Manager of production and member of CPC committee of Fucun Coal Mining Company of Zaozhuang Mining Group Co., Ltd. in 2014, the executive director, general manager, member of the CPC committee of Zaozhuang Mining Group Co., Ltd. in 2015, the executive director, general manager, deputy party secretary of Fucun Coal Mining Company of Zaozhuang Mining Group Co., Ltd. in 2016, the executive director, general manager, member of the CPC committee of Zaozhuang Mining Group Co., Ltd. in 2017, the Deputy General Manager of Zaozhuang Mining Group Co., Ltd. in 2018 and the deputy party

secretary, general manager and director of Zaozhuang Mining Group Co., Ltd. in April 2020. He was appointed as the deputy general manager of the Company in July 2021. Mr. Zhang graduated from Shandong University of Science and Technology.

LIU Qiang, born in October 1972, a research fellow in applied engineering technology with a master's degree of engineering, is a Deputy General Manager of the Company. Mr. Liu was appointed as the Deputy General Manager of Yankuang Guotai Chemicals Co., Ltd. in October 2008, and was appointed as the Deputy General Manager of Yankuang Lunan Chemicals Co., Ltd. in May 2012. He was also appointed as the Executive Director, General Manager and Party Secretary of Yankuang Coal Chemicals Engineering Co., Ltd. in March 2014. In April 2016, he was appointed as the Deputy Party Secretary and General Manager of Yankuang Lunan Chemicals Co., Ltd. and was successively appointed as the Chairman of the Board, General Manager and Party Secretary of Yuankuang Lunan Chemicals Co., Ltd. in May 2017. He was appointed as the Deputy General Manager of Yankuang Chemicals Co., Ltd. and the Party secretary and Chairman of the Board of Yankuang Lunan Chemicals Co., Ltd. in September 2019. Mr. Liu graduated from East China University of Science and Technology and Zhejiang University.

WANG Chunyao, born in May 1967, a research fellow in applied engineering technology with a master's degree of engineering, serves as the Chief Engineer of the Company. Mr. Wang currently also serves as the manager of the Baodian Coal Mine of the Company since August 2017. Mr. Wang joined the Company's predecessor in 1989 and served as the chief engineer and vice manager of Jining III Coal Mine in 2014. He also served as the director of production and technology department of the Company in 2017. In April 2020, Mr. Wang was appointed as the Deputy General Manager of the Company. Mr. Wang graduated from China University of Mining and Technology.

HUANG Xiaolong, for details of Mr. Huang, see "*Executive Directors*" above.

ZHANG Lei, born in May 1972, an International Certified Senior Accountant, an Australian Certified Public Accountant, with a master's degree of business administration and a doctor degree of economics. Mr. Zhang is the chief investment officer of the Company. Mr. Zhang served as vice president of Siemens (China) Co., Ltd. and chief financial officer of Siemens Northeast Asia Real Estate Group from September 2008 to September 2010; executive director and chief financial officer of Chinalco Mining International, vice president and chief financial officer of Chinalco Overseas Holdings Limited from September 2010 to June 2012; general manager of Shell Far East from July 2012 to March 2013; senior vice president and managing director of SK Greater China in South Korea from March 2013 to March 2014. Mr. Zhang joined the Company in 2014. He was appointed as the chief financial officer of Yancoal Australia, the chief executive officer of Oz-Star, and the general manager of Yancoal International Holdings successively. In March 2020, he was appointed as the chief investment officer of the Company. Mr. Zhang graduated from the Guanghua School of Management of Peking University and the Graduate School of the Chinese Academy of Social Sciences.

LEUNG Wing Han Sharon holds a bachelor's degree in business administration majoring in accounting, a bachelor's degree in law and a master's degree in law (international corporate and finance law). She is a fellow member of the Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries), a fellow member of the Chartered Governance Institute in the United Kingdom (formerly known as the Institute of Chartered Secretaries and Administrators), a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Leung Wing Han Sharon currently serves as director of SWCS Corporate Services Group (Hong Kong) Limited and has over ten years of experience in finance, accounting and company secretarial matters.

Compensation

The aggregate amount of cash remuneration (tax inclusive) paid by us to directors, supervisors and executive officers for the year ended December 31, 2019 and 2020 was approximately RMB12.09 million and RMB20.77 million respectively. We did not pay any discretionary bonus during the reporting period of this Offering Memorandum to our directors, supervisors or executive officers.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Upon approval at the first meeting of the seventh session of the Board of Directors held on June 29, 2017, the Company set up our audit committee of the seventh session of the Board of Directors. The audit committee is mainly responsible for proposing the appointment or replacement of independent auditors; reviewing the accounting policies and practice 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 current audit committee comprises four Independent Non-executive Directors, namely Mr. TIAN Hui, Mr. ZHU Limin, Mr. CAI Chang, Mr. POON Chiu Kwok, and one Employee Director, Mr. WANG Ruolin. Mr. CAI Chang serves as the chairman of the audit committee.

REMUNERATION COMMITTEE

The remuneration committee of the seventh session of the Board of Directors was set up following approval from the Board of Directors at the first meeting of the seventh session of the Board of Directors held on June 29, 2017. The primary responsibilities of our remuneration committee as set out in the committee charter include formulating a compensation plan for our directors, supervisors, and the senior officers, making recommendations on and assessing the compensation for our directors, supervisors and senior officers and reviewing the relevant disclosure on the compensation plan. 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 and the Hong Kong Stock Exchange.

The current remuneration committee is comprised of three members: Independent Non-executive Directors, namely Mr. Zhu Limin, CAI Chang and Mr. POON Chiu Kwok. Mr. Zhu Limin serves as the chairman of the remuneration committee.

NOMINATION COMMITTEE

Pursuant to approval granted at the first meeting of the seventh session of the Board of Directors held on June 29, 2017, we established the nomination committee of the seventh session of the Board of Directors. The main duties of the nomination committee include (i) making recommendations to the Board on the structure, the number of Directors and the composition of the Board based on our operation, asset scale and share structure and diversifying composition of the Board based on our business model and specific requirements; (ii) considering and formulating the selection criteria and procedures for directors and managers and making recommendations; (iii) extensively searching for suitable candidates of directors and managers for the Company and making recommendations to the Board of Directors; (iv) 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 (v) 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 and the Hong Kong Stock Exchange.

The Current nomination committee is comprised of three members: two Independent Non-executive Directors, namely Mr. POON Chiu Kwok and Mr. TIAN Hui, and one Director, namely Mr. LI Wei. Mr. POON Chiu Kwok serves as the chairman of the nomination committee.

STRATEGY AND DEVELOPMENT COMMITTEE

Pursuant to approval granted at the first meeting of the seventh session of the Board of Directors held on June 29, 2017, 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 current strategy and development committee consists

of three Directors, namely Mr. LI Wei, Mr. LIU Jian and XIAO Yaomeng, and one Independent Non-executive Director, namely Mr. Zhu Limin. Mr. LI Wei serves as the chairman of the strategy and development committee.

SUSTAINABLE DEVELOPMENT COMMITTEE

The Company has established the Sustainable Development Committee of the Board of Directors. In accordance with the regulatory requirements of the places of listing home and abroad, the Sustainable Development Committee is mainly responsible for the corporate governance and environmental and social responsibilities management of the Company, and for putting forward relevant opinions and suggestions to the Board of Directors. The main duties of the Sustainable Development Committee include: (i) reviewing the Company's policies and strategies regarding corporate governance and environmental and social responsibilities to ensure that they conform to laws, regulations and standards; (ii) assessing and sorting out risks and opportunities related to the Company's corporate governance and environmental and social responsibilities, and make recommendations to the Board of Directors; (iii) reviewing the Company's corporate governance, environmental and social responsibilities management and internal control system, and make recommendations to the Board of Directors on the appropriateness and effectiveness thereof; (iv) examining the objectives of, and supervise and evaluate the implementation of, the relevant work of the corporate governance and environmental and social responsibilities of the Company, and make recommendations to the Board of Directors; (v) reviewing the Company's Social Responsibility Report disclosed to the public and make recommendations to the Board of Directors; (vi) guiding the formulation of the vision, objectives and strategies of the corporate governance and environmental and social responsibilities management of the Company, and make recommendations to the Board of Directors, and (vii) other duties and powers assigned by the Board of Directors. The current Sustainable Development Committee consists of three directors, namely Mr. XIAO Yaomeng, Mr. TIAN Hui and Mr. Zhu Limin. Mr. XIAO Yaomeng serves as the chairman of the Sustainable Development Committee.

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 re-examination 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. ZHOU Hong, Mr. LI Shipeng, Mr. Qin Yanpo, Mr. ZHU Hao, Mr. SU Li, and Mr. ZHENG Kai. As approved by the first meeting of the eighth session of the Supervisory Committee of the Company on August 20, 2021, Mr. ZHOU Hong and Mr. LI Shipeng were elected as chairman and vice chairman of the Supervisory Committee of the Company, respectively.

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the Conditions of the Bonds which (subject to modification and save for the paragraphs in italics) will be endorsed on each definitive certificate evidencing the Bonds (if issued):

The US\$300,000,000 2.90% senior guaranteed bonds due 2024 (the “**Bonds**”, and each a “**Bond**”, which expressions include any further bonds issued pursuant to Condition 13 (*Further Issues*) and forming a single series therewith) of Yancoal International Resources Development Co., Limited (兗煤國際資源開發有限公司) (the “**Issuer**”) are constituted by, are subject to, and have the benefit of, a trust deed dated on or about November 18, 2021 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer, Yanzhou Coal Mining Company Limited 兗州煤業股份有限公司 (the “**Guarantor**”) and DB Trustees (Hong Kong) Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated on or about November 18, 2021 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, the Guarantor, Deutsche Bank AG, Hong Kong Branch, as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Bonds), Deutsche Bank AG, Hong Kong Branch, as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Bonds), the transfer agent named therein (the “**Transfer Agent**”, which expression includes any successor or additional transfer agent appointed from time to time in connection with the Bonds), the paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**” which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds) and the Trustee. References herein to the “**Agents**” are to the Registrar, the Principal Paying Agent, the Transfer Agent and the Paying Agents and any reference to an “**Agent**” is to any one of them. The Bonds have the benefit of a deed of guarantee dated on or about November 18, 2021 (as amended or supplemented from time to time, the “**Deed of Guarantee**”, which expression, unless expressly indicated otherwise, includes any further deeds of guarantee that may be made by the Guarantor in favour of the Trustee pursuant to Condition 13 (*Further issues*)) executed by the Guarantor relating to the Bonds. Certain provisions of these terms and conditions (the “**Conditions**”) are summaries of the Trust Deed, the Deed of Guarantee and the Agency Agreement and are subject to their detailed provisions. The Holders (as defined in Condition 3(a) (*Register, Title and Transfers — Register*)) are bound by, and are deemed to have notice of, all the provisions of Deed and are deemed to have notice of all the provisions of the Agency Agreement applicable to them. Copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement are available to Holders during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), Monday to Friday (other than public holidays) upon prior written request and satisfactory proof of holdings from the Holders).

1. FORM AND DENOMINATION

The Bonds are in registered form in the denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof (each, an “**Authorised Denomination**”).

2. STATUS AND GUARANTEE OF THE BONDS; COVENANTS

- (a) *Status of the Bonds*: The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 2(d) (*Status and Guarantee of the Bonds; Covenants — Negative Pledge*)) unsecured obligations of the Issuer which rank *pari passu* and without any preference among themselves. The payment obligation of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 2(d) (*Status and Guarantee of the Bonds; Covenants — Negative Pledge*), at all times rank at least equally with all the Issuer’s other present and future unsecured, unconditional and unsubordinated obligations.

Upon issue, the Bonds will be evidenced by a global certificate (the “**Global Certificate**”) substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream and will be exchangeable for individual Certificates only in the circumstances set out therein.

- (b) *Guarantee:* The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Bonds. The obligations of the Guarantor in that respect (the “**Guarantee**”) are contained in the Deed of Guarantee. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 2(d) (*Status and Guarantee of the Bonds; Covenants — Negative Pledge*), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
- (c) [Reserved]
- (d) *Negative Pledge:* The Guarantor will not, and will not permit the Issuer or any Principal Subsidiary to, create, incur, assume or permit to exist any Encumbrance (other than Permitted Encumbrance) upon any of its property or assets, now owned or hereafter acquired, to secure any Indebtedness of the Guarantor, the Issuer or any such Principal Subsidiary (or any guarantee or indemnity in respect thereof) without, in any such case, making effective provision whereby the Bonds will be secured either at least equally and ratably with such Indebtedness or by such other Encumbrance as shall have been approved by an Extraordinary Resolution of the Holders, for so long as such Indebtedness will be so secured, unless, after giving effect thereto, the aggregate outstanding principal amount of all such secured Indebtedness including the Attributable Value of Sale and Leaseback Transactions (as set forth in Condition 2(e) (*Status and Guarantee of the Bonds; Covenants — Sale and Leaseback Transactions*)) entered into after the Issue Date) does not exceed 5% of the Guarantor’s Adjusted Consolidated Net Worth.
- (e) *Sale and Leaseback Transactions:* The Guarantor shall not, and shall not cause or permit any Principal Subsidiary to, enter into any Sale and Leaseback Transaction with any Person (not including any Principal Subsidiary) for a period, including any renewals thereof, in excess of three years of any Principal Property which has been owned by the Guarantor or a Principal Subsidiary for more than six months unless either:
 - (i) the Guarantor or such Principal Subsidiary would be permitted under Condition 2(d) (*Status and Guarantee of the Bonds; Covenants — Negative Pledge*) to create, incur or permit to exist an Encumbrance on the Principal Property to secure Indebtedness (without equally and ratably securing the Bonds with such Indebtedness) at least equal in amount to the Attributable Value of the Sale and Leaseback Transactions; or
 - (ii) the Guarantor or such Principal Subsidiary, within 120 calendar days after such sale or transfer, (x) applies, in the case of a sale or transfer for cash, an amount equal to the net proceeds thereof or, in the case of a sale or transfer otherwise than for cash, an amount equal to the fair market value of the Principal Property so leased (as determined in good faith by any two members of the board of directors of the Guarantor or such Principal Subsidiary) to (A) the retirement of Indebtedness of the Guarantor or such Principal Subsidiary ranking prior to or on parity with the Bonds, incurred or assumed by the Guarantor or such Principal Subsidiary, which by its terms matures at, or is extendible or renewable at the option of the obligor to, a date more than 12 months after the date of incurring or assuming such Indebtedness; *provided* that in connection with such application, the Guarantor or such Principal Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount of such Indebtedness so voluntarily retired by the Guarantor or such Principal Subsidiary; or (B) the purchase of other property which will constitute a Principal Property having a fair market value (as determined in good faith by any two members of the board of directors of the Guarantor or such

Principal Subsidiary) at least equal to the fair market value of the Principal Property leased in such Sale and Leaseback Transaction; or (y) deposits, in the case of a sale or transfer for cash, an amount equal to the net proceeds thereof into an escrow account which is used solely for the purpose of providing for the Guarantor's or such Principal Subsidiary's obligations under the Sale and Leaseback Transaction.

- (f) *SAFE Registration.* The Guarantor shall register or cause to be registered with the SAFE the Deed of Guarantee (the “**Cross-border Security Registration**”) in accordance with, and within the time period prescribed by, the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定), use its reasonable endeavours to complete the Cross-border Security Registration and obtain a registration record from SAFE on or before the day falling 120 PRC Business Days after the Issue Date (the “**Registration Deadline**”) and comply with all applicable PRC laws and regulations in relation to the Cross-Border Security Registration. In addition, the Guarantor shall procure that as soon as practicable after the documents comprising the SAFE Registration Release Condition are delivered to the Trustee, the Issuer releases a notice to the Holders confirming the completion of the SAFE Registration Release Condition. The Trustee shall have no obligation or duty to monitor or ensure the registration of the Deed of Guarantee with SAFE on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any certificate, confirmation, or other documents in relation to or in connection with the Cross-border Security Registration and shall not be liable to Holders or any other person for not doing so.
- (g) *Notification to NDRC.* The Guarantor undertakes to file or cause to be filed with the NDRC the requisite information and documents within the prescribed timeframe in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and which came into effect on September 14, 2015 and any implementation rules as issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”).

The Guarantor shall within 10 PRC Business Days after submission of the NDRC Post-issue Filing, provide the Trustee with a certificate in English signed by an authorized officer of the Guarantor confirming the submission of the NDRC Post-issue Filing and having attached to it documents evidencing submission of the NDRC Post-issue Filing (the “**NDRC Registration Confirmation Certificate**”). In addition, the Guarantor shall procure that the Issuer releases a notice to the Holders (in accordance with Condition 14 (*Notices*)) confirming submission of the NDRC Post-Issue Filing as soon as practicable after provision of the NDRC Registration Confirmation Certificate to the Trustee.

- (h) *Financial statements.* For so long as the Bonds remain outstanding (as defined in the Trust Deed), the Guarantor shall send to the Trustee (i) as soon as they are available, but in any event within 120 calendar days after the end of each fiscal year of the Guarantor, copies of its audited financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of independent accountants; and (ii) as soon as they are available, but in any event within 60 calendar days after the end of each first semi-annual fiscal period of the Guarantor, copies of its unaudited and unreviewed financial statements (on a consolidated basis) in respect of such semi-annual period (including a statement of income, balance sheet and cash flow statement) prepared on a basis consistent with the audited financial statements of the Guarantor, together with a certificate signed by an authorized officer of the Guarantor, to the effect that such financial statements are true in all material respects and present fairly the financial position of the Guarantor, as at the end of, and the results of its operations for, the relevant semi-annual period; *provided that*, if at any time the Capital Stock of the Guarantor is listed for trading on a recognized stock exchange, the Guarantor shall send to the Trustee, as soon as they are available but in any event not more than 10 calendar days after any annual or semi-annual financial reports of the Guarantor are filed with any

recognized exchange on which the Guarantor's Capital Stock is at any time listed for trading, true and correct copies of any such annual or semi-annual financial report filed with such exchange in lieu of the reports identified in (i) or (ii) above.

- (i) *Notice of default.* The Issuer and the Guarantor shall deliver to the Trustee a certificate signed by an authorized officer of the Guarantor specifying such event and the circumstances relating thereto as soon as practicable and in any event within fifteen Business Days of an occurrence of a Potential Event of Default (as defined in the Trust Deed) or Event of Default.

3. REGISTER, TITLE AND TRANSFERS

- (a) *Register:* The Registrar will maintain a register (the "**Register**") in respect of the Bonds outside of the United Kingdom in accordance with the provisions of the Agency Agreement. In these Conditions, the "Holder" of a Bond means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A certificate (each, a "**Certificate**") will be issued to each Holder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (b) *Title:* The Holder of each Bond shall (except as otherwise required by law) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Bonds or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act.
- (c) *Transfers:* Subject to Condition 3(f) (*Register, Title and Transfers — Closed periods*) and Condition 3(g) (*Register, Title and Transfers — Regulations concerning transfers and registration*) below, a Bond may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided* that, a Bond may not be transferred unless the principal amount of Bonds transferred and (where not all of the Bonds held by a Holder are being transferred) the principal amount of the balance of Bonds not transferred are Authorised Denominations. Where not all the Bonds represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Bonds will be issued to the transferor.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

- (d) *Registration and delivery of Certificates:* Within five business days of the surrender of a Certificate in accordance with Condition 3(c) (*Register, Title and Transfers — Transfers*), the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Bonds transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this Condition 3 (*Register, Title and Transfer*), "business day" means a day, excluding a Saturday and a Sunday, on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

- (e) *No charge:* The transfer of a Bond will be effected without charge by or on behalf of the Obligors, the Registrar or any Transfer Agent but against such indemnity and/or security and/or pre-funding as the Obligors, the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (f) *Closed periods:* Holders may not require transfers to be registered (i) during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Bonds, (ii) during the period of seven days ending on (and including) any date on which the Bonds may be called for redemption by the Issuer pursuant to Condition 5(b) (Redemption and Purchase — Redemption for tax reasons) or Condition 5(d) (*Redemption and Purchase — Mandatory Redemption for SAFE Non-Registration Event*) or (iii) after any Bonds held by such Holders have been put for redemption pursuant to Condition 5(c) (*Redemption and Purchase — Redemption in the case of a Change of Control Triggering Event*).
- (g) *Regulations concerning transfers and registration:* All transfers of Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Bonds scheduled to the Agency Agreement. The parties to the Agency Agreement may agree, without the consent of the Holders to any modifications to any provisions thereof (including the regulations concerning the transfer of Bonds). A copy of the current regulations will be mailed (free of charge) by the Registrar to any Holder who requests in writing a copy of such regulations.

4. INTEREST

- (a) *Interest rate and interest payment dates:* The Bonds bear interest on their outstanding principal amount from and including November 18, 2021 at the rate of 2.90 per cent. per annum, payable in arrear on May 18 and November 18, each year (each an “**Interest Payment Date**”), commencing on May 18, 2022. In these Conditions, the period beginning on and including November 18, 2021 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “Interest Period”. The relevant day-count fraction for an Interest Period or any period of less than a complete Interest Period will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.
- (b) *Interest Payments:* Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest in accordance with this Condition 4 (*Interest*) (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Holders, and (ii) the day which is seven days after the Trustee or the Principal Paying Agent has notified Holders of receipt of all sums due in respect of all the Bonds (except to the extent that there is a failure in the subsequent payment to the relevant Holders under these Conditions).
- (c) *Calculation of Interest:* Interest in respect of any Bond shall be calculated per US\$1,000 in principal amount of the Bonds.

5. REDEMPTION AND PURCHASE

- (a) *Final redemption:* Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on November 18, 2024. The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 5 (*Redemption and Purchase*).

- (b) *Redemption for tax reasons:* The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) at their principal amount (together with any accrued interest up to, but excluding, the date fixed for redemption), if, immediately before giving such notice, the Issuer satisfies the Trustee that:
- (i) an Obligor has or will become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 7 (*Taxation*)), or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after November 15, 2021; and
 - (ii) such obligation cannot be avoided by such Obligor taking reasonable measures available to it (a “**Withholding Tax Event**”) *provided* that, no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which such Obligor would be obliged to pay such Additional Amounts if a payment in respect of the Bonds were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 5(b) (*Redemption and Purchase — Redemption for tax reasons*), the Issuer shall deliver or procure that there is delivered to the Trustee:

- (A) a certificate, signed by an authorized officer of the affected Obligor, stating that the circumstances referred to in (i) and (ii) of this Condition 5(b) (*Redemption and Purchase — Redemption for tax reasons*) prevail and setting out the details of such circumstances; and
- (B) an opinion, in form and substance satisfactory to the Trustee, of independent legal or tax advisers of recognised standing with respect to tax matters of the Relevant Jurisdiction to the effect that such Obligor has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

The Trustee shall be entitled to accept and rely upon such certificate and opinion (without any further investigation or enquiry) as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) of this Condition 5(b) (*Redemption and Purchase — Redemption for tax reasons*) and they shall be conclusive and binding on the Holders.

Upon the expiry of any such notice period as is referred to in this Condition 5(b) (*Redemption and Purchase — Redemption for tax reasons*), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 5(b) (*Redemption and Purchase — Redemption for tax reasons*).

Notwithstanding anything to the contrary herein, the Bonds may not be redeemed under this Condition 5(b) (*Redemption and Purchase — Redemption for tax reasons*) in the case that Additional Amounts are payable in respect of PRC withholding tax at the Applicable PRC Rate or less.

- (c) *Redemption in the case of a Change of Control Triggering Event:* At any time following the occurrence of a Change of Control Triggering Event, the Holder of any Bond will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Bonds on the Put Settlement Date at 101% of their principal amount, together with accrued interest up to, but excluding, such Put Settlement Date. To exercise such right, the Holder of the relevant Bond must deposit at the Specified Office of the Principal Paying

Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of the Principal Paying Agent or any other Paying Agent (a “**Put Exercise Notice**”), together with the Certificates evidencing the Bonds to be redeemed by not later than 30 days following a Change of Control Triggering Event, or, if later, 30 days following the date upon which notice thereof is given to Holders by the Issuer in accordance with Condition 14 (*Notices*). Where not all the Bonds represented by the surrendered Certificate shall be redeemed, a new Bond Certificate in respect of the balance of the Bonds will be issued to the Holder to which such surrendered Bond Certificate relates.

The “Put Settlement Date” shall be the 14th day after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds subject to the Put Exercise Notices delivered as aforesaid.

The Issuer shall give notice to Holders and the Trustee in accordance with Condition 14 (*Notices*) by not later than 10 days following the first day on which it becomes aware of the occurrence of a Change of Control Triggering Event, which notice shall specify the procedure for exercise by Holders of their rights to require redemption of the Bonds pursuant to this Condition 5(c) (*Redemption and Purchase — Redemption in the case of a Change of Control Triggering Event*).

- (d) *Redemption in the case of SAFE Non-Registration Event:* Upon the occurrence of a SAFE Non-Registration Event, the Holder of any Bond will have the right, at such Holder’s option, to require the Issuer to redeem all but not some only of that Holders’s Bonds on the SAFE Non-Registration Event Redemption Date at 100% of their principal amount together with accrued interest up to, but excluding, the SAFE Non-Registration Event Redemption Date.

If there has been a SAFE Non-Registration Event, the Issuer shall promptly give notice of the SAFE Non-Registration Event to the Holders specifying the SAFE Non-Registration Event Redemption Date in accordance with Condition 14 (*Notices*) and deliver or procure to be delivered to the Trustee a certificate in the relevant form set out in Schedule 5 to the Trust Deed signed by an authorized officer of the Guarantor, confirming that a SAFE Non-Registration Event has occurred.

- (e) *Redemption at the option of the Issuer:* At any time, the Issuer may redeem the Bonds, in whole but not in part only, upon not less than 30 days’ nor more than 60 days’ notice, at a redemption price equal to 100% of the principal amount of the Bonds plus the Applicable Premium as at, and all accrued and unpaid interest up to, but excluding, such redemption date.

None of the Trustee or the Agents shall be responsible for calculating or verifying the redemption price payable pursuant to this Condition 5(e) (*Redemption and Purchase — Redemption at the option of the Issuer*) or for calculation of the Applicable Premium or for determining or verifying whether a Bond is to be accepted for redemption under this Condition 5(e) (*Redemption and Purchase — Redemption at the option of the Issuer*) and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so.

- (f) *Purchase:* The Guarantor, the Issuer and/or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise and at any price, in each case subject to applicable law.
- (g) *Cancellation:* All Bonds redeemed or purchased by or on behalf of the Guarantor, the Issuer and/or any of its Subsidiaries shall be cancelled and may not be reissued or resold.

6. PAYMENTS

- (a) *Principal:* Payments of principal and premium (if any) shall be made by transfer to a US dollar account.
- (b) *Interest:* Payments of interest shall be made in US dollars by transfer to a US dollar account (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.
- (c) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Holder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.
- (d) *Payments subject to fiscal laws:* All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Holders in respect of such payments.
- (e) *Payments on business days:* Where payment is to be made by transfer to a US dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated. A Holder of a Bond shall not be entitled to any payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day, (B) the holder being late in surrendering or cannot surrender its Certificate (if required to do so). In this Condition 6(d) (*Payments — Payments on business days*), “business day” means any day, other than a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in New York City and Hong Kong and, in the case of surrender of a Certificate, in the place in which the Certificate is surrendered.
- (f) *Record date:* Each payment in respect of a Bond will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar’s Specified Office on the fifteenth day before the due date for such payment (the “**Record Date**”).

Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

7. TAXATION

All payments of principal, premium (if any) and interest in respect of the Bonds by or on behalf of an Obligor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong, the PRC or any jurisdiction in which an Obligor is tax resident or any political subdivision thereof or any authority therein or thereof having power to tax (each, a “**Relevant Jurisdiction**”), or any jurisdiction through which payments are made by or on behalf of an Obligor (together with a Relevant Jurisdiction, a “**Relevant Taxing Jurisdiction**”) unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event an Obligor shall pay such additional amounts as will result in

receipt by the Holders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required (“**Additional Amounts**”), except that no such Additional Amounts shall be payable in respect of any Bond:

- (a) to a Holder who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of its (or a beneficial owner) having some present or former connection with a Relevant Taxing Jurisdiction other than the mere holding of the Bond or by the receipt of amounts in respect of such Bond; or
- (b) to a Holder who would not be liable for or subject to such withholding or deduction by the Holder (or beneficial owner) making a declaration of identity, non-residence or other similar claim for tax exemption or reduction to the relevant tax authority if, after the Holder had been requested by an Obligor to provide such declaration or claim, such Holder (or beneficial owner) fails to do so within any applicable period prescribed by the Relevant Taxing Jurisdiction or such relevant tax authority; or
- (c) where (in the case of a payment of principal, interest on redemption or premium (if any)) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such Additional Amounts if it had surrendered the relevant Certificate on the last day of such period of 30 days.

In these Conditions, “Relevant Date” means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders.

Any reference in these Conditions to principal, premium or interest shall be deemed to include any Additional Amounts in respect of principal, premium or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

For the avoidance of doubt, the obligation of an Obligor to pay Additional Amounts in respect of taxes, duties, assessments and governmental charges will not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or governmental charge or (b) any tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest on, the Bonds.

If an Obligor becomes subject at any time to any taxing jurisdiction other than a Relevant Jurisdiction, references in these Conditions to such Relevant Jurisdiction shall be construed as references to the Relevant Jurisdiction and such other jurisdiction.

8. EVENTS OF DEFAULT

If any of the following events (each such event, an “**Event of Default**”) occurs, the Trustee at its discretion may, and if so requested by Holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject in any such case to the Trustee having been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer that the Bonds are, and they shall immediately become, due and payable, whereupon they shall become immediately due and payable at their principal amount together (if applicable) with accrued interest without further action or formality:

- (a) *Non-payment*: the Issuer or the Guarantor (i) fails to pay principal of, or premium on, any Bonds on the date such amount is due and payable; or (ii) fails to pay interest on any Bonds within 30 calendar days after the due date for such payment; or

- (b) *Breach of other obligations:* the Issuer or the Guarantor does not perform or comply with any one or more of its obligations (other than those the breach of which would give rise to a redemption pursuant to Condition 5(d) (*Redemption and Purchase — Mandatory Redemption for SAFE Non-Registration Event*)) under or in respect of the Bonds, the Trust Deed or the Deed of Guarantee which default is incapable of remedy or, if capable of remedy, is not remedied within 30 calendar days after notice of such default shall have been given to the Issuer by the Trustee; or
- (c) *Guarantee:* the Guarantee of the Bonds ceases to be in full force or effect or the Guarantor denies or disaffirms its obligations under the Guarantee; or
- (d) *Authorization and Consents:* if any action, condition or thing (including the obtaining or effecting of any necessary regulatory, legislative, executive, judicial or constitutional consent, approval, authorization, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable each of the Issuer or the Guarantor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds, the Trust Deed or the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed or the Deed of Guarantee admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done or cease to remain in full force and effect, or at any time it otherwise becomes unlawful for the Guarantor or the Issuer to perform any of its payment obligations under or in respect of the Bonds, the Trust Deed or the Guarantee; or
- (e) *Cross-acceleration:* (i) failure to pay upon final maturity (after giving effect to the expiration of any applicable grace period therefor) the principal of any Indebtedness of the Issuer, the Guarantor or any Principal Subsidiary, (ii) acceleration of the maturity of any Indebtedness of the Issuer, the Guarantor or any Principal Subsidiary following a default by the Issuer, the Guarantor or such Principal Subsidiary, if such Indebtedness is not discharged, or such acceleration is not annulled, within 10 calendar days after receipt by the Trustee of written notice thereof from the Issuer or the Guarantor pursuant to the Trust Deed or otherwise, or (iii) failure to pay any amount payable by the Issuer, the Guarantor or any Principal Subsidiary under any guarantee or indemnity in respect of any Indebtedness of any other Person thereof, if such obligation is not discharged or otherwise satisfied within 10 calendar days after receipt by the Trustee of written notice thereof from the Issuer or the Guarantor pursuant to the Trust Deed or otherwise; *provided, however*, that no such event set forth in (i), (ii) or (iii) above shall constitute an Event of Default unless the aggregate outstanding Indebtedness to which all such events relate exceeds US\$25,000,000 (or its equivalent in any other currency); or
- (f) *Unsatisfied judgment:* one or more final judgments or orders for the payment of money are rendered against the Guarantor, the Issuer or any Principal Subsidiary and are not paid or discharged, and there is a period of 30 consecutive calendar days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders then outstanding and not paid or discharged against all such Persons to exceed US\$25,000,000 (or its equivalent in any other currency) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect; or
- (g) *Enforcement proceedings:* a decree or order is entered (i) for relief in respect of the Issuer, the Guarantor or any Principal Subsidiary in an involuntary case of winding up or bankruptcy proceeding under applicable law or (ii) adjudging the Issuer, the Guarantor or any Principal Subsidiary bankrupt or insolvent, or seeking reorganization, winding up, arrangement, adjustment or composition of or in respect of the Issuer, the Guarantor or any Principal Subsidiary under applicable law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Issuer, the Guarantor or any Principal Subsidiary or of any substantial part of any of their properties, or ordering the winding up or liquidation of any of their affairs, and any such decree or order remains unstayed and in effect for a period of 60 consecutive calendar days; or

- (h) *Insolvency*: the Issuer, the Guarantor or any Principal Subsidiary institutes a voluntary case or proceeding under applicable bankruptcy, insolvency, reorganization or similar law, or any other case or proceedings to be adjudicated bankrupt or insolvent, or the Issuer, the Guarantor or any Principal Subsidiary files a petition or answer or consent seeking reorganization or relief under applicable bankruptcy, insolvency, reorganization or similar law, or consents to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of any of the Issuer, the Guarantor or any Principal Subsidiary or of any substantial part of its property, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due or takes corporate action in furtherance of any such action; or
- (i) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Principal Subsidiary and the relevant encumbrance is not discharged within 30 calendar days; or
- (j) *Nationalisation*: any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer, the Guarantor or any of the Principal Subsidiaries; or
- (k) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 8(a) (*Events of Default — Non-payment*) to 8(j) (*Events of Default — Nationalisation*) (both inclusive) above.

9. PRESCRIPTION

Claims against an Obligor for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11. TRUSTEE AND AGENTS

Under the Trust Deed, the Trustee is entitled to be indemnified, secured and/or pre-funded to its satisfaction and to be relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Holders. In addition, the Trustee is entitled to enter into business transactions with the Obligors and any entity related to the Obligors without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Holders as a class and will not be responsible for any consequence for individual Holders of Bonds as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Bonds, the Agents act solely as agents of the Obligors and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

The initial Agents and their initial Specified Offices are listed below. The Obligors reserve the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, principal paying agent and additional or successor paying agents and transfer agents; *provided* that, the Obligors shall at all times maintain a principal paying agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Holders (in accordance with Condition 14 (*Notices*)).

12. MEETINGS OF HOLDERS; MODIFICATION AND WAIVER

- (a) *Meetings of Holders:* The Trust Deed contains provisions for convening meetings of Holders (including by way of conference call using a videoconference platform) to consider matters relating to the Bonds, including the modification or abrogation of any provision of these Conditions, the Deed of Guarantee or the Trust Deed. Any such modification or abrogation may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee, and shall be convened by the Trustee upon the request in writing of Holders holding not less than ten per cent. of the aggregate principal amount of the outstanding Bonds and if the Trustee is indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than fifty per cent. of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, two or more persons being or representing a Holder or Holders whatever the principal amount of the Bonds held or represented; *provided* that, certain proposals (including any proposal to change any date fixed for payment of principal, premium (if any) or interest in respect of the Bonds, to reduce the amount of principal, premium (if any) or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, to change the currency of payments under the Bonds, to modify or cancel the Deed of Guarantee or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “**Reserved Matter**”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which two or more persons holding or representing not less than 66²/₃ per cent. or, at any adjourned meeting, 25 per cent. of the aggregate principal amount of the outstanding Bonds shall form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

In addition, a resolution (A) in writing signed by Holders of not less than 75 per cent. of the principal amount of Bonds outstanding or (B) passed by Electronic Consent will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

For so long as the Bonds are in the form of the Global Certificate held on behalf of, one or more of Euroclear, Clearstream or another clearing system, then, in respect of any resolution proposed by the Issuer, the Guarantor or the Trustee: (i) where the terms of the proposed resolution have been notified to the Holders through the relevant clearing system(s), each of the Issuer, the Guarantor and the Trustee shall be entitled to rely upon approval of such resolution proposed by the Issuer, the Guarantor or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Certificates outstanding (“**Electronic Consent**”).

- (b) *Modification and waiver:* The Trustee may, without the consent of the Holders, agree to any modification of these Conditions, the Deed of Guarantee, the Trust Deed or the Agency Agreement which in the opinion of the Trustee is not materially prejudicial to the interests of

Holder and to any modification of the Bonds, the Deed of Guarantee, the Agency Agreement or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error or an error which is, in the opinion of the Trustee, proven.

In addition, the Trustee may, without the consent of the Holders, authorise or waive any proposed breach or breach of the Bonds, these Conditions, the Deed of Guarantee, the Trust Deed or the Agency Agreement if, in the opinion of the Trustee, the interests of the Holders are not materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified by the Issuer to the Holders (in accordance with Condition 14 (*Notices*)) as soon as practicable thereafter.

13. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Holders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the existing Bonds in all respects (or in all respects except for the first payment of interest thereon and the timing for the NDRC Post-Issue Filing and, to the extent necessary, certain temporary securities law transfer restrictions) so as to form a single series with the Bonds; *provided* that (a) the Guarantor shall undertake to comply with Condition 2(f) (Status and Guarantee of the Bonds; Covenants — SAFE Registration) with respect to such new bonds and the “Issue Date” for the purposes of such Condition 2(f) (*Status and Guarantee of the Bonds; Covenants — SAFE Registration*) may, at the option of the Issuer, mean either the initial issue date of such new bonds or the Issue Date and (b) either (i) the Deed of Guarantee with respect to the existing Bonds may be amended without consent from any Holder to reflect the issuance of such new bonds or (ii) the Guarantor may enter into a new deed of guarantee with respect to such new bonds in favour of the Trustee having the same terms and conditions as the Deed of Guarantee with respect to the existing Bonds; *provided* further that in order for such new bonds to be consolidated to form a single series with the existing Bonds prior to the completion of the Cross-border Security Registration of the existing Bonds or the new bonds, or both, the term “Registration Deadline” with respect to such new bonds shall mean the same day as the Registration Deadline of the existing Bonds, and the Issuer and the Guarantor shall (i) amend or restate the Deed of Guarantee with respect to the existing Bonds to reflect the issuance of such new bonds, or (ii) otherwise procure that the SAFE Registration Release Condition with respect to the existing Bonds and the new bonds be satisfied simultaneously. Any further bonds shall be constituted by a deed supplemental to the Trust Deed and shall be issued with the benefit of a deed supplemental to the Deed of Guarantee.

14. NOTICES

Notices to the Holders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream or any other clearing system, notices to the Holders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Certificate.

15. GOVERNING LAW, JURISDICTION AND WAIVER OF IMMUNITY

- (a) *Governing law:* The Bonds, the Deed of Guarantee and the Trust Deed and any non-contractual obligations arising out of or in connection with the Bonds, the Deed of Guarantee and the Trust Deed are governed by, and shall be construed in accordance with, English law.
- (b) *Jurisdiction:* The courts of Hong Kong are to have non-exclusive jurisdiction to adjudicate any disputes that may arise out of or in connection with the Bonds, the Deed of Guarantee and the Trust Deed (“**Disputes**”) and accordingly any legal action or proceedings arising out

of or in connection with the Bonds, the Deed of Guarantee and the Trust Deed (“**Proceedings**”) may be brought in such courts. Pursuant to the Trust Deed, each Obligor has irrevocably submitted to the jurisdiction of such courts.

- (c) *Agent for Service of Process*: Pursuant to the Trust Deed, the Guarantor has irrevocably appointed the Issuer as its authorised agent in Hong Kong to receive service of process in any Proceedings in Hong Kong.
- (d) *Waiver of Immunity*: Each of the Issuer and the Guarantor agrees that, to the extent that it has or hereafter may acquire any sovereign or other immunity from any legal action, suit or proceeding, from jurisdiction of any court or from set-off or any legal process (including any immunity from non-exclusive jurisdiction or from service of process or from any execution to satisfy a final judgment or from attachment or in aid of such execution or otherwise) with respect to itself or any of its assets or properties, it irrevocably waives, to the fullest extent permitted under applicable law, any such right of immunity or claim thereto which may now or hereafter exist, and agrees not to assert any such right or claim in any Proceedings, or that it has the right to a trial by jury.

16. DEFINITIONS

For the purposes of these Conditions:

“Adjusted Consolidated Net Worth” means the sum of the Guarantor’s (a) shareholders’ equity as determined under IFRS-IASB and (b) Subordinated Indebtedness.

“Applicable PRC Rate” means (i) in the case of deduction or withholding of PRC income tax, 10% for non-PRC-resident enterprise Holder and 20% for non-PRC-resident individual Holder, and/or (ii) in the case of deduction or withholding of PRC value added tax (including any related local levies), approximately 6.72%.

“Applicable Premium” means, with respect to a Bond on any redemption date, the greater of: (i) 1.00% of the principal amount of such Bond; and (ii) the excess of (x) the present value at such redemption date of 100% of the principal amount of such Bond plus all required remaining scheduled interest payments due on such Bond (but excluding accrued but unpaid interest to such redemption date) computed using a discount rate equal to the Treasury Rate plus 100 basis points; over (y) the principal amount of such Bond on such redemption date. None of the Trustee or Agents shall be responsible for calculation of the Applicable Premium.

“Attributable Value” means, at the time of determination, the lesser of (i) the fair market value of the Principal Property subject to the Sale and Leaseback Transaction (as determined in good faith by any two members of the board of directors of the Guarantor) and (ii) the present value (discounted at a rate equal to the rate of interest on the Bonds, compounded semi-annually) of the total amount of rent required to be paid under such lease during the remaining term thereof, including any period for which such lease has been extended. Such rental payments shall not include amounts payable by or on behalf of the lessee on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges.

“Business Day” means any day, excluding a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in Hong Kong and New York City.

“Capital Stock” means any and all shares, interests (including joint venture interests), participations or other equivalents (however designated) of capital stock of a corporation or any and all equivalent ownership interests in a Person (other than a corporation).

A “Change of Control” means the occurrence, at any time, of any of the following:

- (a) the Guarantor ceasing to own and control directly or indirectly 100% of the Voting Shares of the Issuer;

- (b) the government of the PRC or Persons controlled by the government of the PRC, directly or indirectly, ceasing to be the largest holder of the Voting Shares of the Guarantor; or
- (c) directors nominated by the government of the PRC or Persons controlled by the government of the PRC ceasing to constitute the majority of the board of directors of the Guarantor.

“Change of Control Triggering Event” means a Change of Control. No Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.

“Comparable Treasury Issue” means the US Treasury security having a maturity comparable to the then remaining term of the Bonds, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to most nearly equal to the Maturity Date.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (ii) of the definition of Treasury Rate is applicable, the average of three (or such lesser number as is received by the Issuer (or an independent investment adviser to the Issuer)) Reference Treasury Dealer Quotations for such redemption date.

“Consolidated Total Assets” means the consolidated total assets of the Guarantor and Subsidiaries as shown on the most recent audited consolidated balance sheet of the Guarantor.

“Encumbrance” means any mortgage, charge, pledge, lien, encumbrance, hypothecation, title retention, security interest or security arrangement of any kind.

“Extraordinary Resolution” has the meaning given such term under the Trust Deed.

“IFRS-IASB” means International Financial Reporting Standards issued by the International Accounting Standards Board consistently applied, as in effect from time to time.

“Indebtedness” of any Person means, at any date, without duplication, (i) any outstanding indebtedness for or in respect of money borrowed (including bonds, debentures, notes or other similar instruments, whether or not listed) that is evidenced by any agreement or instrument, excluding trade payables, (ii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, and (iii) all Indebtedness of others guaranteed by such Person; provided, however, that, for the purpose of determining the amount of Indebtedness of the Guarantor outstanding at any relevant time, the amount included as Indebtedness of the Guarantor in respect of finance leases shall be the net amount from time to time properly characterised as “obligations under finance leases” in accordance with the IFRS-IASB.

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

“Obligors” means the Issuer and the Guarantor; “Obligor” means either any one of them or a specific one of them, as the context may require.

“Permitted Encumbrances” means:

- (i) any Encumbrance which is in existence on the Issue Date and any extension, renewal or replacement thereof created in connection with the refinancing, extension, renewal or refunding (together with interest, fees and other charges attributable thereto) of the Indebtedness originally secured (but the principal amount secured by any such Encumbrance may not be increased);
- (ii) any Encumbrance arising or already arisen automatically by operation of law which is promptly discharged or disputed in good faith by appropriate proceedings; *provided* that any reserve or other appropriate provision required by IFRS-IASB shall have been made therefor;

- (iii) any Encumbrance over goods (or any documents relating thereto) arising either in favor of a bank issuing a form of documentary credit in connection with the purchase of such goods or by way of retention of title by the supplier of such goods where such goods are supplied on credit, subject to such retention of title, and in both cases where such goods are acquired in the ordinary course of business;
- (iv) any right of set-off or combination of accounts arising in favor of any bank or financial institution as a result of the day-to-day operation of customary banking arrangements;
- (v) any Encumbrance either over any asset acquired after the Issue Date which is in existence at the time of such acquisition or in respect of the obligations of any Person which becomes a Subsidiary of the Guarantor or which merges with and into the Guarantor after the Issue Date which is in existence at the date on which it becomes a Subsidiary of the Guarantor and in both cases any replacement thereof created in connection with the refinancing (together with interest, fees and other charges attributable thereto) of the Indebtedness originally secured (but the principal amount secured by any such Encumbrance may not be increased); *provided* that any such Encumbrance was not incurred in anticipation of such acquisition or of such company becoming a Subsidiary of the Guarantor;
- (vi) any Encumbrance created on any property or asset securing Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement, development, alteration or repair of all or any part thereof; *provided* that (a) any such Encumbrance shall be confined to the property or asset acquired, leased or developed (including improved, constructed, altered or repaired); (b) the principal amount of the debt encumbered by such Encumbrance shall not exceed the cost of the acquisition or development of such property or asset or any improvement thereto (including any construction, repair or alteration) or thereon and (c) any such Encumbrance shall be created concurrently with or within one year following the acquisition, lease or development (including construction, improvement, repair or alteration) of such property or asset;
- (vii) any Encumbrance pursuant to any order of attachment, execution, enforcement, distraint or similar legal process arising in connection with court proceedings; *provided* that such process is effectively stayed, discharged or otherwise set aside within 30 calendar days;
- (viii) any Encumbrance created or outstanding in favour of the Guarantor or any of its Subsidiaries;
- (ix) any easement, right-of-way, licenses, restriction on the use of property or assets, minor imperfections in title, zoning and similar restriction and other similar charge or encumbrance not interfering with the ordinary course of business of the Guarantor or any Subsidiary of the Guarantor;
- (x) any lease, sublease, license and sublicense granted to any third party and any Encumbrance pursuant to joint venture agreements, operating agreements, development agreements and any other agreements, which are customary in the industries which the Guarantor and its Principal Subsidiaries are engaged in and in the ordinary course of business (including, among others, coal mining, financial leasing and commodity trading) of the Guarantor and its Principal Subsidiaries;
- (xi) any Encumbrance on any property or asset to secure all or part of the cost of exploration, excavation, development, production, gathering, processing, marketing of such property or asset or to secure Indebtedness incurred to provide funds for any such purpose;
- (xii) any Encumbrance over any property or asset to secure Indebtedness incurred in connection with the construction, installation or financing of pollution control, abatement or remediation facilities;

- (xiii) any Encumbrance arising in connection with industrial revenue, development or similar bonds or other indebtedness or means of project financing (not to exceed the value of the project financed and limited to the project financed);
- (xiv) any Encumbrance in favor of any government or any subdivision thereof, securing the obligations, including, but not limited to, taxes, assessments and other governmental charges of the Guarantor or any Principal Subsidiaries under any contract or payment owed to such governmental entity pursuant to applicable laws, rules, regulations or statutes;
- (xv) any Encumbrance over any property or asset securing Indebtedness of the Guarantor or any Principal Subsidiaries guaranteed by any PRC or Australian official government development bank or credit agency or multilateral development bank, government-sponsored agency, export-import bank, agency or credit insurer, or international finance agency (including the World Bank and the International Finance Corporation) or any subdivision, department or division thereof;
- (xvi) any Encumbrance imposed by law that was incurred in the ordinary course of business, including, without limitation, carriers', warehousemen's and mechanics' Encumbrances and other similar encumbrances arising in the ordinary course of business, in each case for sums not yet due or being contested in good faith by appropriate proceedings;
- (xvii) any right arising in connection with the sale or other transfer of coal or other mineral resources in place for a period of time until, or in an amount such that, the transferee will realise therefrom a specified amount (however determined) of such coal or other mineral resources or a specified amount of money, or the sale or other transfer of any other interest in property of the character commonly referred to as a production payment or overriding royalty;
- (xviii) any pledge or deposit made in connection with workers' compensation, unemployment insurance or other similar social security legislation, any deposit to secure appeal bonds in proceedings being contested in good faith to which the Guarantor or any Subsidiary is a party, good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which the Guarantor or any Subsidiary is a party or deposits for the payment of rent, in each case made in the ordinary course of business;
- (xix) any Encumbrance in favor of issuers of surety bonds or letters of credit issued pursuant to the request of and for the account of the Guarantor or any Subsidiary in the ordinary course of business and not for speculative purposes;
- (xx) any Encumbrance created in connection with any sale/leaseback transaction, subject to the limitation set forth in Condition 2(e) (*Status and Guarantee of the Bonds; Covenants — Sale and Leaseback Transactions*);
- (xxi) any renewal or extension of any of the Encumbrances described in the foregoing clauses which is limited to the original property or asset covered thereby;
- (xxii) any Encumbrance in respect of Indebtedness of the Guarantor or any of its Subsidiaries with respect to which the Guarantor or such Subsidiary has paid money or deposited money or securities with a fiscal agent, trustee or depository to pay or discharge in full the obligations of the Guarantor and its Subsidiary in respect thereof (other than the obligation that such money or securities so paid or deposited, and the proceeds therefrom, be sufficient to pay or discharge such obligations in full); or
- (xxiii) any Encumbrance securing obligations under hedging agreements to manage financing costs.

“Person” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organisation, limited liability company, government or any agency or political subdivision thereof or any other entity.

“PRC” means the People’s Republic of China (excluding, for purposes of these Conditions, Hong Kong, Macau and Taiwan).

“PRC Business Day” means a day (other than a Saturday, Sunday or a public holiday) on which banks in Beijing, the PRC are not authorized or obliged by law or executive order to be closed.

“Principal Property” means any real property owned at the date hereof or hereafter acquired by the Guarantor or a Principal Subsidiary, the individual gross book value (including related land and improvements thereon, reserves and all machinery and equipment included therein) of which, on the date as of which the determination is being made, exceeds 15% of the Consolidated Total Assets of the Guarantor.

“Principal Subsidiary” at any time shall mean a Subsidiary of the Guarantor

- (i) as to which one or more of the following conditions is/are satisfied:
 - (a) its total revenue or (in the case of a Subsidiary of the Guarantor which has one or more Subsidiaries) consolidated total revenue attributable to the Guarantor is at least 10% of the consolidated total revenue of the Guarantor; or
 - (b) its profit for the year or (in the case of a Subsidiary of the Guarantor which has one or more Subsidiaries) consolidated profit for the year attributable to the Guarantor (in each case before taxation and exceptional items) is at least 10% of the consolidated profit for the year (before taxation and exceptional items) of the Guarantor; or
 - (c) its total assets or (in the case of a Subsidiary of the Guarantor which has one or more Subsidiaries) consolidated net assets attributable to the Guarantor (in each case after deducting minority interests in Subsidiaries) are at least 10% of the total assets (after deducting minority interests in Subsidiaries) of the Guarantor;

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary of the Guarantor and the then latest consolidated financial statements of the Guarantor; *provided that*: (1) in the case of a Subsidiary of the Guarantor acquired after the end of the financial period to which the then-latest relevant audited financial statements relate, the reference to the then-latest audited financial statements for the purposes of the calculation above shall, until audited financial statements for the financial period in which the acquisition is made are published, be deemed to be a reference to the financial statements adjusted to consolidate the latest audited financial statements of the Subsidiary in the financial statements; (2) if, in the case of a Subsidiary of the Guarantor which itself has one or more Subsidiaries, no consolidated financial statements are prepared and audited, its consolidated total revenue, profit for the year and total assets shall be determined on the basis of *pro forma* consolidated financial statements of the relevant Subsidiary and its Subsidiaries prepared for this purpose and opined on by its auditors; or (3) if the financial statements of a Subsidiary of the Guarantor (not being a Subsidiary referred to in clause (1) above) are not consolidated with those of the Guarantor then the determination of whether or not the Subsidiary is a Principal Subsidiary shall, if the Guarantor requires, be based on a *pro forma* consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements of the Guarantor and its Subsidiaries; or

- (ii) to which is transferred all or substantially all of the assets of a Subsidiary of the Guarantor which immediately prior to the transfer was a Principal Subsidiary, *provided that*, with effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall cease to be a Principal Subsidiary (but without prejudice to paragraph (i) above) and the Subsidiary of the Guarantor to which the assets are so transferred shall become a Principal Subsidiary.

A certificate prepared by an authorized officer of the Guarantor that in his or her opinion, a Subsidiary is or is not, or was or was not at any particular time or during any particular period, a Principal Subsidiary of the Guarantor shall, in the absence of manifest error, be conclusive and binding on the Trustee and the Holders.

“Reference Treasury Dealer” means each of the three nationally recognised investment banking firms selected by the Issuer in good faith, that are primary US Government securities dealers in New York City.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for the Bonds, the average, as determined by the Issuer (or an independent investment adviser to the Issuer), of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Issuer (or an independent investment adviser to the Issuer) by such Reference Treasury Dealer at 5.00 p.m., New York City time, on the third Business Day immediately preceding such redemption date.

“SAFE” means the State Administration of Foreign Exchange of the PRC or its applicable local branches.

a “SAFE Non-Registration Event” occurs when the SAFE Registration Release Condition has not been satisfied on or prior to the Registration Deadline.

“SAFE Non-Registration Event Redemption Date” means five Business Days after the Registration Deadline.

“SAFE Registration Release Condition” means the receipt by the Trustee of: (i) a certificate in substantially the form set out in the Trust Deed of an authorized officer of the Guarantor confirming (A) the completion of the Cross-border Security Registration and (B) no Event of Default has occurred; and (ii) a certified true copy of the relevant SAFE registration certificate and the particulars of registration.

“Sale and Leaseback Transaction” means any transaction or series of related transactions pursuant to which the Guarantor or any Principal Subsidiary sells or transfers any Principal Property to any Person with the intention of taking back a lease of such Principal Property pursuant to which the rental payments are calculated to amortize the purchase price of such Principal Property substantially over the useful life thereof and such Principal Property is in fact so leased. For purposes of this definition, a Sale and Leaseback Transaction shall not include any transaction relating to farm-in and farm-out agreements, operating agreements, development agreements, and any other similar arrangements which are customary in the coal industry or in the ordinary course of business of the Guarantor and any Principal Subsidiary.

“Specified Office” has the meaning given such term under the Trust Deed.

“Subordinated Indebtedness” means Indebtedness of the Issuer or the Guarantor, as applicable, (including perpetual debt, which the Guarantor is not required to repay) which is issued or assumed pursuant to, or evidenced by, an indenture or other instrument containing provisions for the subordination of such Indebtedness to the Bonds including (a) a provision that in the event of any Winding-Up in respect of the Issuer or the Guarantor, as applicable, the Holders shall be entitled to receive payment in full in cash of all principal, interest and any other payment that has accrued with respect to the Bonds arising after the commencement of such Winding-Up whether or not an allowed claim in such Winding-Up before the holder or holders of any such Subordinated Indebtedness shall be entitled to receive any payment of principal, interest or premium thereon, (b) a provision that, if an Event of Default has occurred and is continuing, the holder or holders of any such Subordinated Indebtedness shall not be entitled to payment of any principal, interest or premium in respect thereof unless or until such Event of Default shall have been cured or waived or shall have ceased to exist, and (c) a provision that the holder or holders of such Subordinated Indebtedness may not accelerate the maturity thereof as a result of any default relating thereto so long as any Bond is Outstanding (as defined under the Trust Deed).

“Subsidiary” means, as applied to any Person, any corporation or other entity of which a majority of the outstanding Voting Shares is, at the time, directly or indirectly, owned by such Person.

“Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading that represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded US Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after the remaining term of the Bonds, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month); or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate in percentage rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case, calculated on the third Business Day immediately preceding the redemption date.

“Voting Shares” means, with respect to any person, the Capital Stock having the general voting power under ordinary circumstances to vote on the election of the members of the board of directors or other governing body of such Person (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

“Winding-Up” means the order by a competent authority or the passing of an effective resolution for the bankruptcy, winding-up, liquidation or similar procedure in respect of an Obligor (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction, merger or amalgamation (x) the terms of which reorganisation, reconstruction, merger or amalgamation have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (y) which does not result in the Bonds thereby becoming redeemable or repayable in accordance with these Conditions).

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Memorandum. The following is a summary of certain of those provisions.

Terms defined in the Terms and Conditions of the Bonds set out in this Offering Memorandum have the meaning in the paragraphs below.

The Bonds will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depository on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, will promise to pay the amount payable upon redemption under the Conditions in respect of the Bonds represented by the Global Certificate and Interest in respect of such Bonds to the Bondholder in such circumstances as the same may become payable in accordance with the Terms and Conditions of the Bonds.

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates (i) if the Bonds represented by this Global Certificate are held on behalf of Euroclear or Clearstream or any other clearing system (an “**Alternative Clearing System**”) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (ii) any of the circumstances described in Condition 8 (Events of Default) occurs, **provided that**, in the case of the first transfer of part of a holding, the Bondholder represented by the Global Certificate has given the Registrar not less than 30 days’ notice at its specified office of such Bondholder’s intention to effect such transfer. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Bondholders.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions of the Bonds as they apply to the Bonds evidenced by the Global Certificate. The following is a summary of certain of those provisions:

Notices: So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to Bondholders shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for publication as required by the Terms and Conditions of the Bonds.

Meetings: For the purposes of any meeting of Bondholders, the Bondholders represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each US\$1,000 of the Bonds.

Transfers: Transfers of beneficial interests in the Bonds represented by the Global Certificate will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants.

Cancellation: Cancellation of any Bond represented by the Global Certificate which is required by the Terms and Conditions of the Bonds will be effected by reduction in the principal amount of the Bonds in the register of Bondholders.

Trustee’s Powers: In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its

operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the Bondholders in respect of which the Global Certificate is issued.

TAXATION

The statements herein regarding taxation are based on the laws in force as of the date of this Offering Memorandum and are subject to any changes in laws occurring after such date, which could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision of a prospective purchaser to acquire or dispose of the Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. You are advised to consult your own tax advisors concerning the overall tax consequences of the purchase, ownership and disposition of the Bonds.

HONG KONG TAXATION

Withholding Tax

Under existing Hong Kong law, no withholding tax is levied in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong, “**Inland Revenue Ordinance**”) as it is currently applied, profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Bonds where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong and such profits have a Hong Kong source.

Interest on the Bonds will be subject to Hong Kong profits tax where such interest is received by or accrued to:

- (a) a financial institution (as defined in the Inland Revenue Ordinance) by way of interest which arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside Hong Kong; or
- (b) a corporation carrying on a trade, profession or business in Hong Kong by way of interest derived from Hong Kong; or
- (c) a person, other than a corporation, carrying on a trade, profession or business in Hong Kong by way of interest derived from Hong Kong and is in respect of the funds of that trade, profession or business.

Stamp Duty

No stamp duty is chargeable on the issue or transfer of the Bonds.

The foregoing summary is of a general nature only and is based on Hong Kong law as of the date of this Offering Memorandum and is subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The foregoing summary does not purport to be a comprehensive description of all of the Hong Kong tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with the Hong Kong tax consequences applicable to all categories of investors, some of which may be subject to special rules. Prospective purchasers of the Bonds should consult with their own professional tax advisors as to the particular consequences of holding the Bonds which may affect them.

PRC TAXATION

Income Tax

Pursuant to the *Notice of the State Administration of Taxation on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (Guo Shui Fa [2009] 82)* issued by the SAT on April 22, 2009, the EIT Law and the Implementation Rules, enterprises established outside of China whose “de facto management bodies” are located in China are considered Chinese resident enterprises, or CRE. The Implementation Rules of the EIT Law define “**de facto management**” as “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. A circular issued by the SAT on April 22, 2009, provides that a foreign enterprise controlled by a PRC company or a PRC company group will be treated as a “resident enterprise” with a “de facto management body” located within China if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders’ meetings are located or kept within China; and (iv) at least half of the enterprise’s directors with voting rights or senior management reside within China. A CRE under the EIT Law is subject to enterprise income tax at the rate of 25% on its global taxable income. It also must withhold tax on payments of PRC-source income paid to nonresident enterprise holders of the Bonds at the rate of 10% and to nonresident individual holders at a rate of 20%, in each case, unless a lower rate is available under an applicable tax treaty. Under the EIT Law, a “nonresident” enterprise means an enterprise established under the laws of a jurisdiction other than the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but derives income from sources within the PRC.

As of the date of the Offering Memorandum, the Issuer has not been notified by the SAT that it is a CRE. However, since substantially all of the Issuer’s management is currently based in China, we cannot assure you that the Issuer will not be deemed a CRE in the future. If the Issuer is a CRE for enterprise income tax purposes, the Issuer will be subject to enterprise income tax at a rate of 25% on its global income and may be required to withhold PRC withholding tax on Interest paid to nonresident enterprise holders of the Bonds, generally at the rate of 10%, or to nonresident individual holders at a rate of 20%, as the case may be. Furthermore, the capital gains on the transfer of the Bonds of nonresident holders may be regarded as derived from sources within the PRC and therefore subject to PRC tax at the above rates if the Issuer is treated as a CRE. Applicable tax treaties may provide for lower tax rates. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income.

In addition, as the Company is regarded as a CRE, if the Issuer is not able to make payments under the Bonds and the Company fulfils the payment obligations under the Guarantee, the Company must withhold PRC income tax on payments with respect to the Bonds to nonresident enterprise holders at the rate of 10% and to nonresident individual holders at a rate of 20%. Applicable tax treaties may provide for lower tax rates.

Applicable tax treaties may provide for lower tax rates than those described above. However, it is unclear whether, if the Issuer is considered a CRE, nonresident holders would be able to claim the benefit of income tax treaties or agreements entered into between PRC and their countries.

Value Added Tax

On March 23, 2016, the MOF and the SAT jointly issued Circular 36 which provides that all business tax payers are included into the pilot programme to pay VAT from May 1, 2016. With effect from May 1, 2016, the income derived from the provision of financial services which previously attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, entities and individuals providing the services within PRC shall be subject to VAT. The services are treated as being provided within PRC where either the service provider or the service recipient is located in PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the interpretation of “loans” under Circular 36, the issuance of Bonds may be treated as the holders of the Bonds providing loans to the Issuer, which thus shall be regarded as the provision of financial services. As of the date of this Offering Memorandum, as confirmed by the Company, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a CRE. If the Issuer is treated as a CRE in the future, the holders of the Bonds could be regarded as providing financial services within PRC and consequently, the holders of the Bonds shall be subject to VAT at the rate of 6% when receiving the interest payments from the Issuer under the Bonds. In addition, in that case the holders of the Bonds shall also be subject to the local levies at approximately 12% of the VAT payment and consequently, the combined rate of VAT and local levies will be around 6.7%. Given that the Issuer or the Company pays interest income to holders of Bonds who are located outside of the PRC, if such interest income is subject to VAT in the future, the Issuer, acting as the withholding agent with respect to payments on the Bonds, would withhold VAT and local levies from the payment of interest income to holders of Bonds who are located outside of the PRC.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Issuer or the Company does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located within the PRC.

The above disclosure may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of the Circular 36.

Obligation to Pay Additional Amounts

Under the terms of the Bonds, if the Issuer is notified by the SAT that it is a CRE and is required to withhold taxes on payments on the Bonds or if the Company withholds taxes on payments on the Guarantee, the Issuer or the Company, as the case may be, will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by each holder of any Bonds of such amounts as would have been received by such holder had no such withholding been required. See “*Terms and Conditions of the Bonds.*”

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with Deutsche Bank AG, Singapore Branch, CMB International Capital Limited, Haitong International Securities Company Limited, Industrial Bank Co., Ltd. Hong Kong Branch and China International Capital Corporation Hong Kong Securities Limited (the “**Joint Lead Managers**”) dated November 15, 2021 (the “**Subscription Agreement**”) pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed, severally and not jointly, to subscribe for, the aggregate principal amount of the Bonds at the issue price of 100%.

The underwriting commitment of each Joint Bookrunner is set out below:

Joint Lead Managers	Principal amount of Bonds to be subscribed
Deutsche Bank AG, Singapore Branch	US\$90,000,000
CMB International Capital Limited	US\$90,000,000
Haitong International Securities Company Limited	US\$90,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	US\$15,000,000
China International Capital Corporation Hong Kong Securities Limited.	US\$15,000,000
Total	US\$300,000,000

The Subscription Agreement provides that each of the Issuer and the Guarantor will indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and their respective affiliates may have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory and commercial and investment banking services, for the Issuer, the Guarantor and their respective affiliates in the ordinary course of business, for which they received or will receive customary fees and agreed expenses.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Joint Lead Managers and their respective affiliates may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Guarantor or their respective subsidiaries, jointly controlled entities or associated companies and may be paid fees in connection with such services from time to time. In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer and the Guarantor and may be entered into at the same time or proximate to offers and sales of Bonds or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Bonds.

The Joint Lead Managers or certain of their affiliates may place lead order and/or purchase the Bonds and be allocated Bonds for asset management and/or proprietary purposes and not with a view to distribution (and such lead order, purchase and allocation may be material). Each of the Joint Lead Managers or its affiliates may purchase the Bonds for its or their own accounts and may retain, purchase or sell for its own account such securities and any securities of the Issuer and the Guarantor or related investments and may offer or sell such securities or other investments otherwise than in connection with

the offering of the Bonds. Accordingly, references herein to the Bonds being offered should be read as including any offering of the Bonds to the Joint Lead Managers or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

In connection with the issue of the Bonds, Deutsche Bank AG, Singapore Branch (the “**Stabilisation Manager**”) or any of its affiliates (or any person acting on its behalf) may, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any of its affiliates (or any person acting on behalf of any of them) shall act as principal and not as agent of the Issuer. However, there is no assurance that any Stabilisation Manager or its affiliates (or any person acting on its behalf) will undertake stabilisation action. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Stabilisation Manager.

GENERAL

The Bonds are new issue of securities with no established trading market. No assurance can be given as to the liquidity or any trading market for the Bonds.

The distribution of this Offering Memorandum or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Memorandum or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Memorandum may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Offering Memorandum or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

SELLING RESTRICTIONS

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Managers or its affiliate on behalf of the Issuer in such jurisdiction.

United Kingdom

The Bonds may not be offered, sold or otherwise made available to any retail investor in the UK. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Each Joint Lead Manager represents and agrees that (A) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 as amended from time to time (the “**FSMA**”) with respect to anything done by it in relation to the Bonds in, from or otherwise involving, the United Kingdom; and (B) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity

(within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to them, the Issuer and the Guarantor.

United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to any other transactions exempt from, or not subject to, the registration requirements of the Securities Act and applicable state securities laws. In addition, until 40 days after the commencement of this offering, an offer or sale of Bonds within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption.

Each Joint Lead Manager represents and agrees that it (a) has not offered or sold, and will not offer or sell, any Bonds to, or for the account or benefit of, U.S. persons (as defined in Regulation S) under circumstances that would require the registration of the Bonds under the Securities Act and (b) has not engaged in and will not engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Bonds.

The Joint Lead Managers, through their respective affiliates, acting as selling agents where applicable, propose to offer the Bonds to certain persons in offshore transactions in reliance on Regulation S. Each of the Joint Lead Managers has agreed that, except as permitted under the Purchase Agreement, it will not offer, sell or deliver the Bonds within the United States. As used in the immediately preceding sentence, the term “**United States**” has the meaning given to it by Regulation S under the Securities Act.

European Economic Area

Each Joint Lead Manager represents and agrees that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
- (b) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II,

the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

Singapore

Each Joint Lead Manager acknowledges that this Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager represents and agrees that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell the Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant

to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA;
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Hong Kong

Each Joint Lead Manager represents and agrees that (1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the “SFO”) and any rules made thereunder; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the laws of Hong Kong) (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and (2) has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made thereunder.

Japan

The Bonds have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act. Accordingly, none of the Bonds nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any “resident” of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

PRC

The Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC. The Bonds will not be registered under the Securities Law of the RRC.

RATINGS

The Bonds are expected to be assigned a rating of “Ba1” by Moody’s. The credit ratings accorded the Bonds are not a recommendation to purchase, hold or sell the Bonds inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their judgment, circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the Bonds will be passed upon for the Issuer and the Guarantor by Clifford Chance as to matters of English law and Hong Kong law, Australian Law by Herbert Smith Freehills LLP and by King & Wood Mallesons as to matters of PRC law. Certain legal matters will be passed upon for the Joint Bookrunners by Davis Polk & Wardwell as to matters of English law, and by Jingtian & Gongcheng as to matters of PRC law.

INDEPENDENT PUBLIC ACCOUNTANTS

The consolidated balance sheets of the Company as of December 31, 2019 and 2020, and the related consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2019 and 2020 included in this Offering Memorandum have been extracted from our consolidated financial statements as of and for the year ended December 31, 2020 filed to HKSE and have been audited by SHINEWING (HK) CPA Limited.

For the purpose of the offers and sales outside the United States in reliance on Regulation S or another exemption from registration under the Securities Act, SHINEWING (HK) CPA Limited has agreed to the inclusion in this Offering Memorandum herein of, and all references to (i) its name; and (ii) its report of independent registered public accounting firm on financial statements with respect to the consolidated balance sheets of the Company as of December 31, 2019 and 2020 and the related consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the years ended December 31, 2019 and 2020.

WHERE YOU CAN FIND MORE INFORMATION

In accordance with PRC and Hong Kong law, we must prepare audited annual statutory and consolidated financial statements. The audited annual statutory and consolidated financial statements and the reports of our Board of Directors and statutory auditor relating thereto are filed with the HKSE, where they are available to the public. Furthermore, as a listed company, we publish an annual announcement preceding the publication of our annual financial report (which includes the audited annual financial statements, the report of our Board of Directors and the statutory auditor's report). In addition, we publish interim financial information. Copies of these documents are available on our website. Our website address is <http://www.yanzhoucoal.com.cn>. The information contained on our website is not incorporated by reference in this Offering Memorandum.

We will provide you, free of charge, with a copy of the Deed of Guarantee, the Trust Deed and the Agency Agreement relating to the Bonds. You may also request these documents by contacting our head office at 949 Fushan South Road, Zoucheng, Shandong Province, PRC. Our telephone number is (86) 537 538 2319.

GENERAL INFORMATION

1. **Clearing Systems:** Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, accounts with Euroclear Bank SA/NV and Clearstream Banking, S.A. The ISIN for the Bonds is XS2406562301. The Common Code of the Bonds is 240656230. The legal entity identifier of the Issuer is 549300NE3BHUI1LVO3622.
2. **Listing:** Application will be made to the HKSE for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only. It is expected that dealing will, if permission is granted to deal in and for the listing of the Bonds on the HKSE, commence on or about November 19, 2021.
3. **Authorizations:** The Issuer has obtained all necessary consents, approvals and authorizations as may be required in PRC and Hong Kong in connection with the issue and performance of the Bonds. The issue of the Bonds was authorized by a resolution of the board of directors of the Issuer passed on November 1, 2021. The Company has received an Enterprise Foreign Debt Filing Registration Certificate dated September 13, 2021 from NDRC in connection with the pre-issuance registration. Save for the registration with SAFE, the Company has obtained all necessary consents, approvals, registrations and authorisations in connection with the giving and performance of the Guarantee. The entering into and the performance of the obligations under the Deed of Guarantee were authorized by resolutions of the Board of Directors of the Company on March 26, 2021 and approved by the shareholders of the Company on June 18, 2021.
4. **No Material Change:** Save as disclosed in this Offering Memorandum, there has been no material change in the financial position, trading position or prospects of the Group since December 31, 2020.
5. **Litigation:** Save as disclosed in this Offering Memorandum, none of the Issuer, the Group is involved in any material governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Company is aware) which may have or have had during the 12 months prior to the date of this Offering Memorandum a material adverse effect on the financial position or profitability of the Group.
6. **Available Documents:** For so long as any Bonds is outstanding, copies (and certified English translations where the documents are not in English) of the following documents are available to Bondholders during normal business hours upon prior written request and satisfactory proof of holdings from the principal office for the time being of the Trustee:
 - (a) the Memorandum and articles of association of the Issuer and the Articles of Association of the Company;
 - (b) the Company's audited consolidated financial statements as of and for the year ended December 31, 2020; and
 - (c) the Deed of Guarantee, the Trust Deed and Agency Agreement relating to the Bonds to be dated on or about November 18, 2021.
7. **Financial Statements:** The consolidated financial statements of the Company as of and for the year ended December 31, 2020, which are included elsewhere in this Offering Memorandum, have been audited by SHINEWING (HK) CPA Limited.

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**THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR AS OF AND FOR
THE YEAR ENDED DECEMBER 31, 2020**

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Chapter 11

Independent Auditor's Report



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

TO THE SHAREHOLDERS OF YANZHOU COAL MINING COMPANY LIMITED

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

OPINION

We have audited the consolidated financial statements of Yanzhou Coal Mining Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 182 to 333, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

IMPAIRMENT OF INTANGIBLE ASSETS

Refer to note 22 to the consolidated financial statements.

The key audit matter

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

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

How the matter was addressed in our audit

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

We have also considered the overall reasonableness of these forecasts.

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

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Refer to note 23 to the consolidated financial statements.

The key audit matter

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

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

How the matter was addressed in our audit

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

We have also considered the overall reasonableness of these forecasts.

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

Chapter 11 Independent Auditor's Report

IMPAIRMENT ASSESSMENT ON GOODWILL

Refer to note 25 to the consolidated financial statements.

The key audit matter

We have identified the impairment of goodwill as a key audit matter because of its significance to the consolidated financial statements and the Group's assessment of impairment of goodwill is a judgemental process which requires estimates concerning forecast future cash flows expected to arise from cash-generating unit and an appropriate discount rate in order to derive the value in use.

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

Business combinations

Refer to note 47 to the consolidated financial statements.

The key audit matter

During the year ended 31 December 2020, the Group completed a number of business combinations. These business combinations were accounted for using acquisition accounting.

We had identified the accounting for these combinations as a key audit matter because of the significance to the consolidated financial statements, and the determination of classification of combinations, and the estimation of fair values of identifiable assets, liabilities and consideration transferred are judgemental processes which requires significant degree of judgements and estimates made by the directors of the Company.

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

How the matter was addressed in our audit

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

We have also considered the overall reasonableness of these forecasts.

How the matter was addressed in our audit

Our procedures were designed to evaluate managements processes in accounting for these business combinations including the judgements and estimates adopted in determining the classification of these combinations, identifying identifiable assets and liabilities and assessing the fair values of consideration transferred, and assets and liabilities acquired.

We have also challenged the reasonableness of the methodologies adopted, key assumptions and input data used in the estimation of the fair values against available information.

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

Chapter 11 Independent Auditor's Report

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

SHINEWING (HK) CPA Limited

Certified Public Accountants

Lau Kai Wong

Practising Certificate Number: P06623

Hong Kong

26 March 2021

Chapter 12

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Gross sales of coal	7	65,419,830	63,777,065
Railway transportation service income		377,800	382,545
Gross sales of electricity power		650,589	583,458
Gross sales of methanol		2,432,992	2,863,438
Gross sales of heat supply		92,520	32,859
Gross sales of equipment manufacturing		149,289	165,279
Total revenue		69,123,020	67,804,644
Transportation costs of coal	7	(3,860,107)	(3,763,957)
Cost of sales and services provided	8	(48,351,397)	(40,176,591)
Cost of electricity of power		(544,028)	(498,064)
Cost of methanol		(2,058,252)	(2,150,962)
Cost of heat supply		(72,530)	(20,452)
Cost of equipment manufacturing		(144,339)	(165,132)
Total cost of sales		(55,030,653)	(46,775,158)
Gross profit		14,092,367	21,029,486
Selling, general and administrative expenses	9	(8,433,320)	(8,777,402)
Share of results of associates		1,428,519	1,710,082
Share of results of joint ventures		(305,733)	(135,352)
Other income, gains and loss	10	10,301,560	3,911,262
Loss on reconsolidation of Watagan	47(B)	(6,844,010)	-
Finance costs	11	(2,867,029)	(2,751,234)
Profit before tax	13	7,372,354	14,986,842
Income tax expenses	12	(1,815,033)	(3,160,063)
Profit for the year		5,557,321	11,826,779
Attributable to:			
Equity holders of the Company		6,318,000	9,388,645
Owners of perpetual capital securities	43	491,042	580,181
Non-controlling interests			
– Perpetual capital securities	43	56,656	200,566
– Other		(1,308,377)	1,657,387
		5,557,321	11,826,779
Earnings per share, basic and diluted	16	RMB1.29	RMB1.91

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
Profit for the year	5,557,321	11,826,779
Other comprehensive (expense) income (after income tax):		
Items that will not be reclassified subsequently to profit or loss:		
Fair value change on equity investments at fair value through other comprehensive income ("FVTOCI")	1,423	(623)
Income tax relating to item that will not be reclassified subsequently	(356)	156
	1,067	(467)
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges:		
Cash flow hedge amounts recognised in other comprehensive income	1,226,908	111,593
Reclassification adjustments for amounts transferred to income statement (included in revenue)	609,981	586,111
Deferred taxes	(551,067)	(209,311)
	1,285,822	488,393
Share of other comprehensive (expense) income of associates	(140,352)	184,490
Exchange difference arising on translation of foreign operations	836,788	439,816
Other comprehensive income (expense) for the year	1,983,325	1,112,232
Total comprehensive income for the year	7,540,646	12,939,011
Attributable to:		
Equity holders of the Company	7,399,860	10,180,924
Owners of perpetual capital securities	491,042	580,181
Non-controlling interests		
– Perpetual capital securities	56,656	200,566
– Other	(406,912)	1,977,340
	7,540,646	12,939,011

Chapter 12 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Current assets			
Bank balances and cash	17	17,116,460	22,789,951
Pledged term deposits	17	1,010,256	210,000
Restricted cash	17	6,415,643	4,273,655
Bills and accounts receivables	18	7,291,455	7,598,163
Long-term receivables-due within one year	28	1,763,523	1,355,851
Royalty receivable	19	97,935	120,538
Inventories	20	7,113,633	6,007,309
Prepayments and other receivables	21	16,684,986	20,339,819
Derivative financial instruments	39	50,356	36,114
		57,544,247	62,731,400
Assets classified as held for sale	33	8,578	217,644
		57,552,825	62,949,044
Non-current assets			
Intangible assets	22	72,714,205	51,958,569
Property, plant and equipment	23	65,516,221	44,995,450
Right-of-use assets	24	5,365,499	1,739,438
Investment properties	23a	1,389,163	-
Construction in progress	26	20,635,959	16,288,401
Prepayments for property, plant and equipment and intangible assets		20,666,014	1,860,196
Goodwill	25	1,754,149	1,655,090
Investments in securities	32	444,613	156,720
Interests in associates	27	18,580,156	17,115,439
Interests in joint ventures	30	445,411	518,956
Long-term receivables-due after one year	28	4,720,330	8,762,200
Royalty receivable	19	1,009,562	1,022,552
Deposits made on investments	29	178,055	117,926
Deferred tax assets	41	2,037,096	1,620,590
		215,456,433	147,811,527
Total assets		273,009,258	210,760,571

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Current liabilities			
Bills and accounts payables	34	21,812,134	19,116,658
Other payables and accrued expenses	35	41,800,325	26,798,374
Contract liabilities	35	3,176,540	2,717,475
Provision for land subsidence, restoration, rehabilitation and environmental costs	36	13,129	50,940
Amounts due to Parent Company and its subsidiaries	49	2,111,472	1,093,707
Borrowings – due within one year	38	31,382,126	16,207,455
Long term payables – due within one year	40	3,174	4,070
Provision	37	61,114	54,368
Derivative financial instruments	39	231,971	148,554
Lease liabilities	24	955,963	156,852
Tax payable		1,028,274	653,437
		102,576,222	67,001,890
Non-current liabilities			
Borrowings – due after one year	38	60,880,818	49,168,036
Deferred tax liabilities	41	8,458,913	3,414,196
Provision for land subsidence, restoration, rehabilitation and environmental costs	36	3,410,120	1,991,782
Provision	37	1,047,780	1,091,640
Lease liabilities	24	1,634,000	328,072
Long term payables – due after one year	40	2,918,195	2,416,350
		78,349,826	58,410,076
Total liabilities		180,926,048	125,411,966
Capital and reserves			
Share capital	42	4,860,000	4,912,016
Reserves	42	53,034,751	49,207,784
Equity attributable to equity holders of the Company		57,894,751	54,119,800
Owners of perpetual capital securities	43	5,217,667	10,311,611
Non-controlling interests			
– Perpetual capital securities	43	–	3,417,351
– Others		28,970,792	17,499,843
		92,083,210	85,348,605
Total liabilities and equity		273,009,258	210,760,571

The consolidated financial statements on pages 182 to 333 were approved and authorised for issue by the Board of Directors on 26 March 2021 and are signed on its behalf by:

Li Xiyong
Director

Zhao Qingchun
Director

Chapter 12 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Company										Non-controlling interests				
	Share capital RMB'000 (note 42)	Share premium RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Future development fund RMB'000 (note 42)	Statutory common reserve fund RMB'000 (note 42)	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Cash flow hedge reserve RMB'000	Retained earnings RMB'000 (note 42)	Total RMB'000	Perpetual Capital Securities issued by the Company RMB'000 (note 43)	Perpetual Capital Securities issued by a subsidiary RMB'000 (note 43)	Others RMB'000	Total RMB'000
At 1 January 2019	4,912,016	2,967,947	393,273	-	969,450	6,276,768	(6,983,697)	208,225	(1,301,987)	44,635,365	52,077,360	10,316,444	3,417,351	21,233,834	87,044,989
Profit for the year	-	-	-	-	-	-	-	-	-	9,388,645	9,388,645	580,181	200,566	1,657,387	11,826,779
Other comprehensive income for the year:															
- Fair value change of equity instruments at FVTOCI	-	-	-	-	-	-	-	(467)	-	-	(467)	-	-	-	(467)
- Cash flow hedge reserve recognised	-	-	-	-	-	-	-	-	276,986	-	276,986	-	-	211,407	488,393
- Share of other comprehensive income from associates	-	-	-	-	-	-	-	184,490	-	-	184,490	-	-	-	184,490
- Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	331,270	-	-	-	331,270	-	-	108,546	439,816
Total comprehensive income for the year	-	-	-	-	-	-	331,270	184,023	276,986	9,388,645	10,180,924	580,181	200,566	1,977,340	12,939,011
Transactions with owners															
- Issue of shares under global offering by a subsidiary	-	-	(49)	-	-	-	-	-	-	-	(49)	-	-	2,565	2,516
- Distribution paid to holders of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	(585,014)	(200,566)	-	(785,580)
- Appropriations to reserves	-	-	-	-	-	580,399	-	-	-	(580,399)	-	-	-	-	-
- Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,223,842)	(1,223,842)
- Dividends	-	-	-	-	-	-	-	-	-	(7,564,505)	(7,564,505)	-	-	-	(7,564,505)
- Recognition of share based payment expenses	-	-	-	32,553	-	-	-	-	-	-	32,553	-	-	(24,350)	8,203
- Transactions with non-controlling interests (note (i))	-	-	(606,483)	-	-	-	-	-	-	-	(606,483)	-	-	(4,465,704)	(5,072,187)
Total transactions with owners	-	-	(606,532)	32,553	-	580,399	-	-	-	(8,144,904)	(8,138,484)	(585,014)	(200,566)	(5,711,331)	(14,635,395)
At 31 December 2019	4,912,016	2,967,947	(213,259)	32,553	969,450	6,857,167	(6,652,427)	392,248	(1,025,001)	45,879,106	54,119,800	10,311,611	3,417,351	17,499,843	85,348,605

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2020

	Attributable to equity holders of the Company										Non-controlling interests				
	Share capital RMB'000 (note 42)	Share premium RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Future development fund RMB'000 (note 42)	Statutory common reserve fund RMB'000 (note 42)	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Cash flow hedge reserve RMB'000	Retained earnings RMB'000 (note 42)	Total RMB'000	Perpetual Capital Securities issued by the Company RMB'000 (note 43)	Perpetual Capital Securities issued by a subsidiary RMB'000 (note 43)	Others RMB'000	Total RMB'000
At 1 January 2020	4,912,016	2,967,947	(213,259)	32,553	969,450	6,857,167	(6,652,427)	392,248	(1,025,001)	45,879,106	54,119,800	10,311,611	3,417,351	17,499,843	85,348,605
Profit for the year	-	-	-	-	-	-	-	-	-	6,318,000	6,318,000	491,042	56,656	(1,308,377)	5,557,321
Other comprehensive income for the year:															
- Fair value change of equity instruments at FVTOCI	-	-	-	-	-	-	-	1,067	-	-	1,067	-	-	-	1,067
- Cash flow hedge reserve recognised	-	-	-	-	-	-	-	-	781,459	-	781,459	-	-	504,363	1,285,822
- Share of other comprehensive income from associates	-	-	-	-	-	-	-	(140,352)	-	-	(140,352)	-	-	-	(140,352)
- Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	439,686	-	-	-	439,686	-	-	397,102	836,788
Total comprehensive income for the year	-	-	-	-	-	-	439,686	(139,285)	781,459	6,318,000	7,399,860	491,042	56,656	(406,912)	7,540,646
Transactions with owners															
- Redemption of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	(5,000,000)	(3,417,351)	-	(8,417,351)
- Distribution paid to holders of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	(584,986)	(56,656)	-	(641,642)
- Share repurchased	(52,016)	(232,583)	-	-	-	-	-	-	-	-	(284,599)	-	-	-	(284,599)
- Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	11,929,870	11,929,870
- Appropriations to reserves	-	-	-	-	-	509,907	-	-	-	(509,907)	-	-	-	-	-
- Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(548,214)	(548,214)
- Dividends	-	-	-	-	-	-	-	-	-	(2,818,800)	(2,818,800)	-	-	-	(2,818,800)
- Recognition of share based payment expenses	-	-	-	31,898	-	-	-	-	-	-	31,898	-	-	(7,341)	24,557
- Transactions with non-controlling interests (note i)	-	-	(553,408)	-	-	-	-	-	-	-	(553,408)	-	-	503,546	(49,862)
Total transactions with owners	(52,016)	(232,583)	(553,408)	31,898	-	509,907	-	-	-	(3,328,707)	(3,624,909)	(5,584,986)	(3,474,007)	11,877,861	(806,041)
At 31 December 2020	4,860,000	2,735,364	(766,667)	64,451	969,450	7,367,074	(6,212,741)	252,963	(243,542)	48,868,399	57,894,751	5,217,667	-	28,970,792	92,083,210

Note (i) During the year ended 31 December 2020, the non-controlling shareholders of certain non-wholly owned subsidiaries made capital injection in aggregate of approximately RMB624 million (2019: RMB2,928 million) and the Group acquired additional interests in certain non-wholly owned subsidiaries for an aggregate cash consideration of approximately RMB674 million (2019: RMB8 billion) and resulted in approximately RMB553 million (2019: RMB606 million) debited to capital reserves.

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES			
Profit before tax		7,372,354	14,986,842
Adjustments for:			
Finance costs	11	2,867,029	2,751,234
Interest income	10	(1,003,656)	(847,057)
Net unrealised foreign exchange loss		520,493	32,716
Gain on disposal of an associate	10	–	(101,950)
Gain on remeasurement of interest in an associate	10	(1,664,006)	–
Loss on reconsolidation of Watagan		6,844,010	–
Gain on acquisition and remeasurement of Moolarben	10	(3,233,058)	–
Gain on bargain purchase on acquisition of subsidiaries	10	(864,883)	–
Depreciation of property, plant and equipment	13	5,940,712	4,032,906
Depreciation of right-of-use assets	13	240,434	212,027
Amortisation of intangible assets	13	2,353,777	1,584,967
Loss on disposal of property, plant and equipment, net	9	68,130	50,237
Impairment loss on bills and accounts receivables, net	9	55,348	118,890
Impairment loss on other receivables, net	9	909,628	346,645
Impairment loss on long-term receivables, net	9	27,735	37,424
Impairment loss on intangible assets	9	–	147,464
Impairment loss on inventories	9	47,300	25,843
Impairment loss on interest in associate	9	6,158	–
Fair value change in investment properties	10	(128,268)	–
Share of results of joint ventures		305,733	135,352
Share of results of associates		(1,428,519)	(1,710,082)
Share-based payment expenses	13	24,557	8,203
(Gain) loss on change in fair value of financial assets at FVTPL	10/9	(340)	4,743
(Gain) loss on change in fair value of derivative financial instruments	10/9	70,557	111,112
Loss (gain) on change in fair value of royalty receivable	9/10	45,938	(157,112)
Operating cash flows before movements in working capital		19,377,163	21,770,404
Increase in bills and accounts receivables		2,264,522	(1,507,306)
Increase in inventories		(354,782)	(1,948,493)
Movement in provision for land subsidence, restoration, rehabilitation and environmental cost		1,308,296	(1,783,636)
Decrease in provisions		(1,215,231)	(255,557)
Decrease (Increase) in prepayments and other receivables		628,576	(1,713,568)
Decrease in royalty receivable		72,890	93,689
(Decrease) increase in bills and accounts payables		(1,296,518)	6,560,842
(Decrease) increase in other payables and accrued expenses		(9,164,889)	173,247
(Decrease) Increase in contract liabilities		(100,392)	509,834
Increase in amount due to Parent Company and its subsidiaries		1,017,765	164,053
Decrease in long-term payables		(1,723,831)	(181,789)
Cash generated from operations		10,813,569	21,881,720
Income taxes paid		(2,798,489)	(2,789,177)
Interest paid		(2,054,787)	(3,354,897)
Interest received		998,505	673,556
NET CASH FROM OPERATING ACTIVITIES		6,958,798	16,411,202

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES			
Withdrawal of term deposits		(800,256)	1,703,231
Placement of restricted cash		(2,141,988)	(837,083)
Purchase of property, plant and equipment		(1,497,593)	(1,788,436)
Payments for construction in progress		(2,019,145)	(4,199,736)
Purchase of intangible assets		(546,695)	(2,789,889)
Payments for right-of-use assets		(724,084)	(38,100)
Increase in deposit paid for property, plant and equipment		(2,294,555)	(1,860,196)
Proceeds for disposal of property, plant and equipment		298,246	831,878
Net cash outflow arising on acquisition of subsidiaries		(6,938,590)	–
Investments in securities		(31,249)	–
Investments in associates		(146,300)	(352,755)
Settlement of payables for acquisition of subsidiaries		–	(1,694,438)
Proceed from disposal of assets classified as held for sale		212,007	58,257
Proceed from disposal of a joint venture		–	4,900
Proceed from disposal of an associate		25,203	784,560
Loan receivables advanced		(1,163,568)	(2,888,751)
Repayment of loan receivables		6,840,868	1,058,383
Increase in deposits in investment		(60,129)	–
Dividend received		–	16,116
Dividend received from associates		720,306	624,123
NET CASH USED IN INVESTING ACTIVITIES		(10,267,522)	(11,367,936)
FINANCING ACTIVITIES			
Proceeds from borrowings		22,269,022	17,466,315
Repayment of borrowings		(20,323,927)	(17,054,738)
Proceeds from issuance of guaranteed notes		18,725,304	8,000,000
Customers' deposits for financing business received		852,929	6,562,462
Redemption of perpetual capital securities		(8,417,351)	–
Repayment of guaranteed notes		(8,498,800)	(11,949,984)
Dividends paid		(4,723,044)	(5,688,465)
Repayment of lease liabilities		(513,259)	(185,592)
Distribution paid to holders of perpetual capital securities		(641,642)	(785,580)
Dividend paid to non-controlling shareholders		(548,214)	(1,223,842)
Payments for acquisition of additional interests in subsidiaries		(674,030)	(8,000,000)
Proceeds from issue of shares under global offering by a subsidiary		–	2,516
Repurchase of shares		(284,599)	–
Contribution from non-controlling interests		624,168	2,927,813
NET CASH USED IN FINANCING ACTIVITIES		(2,153,443)	(9,929,095)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(5,462,167)	(4,885,829)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		22,789,951	27,372,942
Effect of foreign exchange rate		(211,324)	302,838
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTED BY BANK BALANCES AND CASH		17,116,460	22,789,951

Chapter 12 Consolidated Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

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

The principal activities of the Company are investment holdings, coal mining and coal railway transportation. The activities of its principal subsidiaries, associates, joint ventures and joint operations (together with the Company referred to as the “Group”) are set out in notes 57, 27, 30 and 31 respectively.

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

2. BASIS OF PREPARATION AND PRESENTATION

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

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

The consolidated financial statements have been prepared on a going concern basis notwithstanding the Group had net current liabilities of approximately RMB45,023,397,000 as at 31 December 2020.

In the opinion of the directors of the Company, the Group should be able to maintain itself as a going concern in the next twelve months from 31 December 2020 by taking into consideration the followings:

- The directors of the Company anticipate that the Group will generate positive cash flows from its operations; and
- The undrawn borrowings facilities available for immediate use.

Based on the above, the directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations when they fall due for the next twelve months from 31 December 2020. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

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

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in International Financial Reporting Standards (“IFRSs”) and the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) which are effective for the Group’s financial year beginning 1 January 2020:

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRSs and the amendments to IFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these financial statements.

Chapter 12 Consolidated Financial Statements

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

New and amendments to IFRSs issued but not yet effective

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

IFRS 17	Insurance Contracts and related Amendments ⁵
Amendments to IFRS 3	Reference to Conceptual Framework ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ⁵
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use ³
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to IFRS 16	COVID-19-Related Rent Concessions ⁴
Amendment to IFRSs	Annual Improvements to IFRSs 2018 – 2020 cycle ³
Amendments to IAS 8	Definition of Accounting Estimates ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ⁵

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

² Effective for annual periods beginning on or after a date to be determined.

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

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2023.

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

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Based on the Group’s outstanding liabilities as at 31 December 2020, the application of the amendments will not result in change in the classification of the Group’s liabilities.

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

New and amendments to IFRSs issued but not yet effective (Continued)

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of “testing whether an asset is functioning properly”. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are stated at fair value. The principal accounting policies are set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends are recognised in the Company's profit or loss.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combination

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

At the acquisition date, identifiable assets acquired and liabilities and contingent liabilities assumed are recognised at their fair values, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 *Income Taxes*;
- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 *Employee Benefits*;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination (Continued)

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period can not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounting for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are recognised on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

The Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Goodwill is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment is recognised immediately in the consolidated statement of profit or loss and is not subsequently reversed.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

The Group's investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method, except for the investments classified as held for sale in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates and joint ventures are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates and joint ventures are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

If an associate or a joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's or joint venture's accounting policies conform to those of the Group when the associate's or joint venture's financial statements are used by the Group in applying the equity method.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate or joint venture is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

When the investment ceases to be an associate or a joint venture upon the Group losing significant influence over the associate or joint control over the joint venture, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with the applicable standard. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is accounted for on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

When the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate or joint venture are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate or joint venture. The Group's share in the associate's or joint venture's gains or losses resulting from these transactions is eliminated.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group, as a joint operator, recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in joint operations (Continued)

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity enters into a transaction with a joint operation in which the group entity is a joint operator, such as a sale or contribution of assets, the Group is considered to be conducting the transaction with the other parties to the joint operation and the Group recognises gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation.

When a group entity enters into a transaction with a joint operation in which the group entity is a joint operator, such as a purchase of assets, the Group recognises its share of the gains and losses until it resells those assets to a third party.

Non-current assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale or disposal in its present condition subject only to terms that are usual and customary for sales or disposals of such assets (or disposal group) and the transaction is highly probable. Management must be committed to the transaction, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan or other transaction involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint control over the joint venture.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on property on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill)

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful life to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life will be tested for impairment annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as an income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- The Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Contract liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

The Group recognised revenue from the following major sources:

- Sales of goods (including coal, methanol and equipment manufacturing)
- Provision of coal railway transportation services, electricity and heat supply

Sales of goods

Revenue from sale of coal, methanol and equipment is recognised at the point when the control of the goods is transferred to the customers (generally on delivery of the goods to the location specified by the customers and accepted by the customers). It is a point of time where the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits of the products.

Provision of services

Revenue from coal railway transportation services is recognised when the services are rendered.

Revenue from supply of electricity and heat is recognised at the time when the electricity or heat is transmitted.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life. Expenditure incurred on projects to develop new products is capitalised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete the intangible asset and use or sell it, the ability to use or sell the asset, how the asset will generate future probable economic benefits, the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset and the ability to measure reliably the expenditure during the development.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are carried at cost less any accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(i) Mining reserves

Mining reserves represent the portion of total proven and probable reserves in the mine. Mining reserves are amortised over the life of the mine on a unit of production basis of the estimated total proven and probable reserves. Changes in the annual amortisation rate resulting from changes in the remaining reserves are applied on a prospective basis from the commencement of the next financial year.

(ii) Mining resources

Mining resources represent the fair value of economically recoverable reserves (excluding the portion of total proven and probable reserves of a mining right i.e. does not include the above mining reserves) of a mining right (Details are set out in the accounting policy of exploration and evaluation expenditure). When production commences, the mining resources for the relevant areas of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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.

Exploration and evaluation expenditure comprises costs that are directly attributable to:

- Researching and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatments methods; and/or
- Compiling pre-feasibility and feasibility studies.

These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors.

Exploration expenditure relates to the initial search for deposits with economic potential. Expenditure on exploration activity is not capitalised.

Evaluation expenditure relates to a detailed assessment of deposits or other projects that have been identified as having economic potential. Capitalisation of evaluation expenditure commences when there is a high degree of confidence that the Group will determine that a project is commercially viable, i.e. the project will provide a satisfactory return relative to its perceived risks, and therefore it is considered probable that future economic benefits will flow to the Group.

Exploration and evaluation expenditure incurred is accumulated in respect of each separately identifiable area of interest which is at individual mine level. These costs are only carried forward where the right of tenure for the area of interest is current and to the extent that they are expected to be recouped through successful development and commercial exploitation, or alternatively, sale of the area, or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

The carrying amount of exploration and evaluation assets is assessed for impairment when facts or circumstances suggest the carrying amount of the assets may exceed their recoverable amount.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated costs in relation to an abandoned area are written-off in full in the period in which the decision to abandon the area is made.

Capitalised exploration and evaluation expenditure considered to be tangible is recorded as a component of property, plant and equipment. Otherwise, it is recorded as an intangible asset. Exploration and evaluation expenditure acquired in a business combination are recognised at their fair value at the acquisition date (the fair value of potential economically recoverable reserves at the acquisition date which is shown as “Mining resources”).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and evaluation expenditure (Continued)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable (i.e. when proved reserves of coal are determined and development is approved by management), the exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining reserves or property, plant and equipment. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

On reclassification, the carrying amounts of exploration and evaluation assets are also reviewed and, where appropriate, written down to their recoverable amount.

Property, plant and equipment

Property, plant and equipment, other than construction in progress and freehold land, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is charged so as to write off the cost of items of property, plant and equipment, other than construction in progress and freehold land, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method or unit of production method.

Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised immediately in the consolidated statement of profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes.

Owned investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If an item of property, plant and equipment becomes an investment property when there is a change in use, as supported by observable evidence, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. The revaluation reserve in respect of that item will be transferred directly to retained earnings when it is derecognised.

Construction in progress

Construction in progress represents production site development projects under construction for production or for its own use purposes. Construction in progress is carried at cost less any impairment loss. Costs included costs of constructing the manufacturing plant and acquisition of mining rights, mining permits and licenses that form an integral part of the overall development projects. Construction in progress is classified to the appropriate category of property, plant and equipment or intangible assets when completed and ready for intended use. Depreciation or amortisation commences when the assets are ready for their intended use.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and other financial institution and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the preparation of consolidated cash flow statement, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories of coal, methanol, iron ore and equipment are stated at the lower of cost and net realisable value. Cost, which comprises direct materials and, where applicable, direct labour and overheads that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price less all further costs to completion and costs to be incurred in selling, marketing and distribution.

Inventories of auxiliary materials, spare parts and small tools expected to be used in production are stated at weighted average cost less allowance, if necessary, for obsolescence.

Overburden in advance

Overburden in advance comprises mining stripping (waste removal) costs both during the development and production phase of the Group's operations.

When stripping costs are included in the development phase of a mine before the production phase commences (development stripping), such expenditure is capitalised as part of the cost of constructing the mine if it can be demonstrated that it is probable that future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved. The stripping assets are subsequently amortised over its useful life using a units of production method, in accordance with the policy applicable to mine properties. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Waste removal costs incurred in the production phase creates two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and the benefit is improved access to ore to be mined in the future, the costs are recognised as a stripping activity asset in mine properties.

If the costs of the inventory produced and the stripping asset are not separately identifiable, the allocation is undertaken based on waste-to-ore stripping ratio for the particular ore component concerned. If mining of waste in a period occurs in excess of the expected life-of-component average waste-to-ore strip ratio, the excess is recognised as part of the stripping asset. Where mining occurs at or below the expected life-of-component stripping ratio in a period, the entire production stripping cost is allocated to the cost of the ore inventory produced.

Amortisation is provided using the units-of-production method over the life of the identified component of ore body. The units-of-production method results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves).

Stripping costs that do not satisfy the asset recognition criteria are expensed.

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 before tax as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Certain of the Company's Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the tax consolidated group recognises its own deferred tax assets and liabilities, except where the deferred tax assets relate to unused tax losses and credits, in which case the Australian subsidiaries recognise the assets. Australian subsidiaries have entered into a tax sharing agreement whereby each company of Australian subsidiaries contributes to the income tax payable in proportion to their contribution to the profit before tax of the tax consolidated group. The tax consolidated group has also entered into a tax funding agreement whereby each entity in Australian subsidiaries group can recognise their balance of the current tax assets and liabilities through inter-entity accounts.

Land subsidence, restoration, rehabilitation and environmental costs

One consequence of coal mining is land subsidence caused by the resettlement of the land above the underground mining sites. Depending on the circumstances, the Group may relocate inhabitants from the land above the underground mining sites prior to mining those sites or the Group may compensate the inhabitants for losses or damages from land subsidence after the underground sites have been mined. The Group may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the underground sites have been mined.

An estimate of such costs is recognised in the period in which the obligation is identified and is charged as an expense in proportion to the coal extracted. At the end of each reporting period, the Group adjusts the estimated costs in accordance with the actual land subsidence status. The provision is also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the undepreciated capitalised cost of any related assets, in which case the capitalised cost is reduced to nil and remaining adjustment is recognised in the consolidated statement of profit or loss. Changes to the capitalised cost result in an adjustment to future depreciation and finance charges.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Definition of a lease

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

The Group as lessee

For contracts entered into or arising from business combinations, the Group assesses whether a contract is or contains a lease, at inception of the contract or acquisition date, as appropriate. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

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

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

Right-of-use assets

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Allocation of consideration to components of a contract

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

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

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Restoration provisions

Provisions for the costs to restore leased plant assets to their original condition, as required by the terms and conditions of the lease, are recognised when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

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

Foreign currencies

In the individual financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e., the currency of the primary environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to defined contribution plans including included state-managed retirement benefit schemes and superannuation funds are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave are included in other payables and accrued expenses. Related on-costs are also included in other payables and accrued expenses as other creditors. Long service leave is provided for when it is probable that settlement will be required and it is capable of being measured reliably.

Employee benefits expected to be settled within 12 months are measured using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the “Other income and gains” line item (note 10).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other income and gains" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Other income and gains" line item. Fair value is determined in the manner described in note 45c.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost as well as financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for bills and accounts receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 4 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Measurement and recognition of expected credit losses (Continued)

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Perpetual capital securities issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, are classified as equity instruments and are initially recorded at the proceeds received.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the 'other incomes and gains' line item in profit or loss.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Financial liabilities (Continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Hedge accounting (Continued)

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the “Other income and gains” line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Hedge accounting (Continued)

Cash flow hedges (Continued)

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Offsetting financial instruments

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

Share-based payment transactions

Share options granted to employees

Equity-settled share-based payment transactions

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

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

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

Cash-settled share-based payment transactions

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions (Continued)

Cash-settled share-based payment transactions (Continued)

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

Fair value measurement

When measuring fair value except for the Group's share-based payment transactions, leasing transactions, net realisable value of inventories and value in use of intangible assets, right-of-use assets, property, plant and equipment and construction in progress for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosure made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Going concern consideration

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

Significant influence over associates

As stated in note 27, the directors of the Company considered that China Zheshang Bank Co., Ltd. ("Zheshang Bank"), 臨商銀行股份有限公司 ("Linshang Bank") and Qilu Bank Co. Ltd. ("Qilu Bank"), in which the Group has 4.39%, 19.75% and 8.67% equity interest respectively, are associates of the Group.

The Group considered that it has the practical ability to exercise significant influence on the associates even though it owns less than 20% of the ownership interest and voting control taking into account 1) the Group's ownership interest is significant relative to other shareholders due to the wide dispersion of shareholding interests; 2) the representation or right to appoint/nominate directors on the board of directors of the associates; and 3) the rights to participate in the policy-making process, including dividends and other distribution.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

Key sources of estimation uncertainty (Continued)

Depreciation of mining structures

The cost of mining structures (note 23) is depreciated using the unit of production method based on the estimated total production volume for which the structure was designed. The management exercises their judgement in estimating the useful lives of the mining structures and the estimated total production volume of the mine. The estimated coal production volumes are updated at regular intervals and have taken into account recent production and technical information about each mine. These changes are considered a change in estimate for accounting purposes and are reflected on a prospective basis in related depreciation rates. Estimates of the production volume are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information.

Amortisation of assets

Mining reserve (note 22) is amortised based on unit of production basis. The expensing of overburden costs is based on saleable coal production over its 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 36) is reviewed regularly to verify that it properly reflects the remaining obligation arising from the current and past mining activities. Provision for land subsidence, restoration, rehabilitation and environmental costs are determined by the management based on their best estimates of the current and future costs, latest government policies and past experience.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The future cash flow is estimated based on past performance and expectation for market development, including but not limited to the impacts of COVID-19 pandemic. As the current environment is uncertain, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainty. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2020, the carrying amount of goodwill is RMB1,754,149,000 (2019: RMB1,655,090,000). During the year ended 31 December 2020, no impairment loss on goodwill (2019: nil) was recognised by the Group. Details of the Group's impairment assessment on goodwill are set out in note 25.

Cash flow projections during the budget period for each of the cash generating units are based on the budgeted revenue and expected gross margins during the budget period and the raw materials price inflation during the budget period. Expected cash inflows/outflows have been determined based on past performance and management's expectations for the market development.

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

Estimated impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible asset are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs.

The future cash flow is estimated based on past performance and expectation for market development, including but not limited to the impacts of COVID-19 pandemic. As the current environment is uncertain, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainty. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2020, the carrying amounts of property, plant and equipment and intangible assets were RMB65,516,221,000 and RMB72,714,205,000 (2019: RMB44,995,450,000 and RMB51,958,569,000) respectively. Details of the impairment of property, plant and equipment and intangible assets are disclosed in notes 23 and 22, respectively.

Exploration and evaluation expenditure

Under the Group's accounting policy, exploration expenditure is not capitalised. Evaluation expenditure is capitalised when there is a high degree of confidence that the Group will determine that a project is commercially viable and therefore it is considered probable that future economic benefits will flow to the Group.

There are occasions when the Group concludes that the asset recognition criteria are met at an earlier stage than approval to proceed. In these cases, evaluation expenditure is capitalised if there is a high degree of confidence that the Group will determine the project is commercially viable. The Group's view is that a high degree of confidence is greater than "more likely than not" (that is greater than 50 per cent certainty) and less than "virtually certain" (that is less than 90 per cent certainty). Determining whether there is a high degree of confidence that the Group will determine that an evaluation project is commercially viable requires a significant degree of judgement and assessment of all relevant factors such as the nature and objective of the project; the project's current stage and project timeline; current estimates of the project's net present value including sensitivity analyses for the key assumptions; and the main risks of the project. Development expenditure incurred prior to the decision to proceed is subject to the same criteria for capitalisation, being a high degree of confidence that the Group will determine that a project is commercially viable.

In accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources", the criteria for the capitalisation of evaluation costs are applied consistently from period to period.

Subsequent recovery of the carrying value for evaluation costs depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any related impairment provisions are charged to the consolidated statement of profit or loss.

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

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

The impairment provisions for bills and accounts receivables, other receivables and long-term receivables are based on assumptions about expected credit loss. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Group's customers and their ability to meet their financial obligations to the Group is difficult to predict. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss.

At 31 December 2020, the carrying amount of bills and accounts receivables is approximately RMB7,291,455,000 (2019: RMB7,598,163,000), net of accumulated impairment losses of approximately RMB501,078,000 (2019: RMB482,331,000).

At 31 December 2020, the carrying amount of other receivables is approximately RMB8,546,526,000 (2019: RMB13,581,816,000), net of accumulated impairment losses of approximately RMB1,679,407,000 (2019: RMB769,779,000).

At 31 December 2020, the carrying amount of long-term receivables is approximately RMB6,483,853,000 (2019: RMB10,118,051,000), net of accumulated impairment losses of approximately RMB262,089,000 (2019: RMB234,354,000).

Acquisitions and business combinations

The directors of the Company determines whether the acquisition as disclosed in note 47 should be accounted as a business combination under HKFRS 3 or an asset acquisition by assessing if there are economic resources or business process associated with the acquisition targets. A business is a group of assets that includes inputs, outputs and processes that are capable of being managed together for providing a return to investors or other economic benefits. Not all of the elements need to be present for the group of assets to be considered as a business and this determination involves judgement. If the group of assets purchased do not constitute a business, the acquisition is considered as purchase of individual assets. Different conclusion around this judgement may materially impact how the acquisition presented and measured in the consolidation statement of financial position of the Group.

In the opinion of directors of the Company, the acquisitions had been accounted for as business combinations using the acquisition method.

Under the acquisition method, the consideration transferred for the combinations is allocated to the identifiable assets acquired and liabilities assumed based on their respective fair values as at acquisition date, including intangible assets. The determination of the fair value of consideration transferred, assets acquired and liabilities assumed requires a set of estimations and determination of key inputs. Any changes to these inputs may have significant impact on the fair value of consideration transferred, assets acquired and liabilities assumed, and will consequently have further impact on the goodwill or the profit or loss in the case of a bargain purchase.

6. SEGMENT INFORMATION

The Group is engaged primarily in the mining business. The Group is also engaged in the coal railway transportation business. The Company does not currently have direct export rights in the PRC and all of its export sales is made through China National Coal Industry Import and Export Corporation (“National Coal Corporation”), Minmetals Trading Co., Ltd. (“Minmetals Trading”) or Shanxi Coal Imp. & Exp. Group Corp. (“Shanxi Coal Corporation”). The final customer destination of the Company’s export sales is determined by the Company, National Coal Corporation, Minmetals Trading or Shanxi Coal Corporation. The exploitation right of the Group’s foreign subsidiaries is not restricted. Certain of the Company’s subsidiaries and associates are engaged in manufacturing and trading of mining machinery and the transportation business via rivers and lakes and financial services in the PRC. No separate segment information about these businesses is presented in these financial statements as the underlying gross sales, results and assets of these businesses, which are currently included in the mining business segment, are insignificant to the Group. Certain of the Company’s subsidiaries are engaged in production of methanol and other chemical products, and provision of heat and electricity. Upon the acquisition of Yankuang Donghua Heavy Industry Limited (“Donghua”) in 2016, the Group is also engaged in the manufacturing of comprehensive coal mining and excavating equipment.

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

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

Principal activities are as follows:

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

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

Unallocated corporate income for the years ended 31 December 2020 and 2019 mainly included gain on sales of materials and sundry items.

Unallocated corporate expenses for the years ended 31 December 2020 and 2019 mainly included bank charges, salaries and other employee benefits, miscellaneous taxes and sundry items.

Unallocated corporate assets at 31 December 2020 and 2019 mainly included certain bank balances and cash, investments in securities, deferred tax assets and sundry items.

Unallocated corporate liabilities at 31 December 2020 and 2019 mainly included borrowings, dividend payables, deferred tax liabilities and sundry items.

6. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results

Segment information about these businesses is presented below:

	For the year ended 31 December 2020						Consolidated RMB'000
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Unallocated RMB'000	Eliminations RMB'000	
SEGMENT REVENUE							
External	65,419,830	377,800	3,176,101	149,289	-	-	69,123,020
Inter-segment	1,827,549	50,590	383,640	806,431	-	(3,068,210)	-
Total	67,247,379	428,390	3,559,741	955,720	-	(3,068,210)	69,123,020

	For the year ended 31 December 2020						Consolidated RMB'000
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Unallocated RMB'000	Eliminations RMB'000	
RESULTS							
Segment results	11,502,529	152,106	762,448	4,950	-	-	12,422,033
Unallocated corporate expenses	-	-	-	-	-	-	(6,935,091)
Unallocated corporate income	-	-	-	-	-	-	3,016,091
Interest income	-	-	-	-	-	-	1,003,656
Share of results of associates	471,974	37,803	36,216	-	882,526	-	1,428,519
Share of results of joint ventures	(305,733)	-	-	-	-	-	(305,733)
Finance costs	-	-	-	-	-	-	(3,257,121)
Profit before tax							7,372,354
Income tax expenses							(1,815,033)
Profit for the year							5,557,321

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6. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

	For the year ended 31 December 2019						Consolidated RMB'000
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Unallocated RMB'000	Eliminations RMB'000	
SEGMENT REVENUE							
External	63,777,065	382,545	3,479,755	165,279	-	-	67,804,644
Inter-segment	5,507,545	77,103	429,647	815,176	-	(6,829,471)	-
Total	69,284,610	459,648	3,909,402	980,455	-	(6,829,471)	67,804,644

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

	For the year ended 31 December 2019						Consolidated RMB'000
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Unallocated RMB'000	Eliminations RMB'000	
RESULTS							
Segment results	14,951,626	143,446	568,844	147	-	-	15,664,063
Unallocated corporate expenses	-	-	-	-	-	-	(3,324,714)
Unallocated corporate income	-	-	-	-	-	-	2,978,940
Interest income	-	-	-	-	-	-	845,057
Share of results of associates	605,155	146,845	16,423	-	941,659	-	1,710,082
Share of results of joint ventures	(135,352)	-	-	-	-	-	(135,352)
Finance costs	-	-	-	-	-	-	(2,751,234)
Profit before tax							14,986,842
Income tax expenses							(3,160,063)
Profit for the year							11,826,779

The revenue for the years ended 31 December 2020 and 2019 represented revenue from contracts with customers within the scope of IFRS 15.

Disaggregation of revenue from contracts with customers by timing of recognition

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Timing of revenue recognition		
At a point in time	69,123,020	67,804,644

6. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

	As at 31 December 2020					Consolidated RMB'000
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Unallocated RMB'000	
ASSETS						
Segment assets	202,767,398	440,326	18,536,696	5,164,847	-	226,909,267
Interests in associates	1,203,015	2,115,795	1,056,530	-	14,204,816	18,580,156
Interests in joint ventures	445,411	-	-	-	-	445,411
Unallocated corporate assets						27,074,424
						273,009,258
LIABILITIES						
Segment liabilities	60,096,813	158,107	11,948,737	4,134,904	-	76,338,561
Unallocated corporate liabilities						104,587,487
						180,926,048
	As at 31 December 2019					Consolidated RMB'000
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Unallocated RMB'000	
ASSETS						
Segment assets	140,299,628	522,924	18,190,949	5,025,645	-	164,039,146
Interests in associates	3,963,236	2,177,992	1,029,771	-	9,944,440	17,115,439
Interests in joint ventures	518,956	-	-	-	-	518,956
Unallocated corporate assets						29,087,030
						210,760,571
LIABILITIES						
Segment liabilities	38,006,558	240,723	11,825,195	3,671,294	-	53,743,770
Unallocated corporate liabilities						71,668,196
						125,411,966

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6. SEGMENT INFORMATION (Continued)

(c) Other segment information

	For the year ended 31 December 2020					Consolidated RMB'000
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Corporate RMB'000	
Capital additions	94,141,309	62,018	752,452	772	94,255	95,050,806
Additions of investments in associates	-	-	-	-	4,185,045	4,185,045
Amortisation of intangible assets	2,327,121	-	22,889	3,614	153	2,353,777
Depreciation of property, plant and equipment	4,974,565	29,647	539,559	396,520	421	5,940,712
Depreciation of right-of-use assets	229,008	5,372	2,553	3,501	-	240,434
Impairment loss on:						
- inventories	47,300	-	-	-	-	47,300
- bills and accounts receivables, net	55,348	-	-	-	-	55,348
- other receivables, net	909,628	-	-	-	-	909,628
- long-term receivables	27,735	-	-	-	-	27,735
Gain on bargain purchase	(864,883)	-	-	-	-	(864,883)
Loss on reconsolidation of Watagan	6,844,010	-	-	-	-	6,844,010
Gain on remeasurement of associate	(1,664,006)	-	-	-	-	(1,664,006)
Gain acquisition on remeasurement of Moolarben	(3,233,058)	-	-	-	-	(3,233,058)

	For the year ended 31 December 2019					Consolidated RMB'000
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Corporate RMB'000	
Capital additions	15,158,689	21,918	752,412	39,171	94,255	16,066,445
Additions of investments in associates	-	-	-	-	352,755	352,755
Amortisation of intangible assets	1,557,702	-	23,498	3,614	153	1,584,967
Depreciation of property, plant and equipment	2,749,733	4,642	843,976	433,508	1,047	4,032,906
Depreciation of right-of-use assets	209,810	-	2,217	-	-	212,027
Impairment loss on:						
- inventories	25,843	-	-	-	-	25,843
- bills and accounts receivables, net	118,890	-	-	-	-	118,890
- other receivables, net	346,645	-	-	-	-	346,645
- long-term receivables	37,424	-	-	-	-	37,424
- intangible assets	147,464	-	-	-	-	147,464

6. SEGMENT INFORMATION (Continued)

GEOGRAPHICAL INFORMATION

The following table sets out the geographical information. The geographical location of sales to external customers is based on the location at which the services were provided or the destination of goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interests in associates and joint ventures.

The geographical information of revenue from contracts with customers are as follows:

	Revenue from external customers For the year ended 31 December	
	2020 RMB'000	2019 RMB'000
The PRC (place of domicile)	52,701,471	49,923,850
Australia	3,192,398	2,482,552
Others	13,229,151	15,398,242
Total	69,123,020	67,804,644

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

	Non-current assets At 31 December	
	2020 RMB'000	2019 RMB'000
The PRC (place of domicile)	156,181,336	93,952,113
Australia	49,036,602	40,257,731
Canada	1,848,839	1,921,695
Total non-current assets	207,066,777	136,131,539

Note: Non-current assets excluded investments in securities, long-term receivables, royalty receivable, deposits made on investments and deferred tax assets.

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7. NET SALES OF COAL

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Coal sold in the PRC, gross	50,363,876	45,658,024
Less: Transportation costs	(1,051,599)	(1,056,479)
Coal sold in the PRC, net	49,312,277	44,601,545
Coal sold outside the PRC, gross	15,055,954	18,119,041
Less: Transportation costs	(2,808,508)	(2,707,478)
Coal sold outside the PRC, net	12,247,446	15,411,563
Net sales of coal	61,559,723	60,013,108

Net sales of coal represent the invoiced value of coal sold and are net of returns, discounts and transportation costs if the invoiced value includes transportation costs to the customers.

8. COST OF SALES AND SERVICES PROVIDED

Cost of sales and services provided included:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Wages and employee benefits	6,636,346	6,216,147
Depreciation of property, plant and equipment	4,765,342	2,307,479
Depreciation of right-of-use assets	190,313	167,828
Amortisation of mining rights	2,306,036	1,543,039

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses included:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Wages and employee benefits	3,477,437	2,974,468
Amortisation of intangible assets	47,741	41,928
Depreciation of property, plant and equipment	657,527	645,464
Depreciation of right-of-use assets	50,121	44,199
Impairment loss on bills and accounts receivables, net	55,348	118,890
Impairment loss on other receivables, net	909,628	346,645
Impairment loss on inventories	47,300	25,843
Impairment loss on intangible assets	-	147,464
Impairment loss on long-term receivables, net	27,735	37,424
Impairment loss on interest in associate	6,158	-
Loss on disposals of property, plant and equipment	68,130	50,237
Loss on change in fair value of financial assets at FVTPL	-	4,743
Exchange loss, net	-	134,212
Loss on change in fair value of derivative financial instruments	70,557	111,112
Loss on change in fair value of royalty receivable	45,938	-

10. OTHER INCOME AND GAINS

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Gain on sales of auxiliary materials	2,258,248	1,903,663
Interest income	1,003,656	847,057
Gain on change in fair value of royalty receivable	-	157,112
Gain on change in fair value of financial assets at FVTPL	340	-
Gain on remeasurement of an associate (Note 27(ii))_	1,664,006	-
Gain on disposal of an associate (note 27(v))	-	101,950
Government grants (note a)	332,786	245,394
Gain on acquisition and remeasurement of Moolarben	3,233,058	-
Gain on bargain purchase on acquisition of subsidiaries	864,883	-
Gain on change in fair value of investment properties	128,268	-
Exchange gain, net	203,176	-
Others	613,139	656,086
	10,301,560	3,911,262

Note a: Government grants mainly represented subsidies provided to the Group to finance its operations and there were no unfulfilled conditions.

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11. FINANCE COSTS

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Interest expenses on:		
– Bank and other borrowings	3,209,539	3,086,837
– Bills receivable discounted without recourse	9,085	8,512
– Lease liabilities	74,084	33,894
	3,292,708	3,129,243
Less: interest expenses capitalised into construction in progress	(425,679)	(378,009)
	2,867,029	2,751,234

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.35% to 6% (2019: 4.75% to 6%) per annum to expenditure on qualifying assets.

12. INCOME TAX EXPENSES

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Income taxes:		
Current taxes	2,935,191	2,829,461
Deferred taxes (note 41)	(1,120,158)	330,602
	1,815,033	3,160,063

Except for certain subsidiaries in the PRC that are entitled to a preferential tax rate of 15%, the Company and its subsidiaries in the PRC are subject to the standard income tax rate of 25% on its taxable income (2019: 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

12. INCOME TAX EXPENSES (Continued)

The total tax charge for the year can be reconciled to the profit per the consolidated statement of profit or loss as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Profit before tax	7,372,354	14,986,842
Standard income tax rate in the PRC	25%	25%
Standard income tax rate applied to profit before tax	1,843,089	3,746,711
Reconciling items:		
Tax effect of expenses not deductible for tax purpose	1,798,728	624,753
Utilisation of unrecognised tax losses in prior years	(128,091)	(9,514)
Effect of tax rate differences in other taxation jurisdictions	(615,186)	56,468
Tax effect of share of results of associates and joint ventures	(280,697)	(393,683)
Changes in tax base of assets (note)	(953,894)	(996,040)
Tax effect of tax losses not recognised	15,504	139,927
Others	135,580	(8,559)
Income taxes	1,815,033	3,160,063
Effective income tax rate	24.62%	21.09%

Note: The amount represented the tax benefits relating to the finalisation of tax bases arising from Yancoal Australia in prior years.

13. PROFIT BEFORE TAX

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Profit before tax has been arrived at after charging:		
Amortisation of intangible assets	2,353,777	1,584,967
Depreciation of property, plant and equipment	5,940,712	4,032,906
Depreciation of right-of-use assets	240,434	212,027
Auditors' remuneration	16,830	15,295
Staff costs, including directors', chief executive director's, supervisors' and management team's emoluments	9,046,429	9,791,567
Retirement benefit scheme contributions (included in staff costs above)	2,255,140	2,312,015
Share-based payments expenses (included in staff costs above)	24,557	8,203
Cost of inventories recognised as expenses	25,197,475	19,112,498
Research and development costs	508,617	265,014

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14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

Directors', chief executive director's, supervisors' and management team's emoluments

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	For the year ended 31 December 2020			Total RMB'000
	Fees RMB'000	Salaries, allowance and other benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	
Independent non-executive directors				
Qi Anbang ¹	75	–	–	75
Kong Xiangguo ¹	75	–	–	75
Tianhui ²	75	–	–	75
Zhu Limin ²	75	–	–	75
Cai Chang	150	–	–	150
Poon Chiu Kwok	150	–	–	150
	600	–	–	600
Executive directors				
Wu Xiangqian	–	1,146	180	1,326
Guo Jun ¹	–	402	61	463
Li Wei ³	–	715	111	826
Zhao Qingchun	–	891	139	1,030
He Jing ²	–	920	144	1,064
Wang Ruolin ²	–	1,059	166	1,225
Guo Dechun ²	–	793	123	916
Liu Jian ⁵	–	995	156	1,151
	–	6,921	1,080	8,001
Chief executive director				
Li Xiyong*	–	–	–	–

14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

Directors', chief executive director's, supervisors' and management team's emoluments (Continued)

	For the year ended 31 December 2020			
	Fees RMB'000	Salaries, allowance and other benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Supervisors				
Zhang Ning ¹	–	325	–	325
Zhou Hong*	–	–	–	–
Gu Shisheng*	–	–	–	–
Jiang Qingquan ¹	–	667	103	770
Meng Qinjian* ¹	–	–	–	–
Li Shipeng ²	–	–	–	–
Qin Yanpo ²	–	568	87	655
Su Li ⁴	–	563	87	650
Zheng Kai	–	545	84	629
	–	2,668	361	3,029
Other management team				
Wang Fuqi	–	946	148	1,094
Zhao Honggang	–	952	149	1,101
Jin Qingbin	–	889	139	1,028
Zhang Chuanchang ⁷	–	1,353	213	1,566
Wang Chunyao ⁷	–	1,175	185	1,360
Wang Peng ⁷	–	731	114	845
Tian Zhaohua ⁸	–	618	96	714
Zhang Lei ⁶	–	327	–	327
Gong Zhijie	–	953	149	1,102
	–	7,944	1,193	9,137
Total	600	17,533	2,634	20,767

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14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

Directors', chief executive director's, supervisors' and management team's emoluments (Continued)

The executive directors', chief executive directors' and other management team's emoluments shown above were for their services to the management of the affairs of the Company and the Group.

The independent non-executive directors' and the supervisors' emoluments shown above were for their services as directors/supervisors of the Company.

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

¹ Resigned on 18 June 2020

² Appointed on 19 June 2020

³ Resigned on 3 September 2020

⁴ Appointed on 17 June 2020

⁵ Resigned on 20 February 2021

⁶ Appointed on 27 March 2020

⁷ Appointed on 22 April 2020

⁸ Appointed on 9 December 2020

	For the year ended 31 December 2019			Total RMB'000
	Fees RMB'000	Salaries, allowance and other benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	
Independent non-executive directors				
Qi Anbang	142	–	–	142
Kong Xiangguo	142	–	–	142
Cai Chang	142	–	–	142
Poon Chiu Kwok	142	–	–	142
	568	–	–	568
Executive directors				
Wu Yuxiang ¹	–	–	–	–
Wu Xiangqian	–	1,058	187	1,245
Guo Jun	–	728	128	856
Li Wei ³	–	–	–	–
Zhao Qingchun	–	850	150	1,000
Guo Dechun	–	1,014	179	1,193
Liu Jian ²	–	820	144	964
	–	4,470	788	5,258
Chief executive director				
Li Xiyong*	–	–	–	–

14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

Directors', chief executive director's, supervisors' and management team's emoluments (Continued)

	For the year ended 31 December 2019			Total RMB'000
	Fees RMB'000	Salaries, allowance and other benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	
Supervisors				
Zhang Ning ¹	–	–	–	–
Zhou Hong*	–	–	–	–
Gu Shisheng*	–	–	–	–
Jiang Qingquan	–	767	135	902
Meng Qinjian*	–	–	–	–
Zheng Kai	–	477	82	559
	–	1,244	217	1,461
Other management team				
Wang Fuqi	–	832	146	978
Zhao Honggang	–	788	138	926
Jin Qingbin	–	729	128	857
He Jing	–	1,020	180	1,200
Gong Zhijie	–	714	125	839
	–	4,083	717	4,800
Total	568	9,797	1,722	12,087

The executive directors', chief executive directors' and other management team's emoluments shown above were for their services to the management of the affairs of the Company and the Group.

The independent non-executive directors' and the supervisors' emoluments shown above were for their services as directors/supervisors of the Company.

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

¹ Resigned on 28 March 2019

² Appointed on 29 March 2019

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14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

Employees' emoluments

The five highest paid individuals in the Group included one (2019: one) director for the year ended 31 December 2020. The emoluments of the remaining four (2019: four) highest paid individuals were stated as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries, allowance and other benefits in kind	22,014	15,272
Retirement benefit scheme contributions	267	406
Discretionary bonuses	4,129	2,154
	26,410	17,832

Their emoluments were within the following bands:

	Year ended 31 December	
	2020	2019
HKD1,500,001 to HKD2,000,000	-	1
HKD2,500,001 to HKD3,000,000	-	1
HKD3,000,001 to HKD3,500,000	1	-
HKD6,000,001 to HKD6,500,000	-	1
HKD6,500,001 to HKD7,000,000	1	-
HKD7,000,001 to HKD7,500,000	1	-
HKD8,500,001 to HKD9,000,000	-	1
HKD12,000,001 to HKD12,500,000	1	-
	4	4

None of the directors, chief executive director, supervisors, management team and the five highest paid individuals waived any emoluments in the year ended 31 December 2020 and 2019. No emoluments were paid by the Group to any of the directors, supervisors, management team or five highest paid individuals as an inducement to joining the Group or as compensation for loss of office.

15. DIVIDEND RECOGNISED AS DISTRIBUTION DURING THE YEAR

	2020 RMB'000	2019 RMB'000
2020 interim dividend, nil (2019: 2019 interim dividend, RMB1.00 per share)	–	4,912,016
2019 final dividend, RMB0.58 per share (2019: 2018 final dividend, RMB0.54 per share)	2,818,800	2,652,489
	2,818,800	7,564,505

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

Pursuant to the extraordinary general meeting held on 1 November 2019, an interim dividend of RMB1.00 per share in respect of the six month ended 30 June 2019 was approved by the shareholders and paid to the shareholders of the Company.

Pursuant to the annual general meeting held on 19 June 2020, a final dividend of RMB0.58 per share in respect of the year ended 31 December 2019 was approved by the shareholders and paid to shareholders of the Company.

The board of directors proposes to declare a final dividend of approximately RMB4,873,042,000 calculated based on a total number of 4,873 million shares issued at RMB1.00 each in respect of the year ended 31 December 2020. The declaration and payment of the final dividend needs to be approved by the shareholders of the Company by way of an ordinary resolution in accordance with the requirements of the Company's Articles of Association. A shareholders' general meeting will be held for the purpose of considering and, if thought fit, approving this ordinary resolution.

16. EARNINGS PER SHARE

The calculation of the earnings per share attributable to the equity holders of the Company for the years ended 31 December 2020 is based on the profit attributable to the equity holders of the Company for the year of approximately RMB6,318,000,000 (2019: RMB9,388,645,000) and on the weighted average number of 4,883,877,852 shares (2019: 4,912,016,000 shares) in issue during 2020.

For the purpose of computation of diluted earnings per share for the year ended 31 December 2020, the Company had taken into consideration the dilutive effects of the share options issued by the Company (2019: share options issued by the Company and shares issuable under share incentive schemes of a non-wholly owned listed subsidiary). The diluted earnings per share for the year ended 31 December 2020 and 2019 approximate the basic earnings per share. The shares issuable under the share incentive schemes of a non-wholly-owned listed subsidiary had an anti-dilutive effect on the Company's earnings per share for the year ended 31 December 2020.

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

Bank balances carry interest at market rates which ranged from 0.30% to 1.75% (2019: from 0.30% to 1.75%) per annum.

At the reporting date, the restricted cash represents the bank acceptance bill deposits paid for safety work as required by the State Administrative of work safety which carry interest at market rates of 0.30% to 0.42% (2019: 0.30% to 0.42%) per annum.

Pledged term deposits were pledged to certain banks as security for loans and banking facilities granted to the Group, which carry fixed interest rate ranging from 0.55% to 3.10% (2019: 0.55% to 3.10%) per annum.

18. BILLS AND ACCOUNTS RECEIVABLES

	At 31 December	
	2020 RMB'000	2019 RMB'000
Accounts receivables (at amortised cost)	4,479,924	4,976,900
Less: impairment loss	(500,704)	(481,503)
Bills receivables (at FVTOCI)	3,979,220	4,495,397
Less: impairment loss	(374)	(828)
Total bills and accounts receivables, net	7,291,455	7,598,163

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.

As at 31 December 2020, the gross amount of bills and accounts receivable arising from contracts with customers amounted to approximately RMB7,792,533,000 (2019: RMB8,080,494,000).

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

18. BILLS AND ACCOUNTS RECEIVABLES (Continued)

The following is an aged analysis of bills and accounts receivables, net of allowance for impairment, presented based on the invoice dates, which approximates the respective revenue recognition dates or dates the bills are received, at the end of the reporting period:

	At 31 December	
	2020 RMB'000	2019 RMB'000
0-90 days	4,016,269	4,352,677
91-180 days	1,499,849	1,625,634
181-365 days	1,260,276	1,365,969
Over 1 year	515,061	253,883
	7,291,455	7,598,163

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year.

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

For accounts receivables of approximately RMB841,712,000 (2019: RMB1,134,601,000) that are due from large and state-owned enterprises which have good credit rating and very rare past default payment history, the directors of the Company considered that there is no expected credit loss on these receivables as at 31 December 2020.

The following table provides information about the exposure to credit risk and ECL for bills and accounts receivables from customers, other than those large and state-owned enterprises, which are assessed individually or collectively based on provision matrix as at 31 December 2020 and 2019.

	Average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
As at 31 December 2020			
Accounts receivables – collective assessment			
– Within 1 year	0.12	2,735,982	3,196
– 1-2 years	5.36	197,509	10,594
– 2-3 years	12.33	91,337	11,264
– Over 3 years	68.34	120,750	82,515
Accounts receivables – individual assessment	79.80	3,145,578	107,569
		492,634	393,135
Bills receivables	0.01	3,638,212	500,704
		3,312,609	374
		6,950,821	501,078

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18. BILLS AND ACCOUNTS RECEIVABLES (Continued)

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

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward looking information that is available without undue cost or effort. The grouping is regularly reviewed by the management to ensure relevant information about specific debtor is updated.

Receivable are written off if past due for more than 4 years and are not subject to enforcement activity. The Group does not hold collateral as security. During the year ended 31 December 2020, accounts receivables of approximately RMB36,601,000 (2019: RMB38,207,000) were written-off.

An analysis of the impairment loss on bills and accounts receivables for 2020 and 2019 are as follows:

	At 31 December	
	2020 RMB'000	2019 RMB'000
Balance at 1 January	482,331	401,648
Amounts written off as uncollectible	(36,601)	(38,207)
Provided for the year	201,740	223,230
Impairment loss reversed	(146,392)	(104,340)
Balance at 31 December	501,078	482,331

Included in bills and accounts receivables as at 31 December 2020 are balances of approximately RMB1,333,173,000 (2019: RMB2,075,393,000) that have been pledged to secure borrowings and banking facilities granted to the Group.

19. ROYALTY RECEIVABLE

	At 31 December	
	2020 RMB'000	2019 RMB'000
As at 1 January	1,143,090	931,256
Cash received	(72,890)	(93,689)
Exchange re-alignment	83,235	49,425
Change in fair value	(45,938)	256,098
As at 31 December	1,107,497	1,143,090
Presented as:		
Current portion	97,935	120,538
Non-current portion	1,009,562	1,022,552
	1,107,497	1,143,090

A right to receive a royalty of 4% of Free on Board trimmed sales from Middlemount Coal Pty Ltd (“Middlemount”) mine operated by Middlemount Joint Venture was acquired as part of the acquisition of Gloucester Coal Limited (“Gloucester”). This financial asset has been determined to have a finite life being the life of the Middlemount mine and is measured at fair value basis.

The royalty receivable is measured based on management expectations of the future cash flows at each reporting date with the re-measurement recorded in profit or loss. The amount expected to be received in the next 12 month is disclosed as current receivable and the discounted expected future cash flow beyond 12 months is disclosed as a non-current receivable. Change in fair value is included in other income, gains and loss, net.

20. INVENTORIES

	At 31 December	
	2020 RMB'000	2019 RMB'000
Work in progress	1,183,686	850,927
Finished goods	1,422,740	390,144
	2,606,426	1,241,071
Methanol	271,890	175,194
Auxiliary material, spare parts and small tools	2,123,520	1,112,499
Coal products	1,262,798	3,067,810
Iron ore	845,384	392,570
Others	3,615	18,165
	7,113,633	6,007,309

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21. PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2020 RMB'000	2019 RMB'000
Advance to suppliers	3,961,538	4,063,775
Less: Impairment loss on advance to suppliers (note (i))	(566,263)	(579,506)
	3,395,275	3,484,269
Prepaid relocation costs of inhabitants	3,194,472	1,962,913
Other taxes	1,548,713	1,310,821
Loan receivables (note (ii))	4,301,874	9,504,131
Interest receivable	123,615	118,464
Others	5,800,444	4,729,000
Less: Impairment loss on other receivables	(1,679,407)	(769,779)
	16,684,986	20,339,819

(i) An analysis of the impairment loss on advance to suppliers for 2020 and 2019 are as follows:

	2020 RMB'000	2019 RMB'000
Balance at 1 January	579,506	614,343
Amounts written off as uncollectible	(13,243)	(34,837)
Balance at 31 December	566,263	579,506

Advances will be written off, if aged over 4 years and considered irrecoverable by the management after considering the credit quality of the individual party and the nature of the amount overdue. During the year ended 31 December 2020, advance to suppliers of approximately RMB13,243,000 (2019: RMB34,837,000) were written-off.

(ii) The loans receivables carried interest ranging from 3.48% to 4.35% (2019: 3.48% to 4.35%) per annum and are repayable within 12 months from the end of the reporting period.

21. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The Group recognised lifetime ECL and 12-month ECL for other receivables based on the credit risk grading framework as follows:

As at 31 December 2020	Average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Other receivables – Performing	11.68	5,250,769	613,245
Other receivables – Default	100.00	1,066,162	1,066,162
Remaining other receivables	*	3,909,002	–
		10,225,933	1,679,407

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

* For the remaining balance of other receivables of approximately RMB3,909,002,000 (2019: RMB8,263,028,000), it has low risk of default or has not been significantly increase in credit risk since initial recognition and no impairment is recognised.

Movement in the impairment losses on other receivables is as follows:

	12-month ECL RMB'000	Lifetime ECL – credit impaired RMB'000	Total RMB'000
At 1 January 2019	237,796	185,338	423,134
Provided for the year	13,473	390,569	404,042
Impairment loss reversed	(57,397)	–	(57,397)
At 31 December 2019 and 1 January 2020	193,872	575,907	769,779
Provided for the year	419,373	490,255	909,628
At 31 December 2020	613,245	1,066,162	1,679,407

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22. INTANGIBLE ASSETS

	Mining reserves RMB'000	Mining resources (exploration and evaluation assets) RMB'000	Potash mineral exploration permit RMB'000	Technology RMB'000	Water licenses RMB'000	Others RMB'000	Total RMB'000
COST							
At 1 January 2019	52,063,431	4,089,569	1,300,016	243,001	290,131	100,618	58,086,766
Exchange re-alignment	670,251	74,278	23,612	1,483	14,952	33,853	818,429
Additions	3,472,654	38,100	-	880	-	1,625,409	5,137,043
At 31 December 2019 and 1 January 2020	56,206,336	4,201,947	1,323,628	245,364	305,083	1,759,880	64,042,238
Exchange re-alignment	780,861	73,494	684	3,300	4,246	3,963	866,548
Additions	21,046	-	-	-	-	26,862	47,908
Acquisition of subsidiaries	21,492,469	-	-	455,182	453,017	10,759	22,411,427
Disposal	-	-	-	(744)	-	-	(744)
At 31 December 2020	78,500,712	4,275,441	1,324,312	703,102	762,346	1,801,464	87,367,377
AMORTISATION AND IMPAIRMENT							
At 1 January 2019	9,960,195	129,151	-	26,296	13,249	88,886	10,217,777
Exchange re-alignment	132,835	31	-	107	61	427	133,461
Provided for the year	1,543,039	-	-	5,517	3,819	32,592	1,584,967
Impairment loss	147,464	-	-	-	-	-	147,464
At 31 December 2019 and 1 January 2020	11,783,533	129,182	-	31,920	17,129	121,905	12,083,669
Exchange re-alignment	213,114	-	-	-	-	3,356	216,470
Provided for the year	2,306,036	-	-	18,007	3,625	26,109	2,353,777
Disposal	-	-	-	(744)	-	-	(744)
At 31 December 2020	14,302,683	129,182	-	49,183	20,754	151,370	14,653,172
CARRYING VALUES							
At 31 December 2020	64,198,029	4,146,259	1,324,312	653,919	741,592	1,650,094	72,714,205
At 31 December 2019	44,422,803	4,072,765	1,323,628	213,444	287,954	1,637,975	51,958,569

22. INTANGIBLE ASSETS (Continued)

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

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

The potash mineral exploration permit is reclassified to mining resources or mining reserves according to its progress of exploration. Technology has not yet reached the stage of commercial application and therefore is not amortised. Patent is also included in technology and it is amortised on a straight line basis of 10 years over the useful life.

Water licenses are amortised over the life of mine. If the mining activities of the relevant locations have not yet been started and the connections to water sources have not been completed, no amortisation will be provided.

Other intangible assets mainly represented capacity replacement right which is amortised on a straight line basis over the contractual term.

Amortisation expense of the mining rights for the year of RMB2,306,036,000 (2019: RMB1,543,039,000) has been included in cost of sales and services provided. Amortisation expense of other intangible assets for the year of RMB47,741,000 (2019: RMB41,928,000) has been included in selling, general and administrative expenses.

During the years ended 31 December 2020 and 2019, each cash generating unit's recoverable amount has been determined using the value-in-use method.

Value-in-use has been determined using a discounted cash flow model. The key assumptions to which the model is most sensitive include:

- Forecast sales prices (including coal price)
- Foreign exchange rates, if applicable
- Production and capital costs
- Discount rate
- 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/or experts within the Group to validate entity specific assumptions such as coal reserves and resources.

Production and capital costs are based on the Group's estimate of forecasted geological conditions, stage of existing plant and equipment and future production levels. The information is obtained from internally maintained budgets, the five year business plan, life of mine models, life of mine plans and project evaluations performed by the Group in its ordinary course of business.

The Group has applied a pre-tax discount rate ranged from 8%-12% (2019: 10.74%-14%) to discount the forecast cash flows. The pre-tax discount rate applied to the future cash flow forecasts represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. This rate is also consistent with the Group's five year business plan, life of mine models and project evaluations performed in ordinary course of business.

In relation to mining reserves, due to the underperformance of the cash generating unit, an impairment loss of RMB147,464,000 was recognised for Anyuan Mine during the year ended 31 December 2019. The recoverable amount for the Anyuan Mine as at 31 December 2019 was RMB0.2 billion. No impairment loss was recognised for the year ended 31 December 2020.

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23. PROPERTY, PLANT AND EQUIPMENT

	Freehold land in Australia RMB'000	Buildings RMB'000	Railway structures RMB'000	Mining structures RMB'000	Plant, machinery and equipment RMB'000	Transportation equipment RMB'000	Total RMB'000
COST							
At 1 January 2019	1,047,445	7,197,652	5,122,282	19,754,006	38,087,284	2,822,120	74,030,789
Exchange re-alignment	12,346	12,624	-	107,690	200,227	36	332,923
Additions	-	94,255	612,134	582,949	2,294,996	19,031	3,603,365
Transfers from construction in progress	59,317	33,325	12,240	147,138	917,721	9,715	1,179,456
Disposals	-	(116,930)	(138,467)	(4,907)	(1,358,899)	(154,144)	(1,773,347)
At 31 December 2019 and 1 January 2020	1,119,108	7,220,926	5,608,189	20,586,876	40,141,329	2,696,758	77,373,186
Exchange re-alignment	35,796	54,289	-	271,085	471,652	(9)	832,813
Additions	-	499,881	350,349	373,535	1,881,549	132,267	3,237,581
Acquisition of subsidiaries	374,244	4,800,155	5,495,069	1,919,396	8,539,630	247,782	21,376,276
Transfers from construction in progress	39,637	349,855	90,379	553,232	1,245,944	16,248	2,295,295
Transfers to investment properties	-	(520,852)	-	-	-	-	(520,852)
Disposals	-	(161,617)	(23,873)	(72,913)	(1,255,516)	(99,480)	(1,613,399)
At 31 December 2020	1,568,785	12,242,637	11,520,113	23,631,211	51,024,588	2,993,566	102,980,900
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2019	-	2,127,757	2,971,402	5,702,019	16,462,540	1,816,123	29,079,841
Exchange re-alignment	-	5,288	-	30,537	120,370	26	156,221
Provided for the year	-	293,714	232,959	1,136,291	2,068,906	301,036	4,032,906
Eliminated on disposals	-	(44,257)	(68,361)	(3,870)	(669,432)	(105,312)	(891,232)
At 31 December 2019 and 1 January 2020	-	2,382,502	3,136,000	6,864,977	17,982,384	2,011,873	32,377,736
Exchange re-alignment	-	13,429	-	84,618	295,144	63	393,254
Provided for the year	-	281,435	308,378	249,950	4,938,085	162,864	5,940,712
Eliminated on disposals	-	(93,746)	(1,665)	(68,455)	(1,005,894)	(77,263)	(1,247,023)
At 31 December 2020	-	2,583,620	3,442,713	7,131,090	22,209,719	2,097,537	37,464,679
CARRYING VALUE							
At 31 December 2020	1,568,785	9,659,017	8,077,400	16,500,121	28,814,869	896,029	65,516,221
At 31 December 2019	1,119,108	4,837,424	2,472,189	13,721,899	22,158,945	684,885	44,995,450

23. PROPERTY, PLANT AND EQUIPMENT (Continued)

The following estimated useful lives are used for the depreciation of property, plant and equipment, other than freehold land:

Buildings	10 to 30 years
Railway structures	10 to 25 years
Plant, machinery and equipment	2.5 to 25 years
Transportation equipment	6 to 40 years

Transportation equipment includes vessels, harbor works and crafts which are depreciated over the estimated useful lives of 6 and 40 years respectively.

The mining structures include the main and auxiliary mine shafts and underground tunnels. Depreciation is provided to write off the cost of the mining structures using the units of production method based on the estimated production volume for which the structure was designed and the contractual period of the relevant mining rights.

At 31 December 2020, property, plant and equipment with carrying amount of approximately RMB2,623,374,000 (2019: RMB7,453,220,000) have been pledged to secure bank borrowings of the Group.

23a) INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At 1 January 2019, 31 December 2019 and 1 January 2020	–
Transfer from property, plant and equipment	520,852
Acquisition of subsidiaries	740,043
Increase in fair value	128,268
At 31 December 2020	1,389,163

All of the Group's investment properties are situated in Mainland China.

The fair value of the Group's investment properties at 31 December 2020 have been arrived at on the basis of a valuation carried out on that date by 山東中新資產評估有限公司(Shangdong Zhongxin Assets Appraisal Company Limited*), independent qualified professional valuers not connected with the Group.

The valuation was arrived at by reference to market evidence of transaction prices and rentals for similar properties in the similar locations and conditions. Details of valuation techniques and assumptions are discussed below. In estimating the fair value of the property, the highest and best use of the property is its current use.

* For identification only

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23a) INVESTMENT PROPERTIES (Continued)

An analysis of the Group's investment properties that are measured subsequent to initial recognition at fair value grouped into fair value hierarchy level 3 based on the degree to which the inputs to fair value measurement is observable and the information about how the valuation has reached and the use of significant unobservable inputs are as follows:

	Fair value hierarchy	Fair value as at 31 December 2020	Valuation technique and key inputs	Significant unobservable inputs	Range of unobservable inputs	Relationship of significant unobservable inputs to fair value
Commercial investment properties	Level 3	RMB1,389,163,000 (2019: N/A)	Market Comparison Approach - By reference to recent selling price of comparable properties and adjusted to reflect the time, size and location	Adjusted market price	RMB11,000 to RMB52,000 (2019: N/A) per square meter	The higher the adjusted market price, the higher the fair value

24. LEASES

(i) Right-of-use assets

	2020 RMB'000	2019 RMB'000
Buildings	5,113	8,479
Land use right	3,621,137	1,332,910
Plant, machinery and equipment	1,739,249	398,049
At 31 December	5,365,499	1,739,438

As at 31 December 2020, right-of-use assets of approximately RMB3,621,157,000 represents land use rights located in the PRC (2019: RMB1,332,910,000).

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

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

Additions to the right-of-use assets for the year ended 31 December 2020 amounted to RMB1,575,553,000, due to new lease arrangements of land use right and, plant, machinery and equipment (2019: RMB136,404,000).

24. LEASES (Continued)

(ii) Lease liabilities

	2020 RMB'000	2019 RMB'000
Non-current	1,634,000	328,072
Current	955,963	156,852
	2,589,963	484,924
	2020 RMB'000	2019 RMB'000
Amounts payable under lease liabilities		
Within one year	955,963	156,852
After one year but within two years	500,000	153,969
After two years but within five years	1,134,000	174,103
	2,589,963	484,924
Less: Amount due for settlement within 12 months (shown under current liabilities)	(955,963)	(156,852)
Amount due for settlement after 12 months	1,634,000	328,072

During the year ended 31 December 2020, the Group entered into a number of new leases agreements in respect of renting plant, machinery and equipment and recognised lease liability of RMB1,575,553,000 (2019: RMB98,304,000).

(iii) Amounts recognised in profit or loss

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Depreciation expense on right-of-use assets	240,434	212,027
Interest expense on lease liabilities	74,084	33,894
Expense relating to short-term leases	205,436	115,398

(iv) Other

During the year ended 31 December 2020, the total cash outflow for leases amounted to RMB718,695,000 (2019: RMB339,090,000).

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25. GOODWILL

	2020 RMB'000	2019 RMB'000
NET CARRYING VALUE		
At 1 January	1,655,090	1,651,211
Addition	90,426	–
Exchange re-alignment	8,633	3,879
At 31 December	1,754,149	1,655,090

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	At 31 December	
	2020 RMB'000	2019 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	307,756	299,700
– Syntech	20,344	19,767
– Premier Coal and Wesfarmers Char	12,652	12,293
– Xintai	653,837	653,837
– Beisu and Yangcun	712,214	712,214
Coal Railway Transportation		
– Railway Assets	97,240	97,240
Electricity and heat supply		
– Hua Ju Energy	239,879	239,879
Machinery manufacturing		
– Donghua	409,204	409,204
Others		
– Yankuang Finance	16,966	16,966
– 東方盛隆	14,859	–
– 上海東江	75,567	–
Impairment loss	(1,007,779)	(1,007,420)
	1,754,149	1,655,090

25. GOODWILL (Continued)

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

For the impairment testing of goodwill, the recoverable amounts of the cash generating units have been determined on the basis of value-in-use calculations. Value-in-use has been determined using a discounted cash flows model. Cash flow projections during the budget period are based on the budgeted revenue and expected gross margins during the budget period and the raw materials price inflation during the budget period. Expected cash inflows/outflows have been determined based on past performance and management's expectations for the market development. The future cash flows are highly dependent on the following unobservable inputs: forecast sales volumes and forecasted selling prices.

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

The cash flow model was based on financial budgets approved by management covering a 5-year period with an assumption of pre-tax discount rate of ranged from 8% to 12% (2019: 13% to 16%). It represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset. Externally verifiable data received by the Group validates this assumption. The recoverable amount is also dependent on the estimated lives of mines ranged from 4 to 40 years (2019: 4 to 38 years). This is calculated based on the Group's annual coal production forecast for each mine and mining reserves and mining resources. The cash flows beyond the 5-year period are extrapolated using a zero percent growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of each of the above units to exceed the recoverable amount of each of the above units.

No impairment of goodwill is required to be recognised for the years ended 31 December 2020 and 2019.

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26. CONSTRUCTION IN PROGRESS

	RMB'000
COST	
At 1 January 2019	10,896,287
Exchange re-alignment	16,990
Additions	6,554,580
Transfer to property, plant and equipment	(1,179,456)
At 31 December 2019 and 1 January 2020	16,288,401
Exchange re-alignment	20,818
Additions	2,462,361
Acquisition of subsidiaries	4,159,674
Transfer to property, plant and equipment	(2,295,295)
At 31 December 2020	20,635,959

For the year ended 31 December 2020, the capitalised interest expense amounted to RMB425,679,000 (2019: RMB378,009,000). The annual interest rates used to determine the capitalised amount in 2020 are 4.35% to 6% (2019: 4.75% to 6%).

27. INTERESTS IN ASSOCIATES

	At 31 December	
	2020 RMB'000	2019 RMB'000
Cost of investments in associates	13,488,495	12,810,183
Share of post-acquisition profit and other comprehensive income, net of dividends	5,097,819	4,305,256
Less: impairment	18,586,314 (6,158)	17,115,439 -
Carrying amount	18,580,156	17,115,439

27. INTERESTS IN ASSOCIATES (Continued)

Information of major associates is as follows:

Name of associate	Place of establishment and operation	Class of shares held	Principal activity	Interest held at 31 December	
				2020	2019
Huadian Zouxian Power Generation Company Limited ("Huadian Zouxian") (note (i))	PRC	Registered capital	Electricity generation business	30%	30%
Shaanxi Future Energy Chemical Corp. Ltd ("Shaanxi Future Energy")	PRC	Registered capital	Production and sales of chemical products, oil and coal	Note (ii)	24.66%
Shandong Shengyang Wood Co., Ltd	PRC	Registered capital	Artificial board, CCF processing	39.77%	39.77%
Jiemei Wall Materials Co., Limited	PRC	Registered capital	Coal refuse baked brick	20%	20%
Newcastle Coal Infrastructure Group Pty Ltd	Australia	Ordinary shares	Coal terminal	27%	27%
Shanghai CIFCO Futures Co., Limited	PRC	Registered capital	Trading and consultation futures	33%	33%
Watagan Mining Company Pty Limited ("Watagan")	Australia	Ordinary shares	Coal Mining and sales	Note (vi)	100%
Qilu Bank Co., Ltd. ("Qilu Bank") (note (iii))	PRC	Registered capital	Financial services	8.67%	8.67%
內蒙古伊泰准東鐵路有限責任公司("伊泰")	PRC	Registered capital	Railway construction and transportation	25%	25%
兗礦售電有限公司	PRC	Registered capital	Sales of electricity	25%	25%
Port Waratah Coal Services Ltd ("PWCS")	Australia	Ordinary shares	Provision of coal receivable, blending, stockpiling and ship loading service	30%	30%
Zheshang Bank (note (iii),(iv))	PRC	Registered capital	Financial services	4.39%	4.39%
Linshang Bank (note (iii))	PRC	Registered capital	Financial services	19.75%	19.75%
Shandong Yancoal Property Service Company Limited ("Yancoal Property Service")	PRC	Registered capital	Property management, garden greening engineering, sewage treatment and rental housing agency service	35%	35%

All of the above associates have been accounted for using equity method in the consolidated financial statements. Except for 伊泰,兗礦售電有限公司, Newcastle Coal Infrastructure Group Pty Ltd, Watagan, PWCS, Yancoal Property Service and Linshang Bank which are indirectly held by the Company, all associates are held by the Company directly. The interests held disclosed above for Newcastle Coal Infrastructure Group Pty Ltd, Watagan and PWCS represented the equity interests held by Yancoal Australia.

- (i) Huadian Zouxian is a strategic partner of the Group.
- (ii) Shaanxi Future Energy is a strategic partner to develop future energy business of the Group. During the year ended 31 December 2020, the Company acquired additional interest in Shaanxi Future Energy and Shaanxi Future Energy became a subsidiary of the Group thereafter. The Group recognised a gain on remeasurement of the interests previously held in Shaanxi Future Energy of RMB1,664,006,000 (note 10). Details of such are set out in note 47(C).

27. INTERESTS IN ASSOCIATES (Continued)

- (iii) The Group considered that it has the practical ability to exercise significant influence on the associates even though it owns less than 20% of the ownership interest and voting right and take into account 1) the Group's ownership interest is significant relative to other shareholders due to the wide dispersion of shareholding interests; 2) the representation or right to appoint/nominate directors on the board of directors of the associates; and 3) the rights to participate in the policy-making process, including dividends and other distribution.
- (iv) On 26 November 2019, Zheshang Bank issued 2,550,000,000 A Shares. Following the completion of the subscription, the Group's interest in Zheshang Bank was decreased from 4.99% to 4.39%.
- (v) On 31 March 2019, the Group sold all of its interest in Haichang for a cash consideration of approximately RMB784,560,000 to an independent third party, resulting in a gain of RMB101 million (note 10).
- (vi) On 18 February 2016, Yancoal Australia executed a bond subscription agreement, together with other agreements (the "Watagan Agreements") that, on completion, transferred the Group's interest in three of its 100% owned coal mines to Watagan for a purchase price of approximately AUD1.3 billion.

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

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

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

On 16 December 2020, Yancoal Australia announced that a commercial arrangement had been entered into between Yankuang HK, a wholly owned subsidiary of the Parent Company and the other two Bondholders. This arrangement includes an agreement that the remaining US\$575 million bonds will be put to the Parent Company, with completion of the transfer of the bonds to Yankuang HK due to occur on 31 March 2021 (or such earlier date as the Parent Company may nominate). The bondholders have also agreed with the Parent Company that their nominated directors stepped down from the Watagan Board with effect from 16 December 2020. The resignation of the directors of Watagan nominated by the Bondholders resulted in Yancoal Australia regaining accounting control of Watagan from that date. This change in accounting control resulted in Yancoal Australia ceasing to equity account for its 100% equity interest in Watagan as an associate and reconsolidate the assets, liabilities and results of Watagan as a subsidiary from 16 December 2020.

Further details of the reconsolidation were set out in note 47(B).

27. INTERESTS IN ASSOCIATES (Continued)

Except for Qilu Bank and Zheshang Bank, all of the associates are private companies whose quoted market price is not available. As at 31 December 2020, the fair value of the shares of Qilu Bank and Zheshang Bank held by the Group at 31 December 2020 were approximately RMB1,125,558,000 (2019: RMB1,182,729,000) and RMB2,969,930,000 (2019: RMB3,401,682,000) respectively.

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

	Huadian Zouxian		Shaanxi Future Energy		Qilu Bank	
	2020 RMB'000	2019 RMB'000	2020* RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Current assets	197,241	236,415	N/A	1,974,766	Note (i)	301,905,062
Non-current assets	4,136,538	4,221,928	N/A	17,941,924	Note (i)	5,615,242
Current liabilities	(696,226)	(1,025,774)	N/A	(2,636,522)	Note (i)	(241,650,282)
Non-current liabilities	(100,000)	-	N/A	(5,960,000)	Note (i)	(43,213,634)
Revenue	3,277,387	3,280,600	9,334,720	8,753,118	Note (i)	7,407,192
Profit for the year	154,252	54,743	2,020,361	2,299,965	Note (i)	2,307,068
Other comprehensive income (expense) for the year	-	-	(3,896)	-	Note (i)	187,416
Total comprehensive income (expense) for the year	154,252	54,743	2,016,465	2,299,965	Note (i)	2,494,484
Dividend shared by the Group and received from the associate during the year	14,782	88,132	-	424,000	Note (i)	56,099

* The amounts presented were amounts from 1 January 2020 to the date Shaanxi Future Energy became a subsidiary of the Group.

	伊泰	
	2020 RMB'000	2019 RMB'000
Current assets	259,714	1,073,704
Non-current assets	11,860,438	6,175,816
Current liabilities	(636,532)	(792,498)
Non-current liabilities	(2,947,669)	(874,426)
Revenue	1,552,250	1,685,865
Profit for the year	199,592	587,381
Other comprehensive income for the year	(3,775)	-
Total comprehensive income for the year	195,817	587,381
Dividend shared by the Group and received from the associate during the year	-	-

	Zheshang Bank		Linshang Bank	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Current assets	Note (i)	1,739,001,780	100,630,247	83,203,822
Non-current assets	Note (i)	61,784,087	7,314,639	5,092,865
Current liabilities	Note (i)	(1,449,773,690)	(96,109,135)	(78,774,486)
Non-current liabilities	Note (i)	(222,984,508)	(3,258,793)	(1,575,037)
Revenue	Note (i)	46,447,109	2,862,288	2,489,394
Profit for the year	Note (i)	13,142,983	456,117	430,323
Other comprehensive income (expense) for the year	Note (i)	878,612	-	(5,591)
Total comprehensive income for the year	Note (i)	14,021,595	456,117	424,732
Dividend shared by the Group and received from the associate during the year	Note (i)	-	-	-

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27. INTERESTS IN ASSOCIATES (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates in respect of material associates recognised in the consolidated financial statements:

	Huadian Zouxian		Shaanxi Future Energy		Qilu Bank	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Net assets of the associate attributable to owners	3,537,553	3,432,569	N/A	11,305,468	Note (i)	20,462,638
Proportion of the Group's ownership interest	30%	30%	N/A	25%	8.67%	8.67%
Carrying amount of the Group's interest in the associate	1,061,266	1,029,771	N/A	2,826,367	Note (i)	1,797,674

	伊泰	
	2020 RMB'000	2019 RMB'000
Net assets of the associate attributable to owners	8,535,951	5,582,596
Proportion of the Group's ownership interest	25%	25%
Carrying amount of the Group's interest in the associate	2,133,988	2,177,991

	Zheshang Bank		Linshang Bank	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Net assets of the associate attributable to owners	Note (i)	111,288,747	8,576,958	7,947,164
Proportion of the Group's ownership interest	4.39%	4.39%	19.75%	19.75%
Carrying amount of the Group's interest in the associate	Note (i)	5,185,673	1,693,949	2,247,035

Note (i): Qilu Bank and Zheshang Bank are public companies traded on the National SME Equity Transfer System and Hong Kong Stock Exchange respectively. They are the material associates of the Group. Since the audited results of Qilu Bank and Zheshang Bank for the year ended 31 December 2020 were not yet publicly available when these consolidated financial statements were approved, the relevant financial information of Qilu Bank and Zheshang Bank were not presented.

Aggregate information of other associates that are not individually material or not separately disclosed above.

	At 31 December	
	2020 RMB'000	2019 RMB'000
The Group's share of profit and total comprehensive income	1,242,264*	107,998
Aggregate carrying amount of the Group's interests in these associates	13,690,953*	1,850,928

* Included those of Qilu Bank and Zheshang Bank.

28. LONG-TERM RECEIVABLES

	At 31 December	
	2020 RMB'000	2019 RMB'000
Current assets		
– Loan receivables (i)	1,838,191	1,380,012
– Less: impairment loss recognised	(74,668)	(24,161)
	1,763,523	1,355,851
Non-current assets		
– Loan to an associate (ii)	-	4,398,756
– Loan to joint venture (iii)	676,085	989,901
– Loan receivables (i)	2,548,321	1,842,932
– Others (iv)	1,683,345	1,740,804
– Less: impairment loss recognised (iv)	(187,421)	(210,193)
	4,720,330	8,762,200
	6,483,853	10,118,051

- (i) The loan receivables carry interest at 5.22% to 7.5% (2019: 5.22% to 7.5%) per annum and are secured by the machinery of the borrowers.
- (ii) Loan to an associate as at 31 December 2019 represented an unsecured loan to Watagan of AUD900,590,879 (equivalent to approximately RMB4,398,756,000). The loan bearing interest of Bank Bill Swap Bid Rate (“BBSY”) plus 7.06% per annum with a maturity date of 1 April 2025. Such loan was guaranteed by the Parent Company.

On 16 December 2020, the amount was eliminated upon the reconsolidation of Watagan (note 47(B)).

- (iii) Loan to a joint venture represented an unsecured interest-free loan to Middlemount Joint Venture of AUD134,778,000 (equivalent to approximately RMB676,085,000) (2019: AUD203,000,000 (equivalent to approximately RMB989,901,000)) that are not repayable within 12 months from the end of the reporting period.

During the years ended 31 December 2020 and 2019, in determining the ECL for these assets, the directors of the Company have taken into account the historical default experience, the financial position of the counterparties as well as the future prospects of the industries in which the debtors operate obtained from available market data considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

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28. LONG-TERM RECEIVABLES (Continued)

As at 31 December 2019, due to the deterioration in the current and forecast operating results of Watagan, there had been a significant increase in credit risk of the loan at the reporting date compared to the credit risk at inception of the loan. On this basis, the Group has accounted for the ECL calculation for the Watagan loan at an allowance for lifetime ECL. The directors of the Company considered that the enforceability of the guarantee provided by the Parent Company as well as the financial position of the Parent Company, that there is no expected credit loss on the loan to Watagan as at 31 December 2019.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these receivables.

An analysis of the gross amount of long-term receivables is as follows:

	12-month ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL – credit impaired RMB'000	Total RMB'000
Gross amount as at 31 December 2020				
– Performing	4,193,113	–	–	4,193,113
– Doubtful	–	2,132,520	–	2,132,520
– Default	–	–	420,309	420,309
	4,193,113	2,132,520	420,309	6,745,942
	12-month ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL – credit impaired RMB'000	Total RMB'000
Gross amount as at 31 December 2019				
– Performing	5,402,693	–	–	5,402,693
– Doubtful	–	4,801,316	–	4,801,316
– Default	–	–	148,396	148,396
	5,402,693	4,801,316	148,396	10,352,405

The movements in the impairment allowance for the long-term receivables during the year are as follows:

	12-month ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL – credit impaired RMB'000	Total RMB'000
At 1 January 2019	94,119	91,030	11,781	196,930
Provided for the year	10,207	1,561	72,110	83,878
Impairment loss reversed	(46,454)	–	–	(46,454)
At 31 December 2019 and 1 January 2020	57,872	92,591	83,891	234,354
Provided for the year	20,354	35,841	131,754	187,949
Impairment loss reversed	(22,871)	(89,087)	(48,256)	(160,214)
At 31 December 2020	55,355	39,345	167,389	262,089

29. DEPOSITS MADE ON INVESTMENTS

	At 31 December	
	2020 RMB'000	2019 RMB'000
Deposits made on investments (note)	178,055	117,926

Note: The above deposits mainly represent a co-operative agreement entered into by the Group in 2016 with two independent third parties to establish a company for acquiring a coal mine in Shaanxi province for operations. The Group will have to invest approximately RMB196,800,000 in order to obtain 41% equity interests. As at 31 December 2020, the Group made a deposit of RMB117,926,000 (2019: RMB117,926,000) in relation to this acquisition. As at 31 December 2020, the relevant registration procedures to establish the new company are still in progress, and the establishment has not yet been completed.

30. INTERESTS IN JOINT VENTURES

	At 31 December	
	2020 RMB'000	2019 RMB'000
Share of net assets	445,411	518,956

Name of joint venture	Place of establishment and operation	Class of shares held	Principal activity	At 31 December			
				2020		2019	
				Voting power	Interest held	Voting power	Interest Held
Australian Coal Processing Holdings Pty Ltd (i)	Australia	Ordinary shares	Investment Holding	50%	90%	50%	90%
Middlemount Joint Venture (i)	Australia	Ordinary shares	Coal mining and sales	50%	50%	50%	50%
Sheng Di Finlay Coal Processing Technology (Tianjin) Co., Ltd	PRC	Registered capital	Consultancy services for deep preprocess technology	50%	50%	50%	50%

The joint ventures are accounted for using equity method in the consolidated financial statements. All of the joint ventures are private companies and are not individually material to the Group.

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

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31. INTERESTS IN JOINT OPERATIONS

Information on major joint operations is as follows:

Name of joint operation	Place of establishment and operation	Principal activity	At 31 December	
			2020 Interest held	2019 Interest held
Boonal joint operation	Australia	Provision of a coal haul road and train load out facilities	50%	50%
Moolarben joint operation	Australia	Development and operation of open-cut and underground coal mines	95% (Note (i))	85%
Hunter Valley Australia Operation	Australia	Underground coal mines	51%	51%
Warkworth Coal Sales Pty Ltd	Australia	Development and operation of open-cut mines	84.5%	84.5%
Mount Thorley Joint Venture	Australia	Development and operation of open-cut mines	80%	80%

The above joint operations are established and operated as unincorporated businesses and are held indirectly by the Company. The interest held disclosed above represented the interest held by Yancoal Australia.

Note (i): During the current year, the Group acquired further 10% interest in Moolarben. Further details of such are set out in note 47(A).

32. INVESTMENTS IN SECURITIES

	At 31 December	
	2020 RMB'000	2019 RMB'000
Financial assets at FVTPL		
Unlisted equity securities, at fair value (i)	429,587	152,097
Financial assets at FVTOCI		
Equity securities listed on the SSE, at fair value (ii)	386	350
Unlisted equity securities, at fair value (i)	14,640	4,273
	15,026	4,623
	444,613	156,720

32. INVESTMENTS IN SECURITIES (Continued)

- (i) These unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC. Part of these investments in equity instruments, amounting to approximately RMB14,640,000 (2019: RMB4,273,000), are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

The remaining investments of approximately RMB429,587,000 (2019: RMB152,097,000) are classified and measured as at FVTPL.

- (ii) As at 31 December 2020 and 2019, the investments in equity securities listed on the Shanghai Stock Exchange (the "SSE") are carried at fair value which are determined based on the quoted market prices in active market.

33. ASSETS CLASSIFIED AS HELD FOR SALE

	At 31 December	
	2020 RMB'000	2019 RMB'000
Land held for sale	8,578	217,644

The balance at 31 December 2020 and 2019 represented parcels of freehold non-mining land that is held for future sale in Australia.

34. BILLS AND ACCOUNTS PAYABLES

	At 31 December	
	2020 RMB'000	2019 RMB'000
Accounts payable	11,930,944	10,024,399
Bills payable	9,881,190	9,092,259
	21,812,134	19,116,658

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34. BILLS AND ACCOUNTS PAYABLES (Continued)

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

	At 31 December	
	2020 RMB'000	2019 RMB'000
0 – 90 days	16,753,871	15,611,872
91 – 180 days	1,593,665	1,377,383
181 – 365 days	1,494,061	1,285,558
Over 1 year	1,970,537	841,845
	21,812,134	19,116,658

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.

35. OTHER PAYABLES AND ACCRUED EXPENSES AND CONTRACT LIABILITIES

Other payables and accrued expenses

	At 31 December	
	2020 RMB'000	2019 RMB'000
Accrued staff costs	1,751,767	1,453,978
Other taxes payable	728,787	468,177
Payables in respect of purchases of property, plant and equipment and construction materials	48,429	195,615
Security deposits received	558,707	390,615
Deposits received from customers in relation to financing business	18,699,588	17,846,659
Interest payable	1,625,981	462,144
Dividends payable	15,422	1,919,666
Payables for acquisition of subsidiaries/associates	11,590,710	304,063
Others	6,780,934	3,757,457
	41,800,325	26,798,374

	2020 RMB'000	2019 RMB'000
Contract liabilities	3,176,540	2,717,475

Contract liabilities include advances received to deliver goods and advances received to render transportation services. The increase in contract liabilities was in line with the increase in sales transactions and more deposits are received in 2020.

Revenue recognised during the year ended 31 December 2020 that was included in the contract liabilities as at 31 December 2019 is RMB2,599,694,000 (2019: RMB2,207,641,000). There was no revenue recognised that related to performance obligations that were satisfied in prior year.

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

	2020 RMB'000	2019 RMB'000
Balance at 1 January	2,042,722	3,752,230
Exchange re-alignment	72,231	74,128
Additional provision in the year	328,410	492,872
Acquisition of subsidiaries	1,063,914	–
Utilisation of provision	(84,028)	(2,276,508)
Balance at 31 December	3,423,249	2,042,722
Presented as:		
Current portion	13,129	50,940
Non-current portion	3,410,120	1,991,782
	3,423,249	2,042,722

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

37. PROVISION

	At 31 December	
	2020 RMB'000	2019 RMB'000
Current provision		
– Take or pay provision (note (i))	39,353	32,961
– Onerous contract provision (note (ii))	21,761	21,407
	61,114	54,368
Non-current provision		
– Take or pay provision (note (i))	28,726	104,604
– Onerous contract provision (note (ii))	214,470	228,910
– Employee benefits (note (iii))	474,856	420,482
– Others	329,728	337,644
	1,047,780	1,091,640
	1,108,894	1,146,008

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37. PROVISION (Continued)

Notes:

- (i) Take or pay provision, which arose from business combination in prior years, is the assessment of forecast excess capacity for port and rail contracts. A provision was recognised for the discounted estimated excess capacity. The provision is released to profit or loss over the period in which excess capacity is realised.
- (ii) The onerous contract provision is the assessment of a coal supply and transportation agreement to supply coal at below market prices. A provision was recognised for the discounted estimated variance between contract and market prices. The provision has a finite life and are released to profit or loss over the contract term.
- (iii) The balance mainly included provision for long-term employee entitlements and other employee incentives.

38. BORROWINGS

	At 31 December	
	2020 RMB'000	2019 RMB'000
Current liabilities		
Bank borrowings		
– Unsecured borrowings (i)	12,456,628	8,750,202
– Secured borrowings (ii)	12,249,127	4,458,453
Guaranteed notes (iii)	6,676,371	2,998,800
	31,382,126	16,207,455
Non-current liabilities		
Bank borrowings		
– Unsecured borrowings (i)	17,677,720	16,711,000
– Secured borrowings (ii)	17,235,721	17,889,763
Guaranteed notes (iii)	16,011,427	14,567,273
Corporate bonds (iv)	9,955,950	–
	60,880,818	49,168,036
Total borrowings	92,262,944	65,375,491

38. BORROWINGS (Continued)

- (i) Unsecured borrowings are repayable as follows:

	At 31 December	
	2020 RMB'000	2019 RMB'000
Within one year	12,456,628	8,750,202
More than one year, but not exceeding two years	6,871,720	2,828,000
More than two years, but not exceeding five years	7,806,000	4,883,000
More than five years	3,000,000	9,000,000
	30,134,348	25,461,202

At 31 December 2020, included in unsecured borrowings are short-term borrowings amounting to approximately RMB11,321,728,000 (2019: RMB7,624,000,000) which carrying interest at 3.55% to 4.35% per annum (2019: 3.43% to 5.00% per annum). In addition, included in short-term borrowings are foreign currency borrowings of approximately RMB562,728,000 (USD86,245,000) (2019: approximately RMB145,002,000 (USD54,599,000)) carrying interest at 4.00% to 5.00% (2019: 3.43% to 3.90%).

Long-term borrowings of the Group amounting to approximately RMB18,812,620,000 (2019: RMB17,837,202,000) carrying interest at 3.70% to 5.9% per annum (2019: 4.51% to 5.9% per annum).

- (ii) Secured borrowings are repayable as follows:

	At 31 December	
	2020 RMB'000	2019 RMB'000
Within one year	12,249,127	4,458,453
More than one year, but not exceeding two years	3,357,546	9,573,642
More than two years, but not exceeding five years	11,875,108	8,206,921
More than five years	2,003,067	109,200
Total	29,484,848	22,348,216

38. BORROWINGS (Continued)

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

At 31 December 2020, secured borrowings of Yancoal Australia were amounting to RMB10,119,253,000 (approximately USD1,553,695,000) (2019: RMB10,939,244,000 (approximately USD1,575,000,000)). Such borrowings carried interest at three-month LIBOR plus a margin of 3.1% or six-month LIBOR plus a margin of 2.75% (2019: three-month LIBOR plus a margin of 3.25% or six-month LIBOR plus a margin of 2.75%) per annum, approximately 4.8% (2019: 4.96% to 5.24%) per annum as at 31 December 2020.

As at 31 December 2020, the secured borrowings of Yancoal International were amounting to approximately RMB3,523,446,000 (approximately USD540,000,000) (2019: RMB2,304,347,000 (approximately USD330,228,000)) which carried interest at 1.24% to 2.2% (2019: 2.74% to 4.58%) per annum.

At 31 December 2020, secured borrowings of Premier Coal Limited and Premier Holdings Pty., Ltd., were amounted to RMB134,267,000 (AUD26,766,000) (2019: RMB109,199,000 (AUD22,357,000)) which carried interest at 8.7% (2019: 8.7%) per annum.

Other than the above, at 31 December 2020, secured borrowings of the Group amounting to RMB15,707,882,000 (2019: RMB8,995,426,000) of which RMB4,301,459,000 (USD659,237,000) (2019: RMB5,772,042,000 (approximately USD827,143,000)) and nil (2019: RMB3,254,000 (EUR385,000)) were denominated in foreign currency. Such borrowings carried interest at 0.72% to 8.00% (2019: 12-months LRP plus a margin of 0.4% per annum or at fixed rate of 2.65% to 6.00%) per annum.

As at 31 December 2020 and 2019, certain of the borrowings of the Group were secured by the Group's interests in certain overseas subsidiaries and joint operations.

38. BORROWINGS (Continued)

(iii) Guaranteed notes are detailed as follows:

	At 31 December	
	2020 RMB'000	2019 RMB'000
Guaranteed notes denominated in RMB repayable within one year	4,496,625	2,998,800
Guaranteed notes denominated in USD repayable within one year	2,179,746	–
Guaranteed notes denominated in RMB repayable within one to two years	3,994,000	–
Guaranteed notes denominated in USD repayable within one to two years	678,328	–
Guaranteed notes denominated in RMB repayable within two to five years	3,040,342	11,518,666
Guaranteed notes denominated in USD repayable within two to five years	8,298,757	3,048,607
	22,687,798	17,566,073

On 16 May 2012, USD guaranteed notes with par value of USD1,000,000,000 in aggregate were issued by a subsidiary of the Company. As at 31 December 2020, guaranteed notes with par value of USD103,954,000 (approximately RMB678,328,000) (2019: USD103,954,000 (approximately RMB725,204,000)) will mature in 2022 with interest rate of 5.730% per annum. The notes are unconditionally secured by the Company and the respective security is non-cancellable.

In 2012, with the approval from China Securities Regulatory Commission, the Company had issued RMB notes with aggregate par value of RMB5,000,000,000 to the public and institutional investors. An unconditional and irrevocable corporate guarantee was provided by the Parent Company on the RMB notes. At 31 December 2020, RMB notes of RMB3,994,000,000 (2019: RMB3,990,000,000) will mature in 2022 with interest rate of 4.95% per annum.

In 2014, with the approval from China Securities Regulatory Commission, the Company was allowed to issue 10-year RMB notes at RMB3,050,000,000 with interest rate of 6.15% per annum. At 31 December 2020, 10-year notes amounted to RMB3,040,342,000 (2019: RMB3,037,291,000) respectively.

In 2018, the Company issued two tranches medium-term notes at par value of RMB4,500,000,000 which will mature in 2021 at an average interest rate ranging from 4.39% to 4.89% per annum. As at 31 December 2020, the remaining amount of medium-term notes is RMB4,496,625,000 (2019: RMB4,491,375,000).

38. BORROWINGS (Continued)

(iii) Guaranteed notes are detailed as follows: (Continued)

In November 2018, USD guaranteed notes with par value of USD335,000,000 in aggregate were issued by a subsidiary of the Company. As at 31 December 2020, guaranteed notes with par value of USD335,000,000 (approximately RMB2,179,746,000) (2019: USD335,000,000 (approximately RMB2,323,403,000)) will mature in 2021 with interest rate of 6% per annum. The notes are unconditionally guaranteed by the Company.

In 2019, the Company issued three tranches short-term notes at par value of RMB8,000,000,000 with 3 months to 9 months maturity at an average interest rate ranging from 2.98% to 3.35% per annum. In 2019, such short-term notes with par value of RMB5,000,000,000 were redeemed by the Company. As at 31 December 2019, the remaining amount of short-term notes is RMB2,998,800,000 which were fully redeemed by the Company in 2020.

In 2020, the Company issued three tranches short-term notes at par value of RMB5,500,000,000 with 3 months to 9 months maturity at an average interest rate ranging from 1.80% to 2.85% per annum. In 2020, such short-term notes with par value of RMB5,500,000,000 were fully redeemed by the Company.

In November 2020, USD guaranteed notes with par value of USD500,000,000 in aggregate were issued by a subsidiary of the Company. As at 31 December 2020, guaranteed notes with par value of USD500,000,000 (approximately RMB3,241,960,000) will mature in 2023 with interest rate of 3.5% per annum. The notes are unconditionally guaranteed by Yancoal Australia.

On 16 December 2020, USD guaranteed notes with par value of USD775,000,000 in aggregate which were issued on 31 March 2016 was consolidated upon reconsolidation of Watagan (note 47(B)). As at 31 December 2020, guaranteed notes with par value of USD775,000,000 (approximately RMB5,056,797,000) will mature in 2025 with interest rate 7.5% per annum. The notes are unconditionally guaranteed by Yancoal Australia.

(iv) Corporate bonds are detailed as follows:

	At 31 December	
	2020 RMB'000	2019 RMB'000
Bonds denominated in RMB repayable within two to five years	7,974,450	-
Bonds denominated in RMB repayable after five years	1,981,500	-
	9,955,950	-

In 2020, the Company issued bonds with a total principal amount of RMB10,000,000,000. The first phase of the bonds was issued in March 2020 with an aggregate principal amount of RMB5,000,000,000 in three series: (i) RMB300,000,000 with maturity period of 3 years and annual interest rate of 2.99%; (ii) RMB2,700,000,000 with maturity period of 5 years and annual interest rate of 3.43%; RMB2,000,000,000 with maturity period of 10 years and annual interest rate of 4.29%. The second phase of the bonds was issued in October 2020 with an aggregate principal amount of RMB5,000,000,000 in two series: (i) RMB3,500,000,000 with maturity period of 3 years and annual interest rate of 3.89%; (ii) RMB1,500,000,000 with maturity period of 5 years and annual interest rate of 4.27%. The bonds are unsecured. As at 31 December 2020, the aggregate outstanding principal amount of bonds is RMB10,000,000,000.

39. DERIVATIVE FINANCIAL INSTRUMENTS

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Current asset		
Derivatives not for hedge		
– Forward foreign exchange contracts	50,356	36,114
Current liability		
Derivatives not for hedge		
– Interest rate swaps	231,971	148,554

40. LONG-TERM PAYABLES

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Intangible assets payable (i)	2,455,642	2,347,154
Non-contingent royalty payable	41,379	73,266
Others	424,348	–
	2,921,369	2,420,420
Analysed for financial reporting purpose:		
Current Portion	3,174	4,070
Non-current portion	2,918,195	2,416,350
Total	2,921,369	2,420,420

Notes:

- (i) Intangible assets payable represented the consideration for acquisition of mining rights. The amount is payable by the Group by installments from 2019 to 2049.

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41. DEFERRED TAXATION

Deferred tax assets (liabilities) of the Group and the movements thereon for both reporting periods are:

	Financial assets at fair value RMB'000	Mining rights (mining reserves) RMB'000	Temporary differences on income and expenses RMB'000	Tax losses RMB'000	Cash flow hedge reserve RMB'000	Total RMB'000
As at 1 January 2019	(47)	(7,130,045)	1,583,630	3,475,144	608,314	(1,463,004)
Exchange re-alignment	-	(38,308)	15,381	199,511	32,571	209,155
Credit (charge) to other comprehensive income	156	-	-	-	(209,311)	(209,155)
Credit (charge) to the consolidated statement of profit or loss	-	1,743,538	(928,562)	(1,145,578)	-	(330,602)
Balance at 31 December 2019 and 1 January 2020	109	(5,424,815)	670,449	2,529,077	431,574	(1,793,606)
Exchange re-alignment	-	(92,781)	23,728	59,387	58,817	49,151
Acquisitions and business combinations	-	(5,326,410)	(85,893)	-	-	(5,412,303)
Credit (charge) to other comprehensive income	(3,069)	-	-	-	(382,248)	(385,317)
Credit (charge) to the consolidated statement of profit or loss	-	2,388,052	(1,472,653)	204,859	-	1,120,258
Balance at 31 December 2020	(2,960)	(8,455,954)	(864,369)	2,793,323	108,143	(6,421,817)

The temporary differences on income and expenses recognised mainly arose from unpaid provision of salaries and wages, provisions of compensation fees for mining rights and land subsidence, restoration, rehabilitation and environmental costs and also included payments on certain expenses such as exploration costs and certain income in Australia.

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 December	
	2020 RMB'000	2019 RMB'000
Deferred tax assets	2,037,096	1,620,590
Deferred tax liabilities	(8,458,913)	(3,414,196)
	(6,421,817)	(1,793,606)

At the reporting date, the Group has unused tax losses of approximately RMB13,331 million (2019: RMB12,284 million) available for offset against future profits. RMB2,793 million deferred tax asset has been recognised (2019: RMB2,529 million) for such tax losses. No deferred tax asset has been recognised in respect of tax losses of approximately RMB3,791 million (2019: RMB3,830 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB87 million, RMB920 million, RMB2,029 million, RMB601 million and RMB134 million (2019: RMB78 million, RMB86 million, RMB888 million, RMB2,218 million and RMB560 million) that will be expiring in 2021, 2022, 2023, 2024 and 2025 (2019: 2020, 2021, 2022, 2023 and 2024) respectively.

41. DEFERRED TAXATION (Continued)

By reference to financial budgets, management believes that there will be sufficient future profits for the realisation of deferred tax assets which have been recognised in respect of tax losses.

42. SHAREHOLDERS' EQUITY

Share capital

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

	Domestic invested shares A shares	Foreign invested shares H shares	Total
Number of shares			
At 1 January 2019, 31 December 2019 and 1 January 2020	2,960,000,000	1,952,016,000	4,912,016,000
Share repurchased (note)	–	(52,016,000)	(52,016,000)
At 31 December 2020	2,960,000,000	1,900,000,000	4,860,000,000

	Domestic invested shares A shares RMB'000	Foreign invested shares H shares RMB'000	Total RMB'000
Registered, issued and fully paid			
At 1 January 2019, 31 December 2019 and 1 January 2020	2,960,000	1,952,016	4,912,016
Share repurchased (note)	–	(52,016)	(52,016)
At 31 December 2020	2,960,000	1,900,000	4,860,000

Each share has a par value of RMB1.

Note: During the year ended 31 December 2020, the Company repurchased 52,016,000 of its own shares. The total amount paid was approximately RMB284,599,000.

42. SHAREHOLDERS' EQUITY

Reserves

Future Development Fund

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

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

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

In accordance with the regulations of the State Administration of Work Safety, the Company has a commitment to incur RMB15 per tonne of raw coal mined from 1 February 2012 onwards (Shanxi Tianchi RMB30 per tonne of raw coal mined from 1 October 2013 onwards, Xintai and Ordos RMB15 per tonne of raw coal mined from 1 February 2012 onwards) for each tonne of raw coal mined which will be used for enhancement of safety production environment and improvement of facilities ("Work Safety Cost"). In prior years, the work safety expenditures are recognised only when acquiring the assets or incurring other work safety expenditures. The Company, Heze, Shanxi Tianchi, Xintai and Ordos make appropriation to the future development fund in respect of unutilised Work Safety Cost from 2008 onwards.

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

42. SHAREHOLDERS' EQUITY (Continued)

Reserves (Continued)

Statutory Common Reserve Fund

The Company and its subsidiaries in the PRC have to set aside 10% of its profit for the statutory common reserve fund (except where the fund has reached 50% of its registered capital). The statutory common reserve fund can be used for the following purposes:

- to make good losses of the previous years; or
- to convert into capital, provided such conversion is approved by a resolution at a shareholders' general meeting and the balance of the statutory common reserve fund does not fall below 25% of the registered capital.

Retained earnings

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

43. PERPETUAL CAPITAL SECURITIES

	Perpetual capital securities issued by the Company RMB'000 (notes (i) & (ii))	Perpetual capital securities issued by a subsidiary RMB'000 (note (iii))	Total RMB'000
At 1 January 2019	10,316,444	3,417,351	13,733,795
Dividend to holders of perpetual capital security	580,181	200,566	780,747
Distribution paid to holders of perpetual capital security	(585,014)	(200,566)	(785,580)
At 31 December 2019 and 1 January 2020	10,311,611	3,417,351	13,728,962
Dividend to holders of perpetual capital security	491,042	56,656	547,698
Distribution paid to holders of perpetual capital security	(584,986)	(56,656)	(641,642)
Redemption of perpetual capital security	(5,000,000)	(3,417,351)	(8,417,351)
At 31 December 2020	5,217,667	–	5,217,667

43. PERPETUAL CAPITAL SECURITIES (Continued)

Notes:

- (i) The Company issued 5.7% perpetual capital securities with par value RMB5,000,000,000, on 18 August 2017. Coupon payments of 5.7% per annum, which will be reset every 3 years, on the perpetual capital securities are paid in arrears. These perpetual capital securities have no fixed maturity and are redeemable at the discretion of the Group at their principal amounts together with any accrued, unpaid or deferred coupon interest payments. In addition, while any coupon payments are unpaid or deferred, the Company undertakes not to declare, pay any dividends nor to make any distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank. Since the perpetual capital security does not include any payment of cash or other contractual obligation of financial instrument, it is categorised as equity. During the year ended 31 December 2020, the Group has redeemed these perpetual securities at their principal amount.
- (ii) The Company issued 6% perpetual capital securities with par value of RMB5,000,000,000 on 26 March 2018. Coupon payments of 6% per annum on the perpetual capital securities are paid once a year. The perpetual capital securities has no fixed maturity and are redeemable at the discretion of the Group at their principal amounts together with any accrued, unpaid or deferred coupon interest payments. In addition, while any coupon payments are unpaid or deferred, the Company undertakes not to declare, pay any dividends nor to make any distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank. Since the perpetual capital security does not include any payment of cash or other contractual obligation of financial instrument, it is categorised as equity.
- (iii) On 13 April 2017, Yancoal International Resources Development Co., Limited issued 5.75% perpetual capital securities with par value of USD500,000,000, which is guaranteed by the Company. Coupon payments of 5.75% per annum on the perpetual capital securities are paid semi-annually in arrears. These perpetual capital securities have no fixed maturity and are redeemable at the discretion of the Group at their principal amounts together with any accrued, unpaid or deferred coupon interest payments. In addition, while any coupon payments are unpaid or deferred, the Company undertakes not to declare, pay any dividends nor to make any distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank. Since the perpetual capital security does not include any payment of cash or other contractual obligation of financial instrument, it is categorised as equity. During the year ended 31 December 2020, the Group has redeemed these perpetual securities at their principal amount.

44. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings, perpetual capital securities and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company assess the annual budget prepared by the accounting and treasury department and consider and evaluate the cost of capital and the risks associated with each class of capital. The Group will balance its capital structure through the payment of dividends, issue of new shares and new debts or the repayment of existing debts.

45. FINANCIAL INSTRUMENTS

45a. Categories of financial instruments

	At 31 December	
	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at amortised cost	43,551,584	55,468,042
Financial assets at FVTOCI		
– Bills receivables	3,312,609	3,103,594
– Listed equity instruments at FVTOCI	386	350
– Unlisted equity instruments at FVTOCI	14,640	4,273
Financial assets at FVTPL		
– Unlisted equity instruments at FVTPL	429,587	152,097
– Royalty receivable	1,107,497	1,143,090
– Derivative financial instruments	50,356	36,114
Financial liabilities		
Financial liabilities at amortised cost	160,179,457	114,336,473
Financial liabilities at FVTPL		
– Derivative financial instruments	231,971	148,554

45b. Financial risk management objectives and policies

The Group's major financial instruments include investments in securities, bills and accounts receivable, royalty receivables, other receivables, bank balances and cash, pledged term deposits, restricted cash, long-term receivables, derivative financial instruments, bills and accounts payables, other payables, long-term payables, borrowings, amounts due to Parent Company and its subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no significant change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2020 and 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 54.

45. FINANCIAL INSTRUMENTS (Continued)

45b. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The Group maintains its cash and cash equivalents with reputable banks. Therefore, the directors consider that the credit risk for such is minimal.

The Group generally grants the customers with long-relationship credit terms not exceeding 180 days, depending on the situations of the individual customers. For small to medium sized new customers, the Group generally requires them to pay for the products before delivery/services before rendering.

For accounts and bills receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-trade related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

In order to minimise credit risk, the Group has tasked its operation management committee to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

45. FINANCIAL INSTRUMENTS (Continued)

45b. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Bills and accounts receivables	Other financial assets/other items
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	Lifetime ECL-not credit impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date (refer to as Stage 1)	Lifetime ECL-not credit impaired	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL-not credit impaired	Lifetime ECL-not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL-credit impaired	Lifetime ECL-credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades are disclosed in respective notes.

Details of the accounts receivable from the five customers with the largest gross receivable balances at 31 December 2020 and 2019 are as follows:

	Percentage of accounts receivable At 31 December	
	2020	2019
Five largest receivable balances	14.84%	30.74%

The management considers the strong financial background and good creditability of these customers, and there is no significant uncovered credit risk.

45. FINANCIAL INSTRUMENTS (Continued)

45b. Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

The Group's sales are denominated mainly in the functional currency of the relevant group entity making the sale, whilst costs are mainly denominated in the group entity's functional currency. Accordingly, there is no significant exposure to transactional foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities in currencies other than the functional currencies of the relevant group entities at the reporting date are as follows:

	Liabilities		Assets	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
USD	30,529,823	23,752,429	7,307,100	9,857,443
EUR ("EUR")	–	3,254,000	19,693	18,763
Hong Kong Dollar ("HKD")	218,831	–	425,626	444,323
Australian Dollar ("AUD")	–	–	9,879	10,623

The sales of the Group's subsidiaries in Australia are mainly export sales and some of their fixed assets are imported from overseas. Their foreign exchange exposures are hedged by foreign currency denominated borrowings. The Group's operations in the PRC do not adopt any foreign exchange hedging policy.

Sensitivity analysis

The Group is mainly exposed to the fluctuation against the currency of USD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against relevant foreign currencies. 5% represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates and also assumes all other risk variables remained constant.

45. FINANCIAL INSTRUMENTS (Continued)

45b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

 (i) *Currency risk (Continued)*
Sensitivity analysis (Continued)

	USD impact (note i)	
	2020 RMB'000	2019 RMB'000
(Decrease) increase in profit		
– if RMB weakens against respective foreign currency	(169,118)	(91,553)
– if RMB strengthens against respective foreign currency	169,118	91,553

	USD impact (note ii)	
	2020 RMB'000	2019 RMB'000
(Decrease) increase in profit		
– if AUD weakens against respective foreign currency	654,952	400,875
– if AUD strengthens against respective foreign currency	(654,952)	(400,875)

Notes:

- (i) This is mainly attributable to the exposure of the Group's outstanding bank deposit and loans denominated in USD.
- (ii) This is mainly attributable to the exposure of the Group's outstanding bank borrowings in foreign currency designated as cash flow hedge.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

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45. FINANCIAL INSTRUMENTS (Continued)

45b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, pledged term deposits, restricted cash (note 17) and variable rate borrowings (note 38).

The Group's exposures to interest rate risk on financial assets and financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the PBOC arising from the Group's RMB borrowings and the LIBOR arising from the Group's USD borrowings.

Sensitivity Analysis

The following table details the Group's sensitivity to a change of 100 basis points in the interest rate, assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all the variables were held constant.

	2020 RMB'000	2019 RMB'000
(Decrease) increase in profit or loss		
– if increases by 100 basis points	(497,604)	(151,292)
– if decreases by 100 basis points	497,604	151,292

(iii) Other price risk

In addition to the above risks relating to financial instruments, the Group is exposed to equity price risk through investment in listed equity securities. The Group currently does not have any arrangement to hedge the price risk exposure of its investment in equity securities. The Group's exposure to equity price risk through investment in listed equity securities is not significant.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

45. FINANCIAL INSTRUMENTS (Continued)

45b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Within 1 years or on demand RMB'000	1-5 years RMB'000	5+ years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 31 December RMB'000
2020					
Non-derivative financial liabilities					
Bills and accounts payable	21,812,134	-	-	21,812,134	21,812,134
Other payables	41,071,538	-	-	41,071,538	41,071,538
Amounts due to Parent Company and its subsidiary companies	2,111,472	-	-	2,111,472	2,111,472
USD guaranteed note	2,830,661	10,433,430	-	13,264,091	11,156,831
RMB guaranteed note	5,025,145	7,552,611	-	12,577,756	11,530,967
Bank borrowings	24,940,412	33,308,047	9,861,086	68,109,545	59,619,196
Corporate bonds	385,830	9,107,716	2,338,061	11,831,607	9,955,950
Long term payable	44,027	751,768	2,128,222	2,924,017	2,921,369
	98,221,219	61,153,572	14,327,369	173,702,160	160,179,457
Derivative financial liabilities	231,971	-	-	231,971	231,971
Financial guarantees issued					
Maximum amount guaranteed (note)	4,057,332	-	-	4,057,332	-

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45. FINANCIAL INSTRUMENTS (Continued)

45b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Within 1 years or on demand RMB'000	1-5 years RMB'000	5+ years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 31 December RMB'000
2019					
Non-derivative financial liabilities					
Bills and accounts payable	19,116,658	-	-	19,116,658	19,116,658
Other payables	26,330,197	-	-	26,330,197	26,330,197
Amounts due to Parent Company and its subsidiary companies	1,093,707	-	-	1,093,707	1,093,707
USD guaranteed note	180,958	3,233,704	-	3,414,662	3,048,607
RMB guaranteed note	3,643,625	12,567,843	-	16,211,468	14,517,466
Bank borrowings	17,671,998	27,074,204	9,555,593	54,301,795	47,809,418
Long term payable	77,955	312,954	2,034,200	2,425,109	2,420,420
	68,115,098	43,188,705	11,589,793	122,893,596	114,336,473
Derivative financial liabilities	148,554	-	-	148,554	148,554
Financial guarantees issued					
Maximum amount guaranteed (note)	4,497,031	-	-	4,497,031	-

Information about the maturity of lease liabilities is provided in the following table:

	Within 1 years RMB'000	1-5 years RMB'000	5+ years RMB'000	Total RMB'000	Carrying amount RMB'000
As at 31 December 2020	1,001,371	1,959,473	-	2,960,844	2,589,963
As at 31 December 2019	162,443	384,840	-	547,283	484,924

Note: The amount presented is the maximum contractual presented under guarantees issued.

45. FINANCIAL INSTRUMENTS (Continued)

45c. Fair values

The fair value of listed equity investment is determined with reference to quoted market price. The fair values of the forward foreign exchange contracts and the interest rate swap are estimated based on the discounted cash flows between the contract forward rate and spot forward rate. The fair value of royalty receivable is determined on the basis as set out in note 19. The fair value of unlisted investments are determined using valuation methodology commonly adopted in the market. The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

The following table presents the carrying value of financial instruments measured at fair value across the three levels of the fair value hierarchy:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	At 31 December Total RMB'000
2020				
Assets				
Financial assets at FVTPL:				
– Unlisted equity investments	–	–	429,587	429,587
– Royalty receivables	–	–	1,107,497	1,107,497
– Derivative financial instruments	50,356	–	–	50,356
Financial assets at FVTOCI:				
– Bills receivables	–	–	3,312,609	3,312,609
– Investments in securities listed on the SSE	386	–	–	386
– Unlisted equity securities	–	–	14,640	14,640
	50,742	–	4,864,333	4,915,075
Liabilities				
Financial assets at FVTPL:				
– Derivative financial instruments	–	231,971	–	231,971

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45. FINANCIAL INSTRUMENTS (Continued)

45c. Fair values (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	At 31 December Total RMB'000
2019				
Assets				
Financial assets at FVTPL:				
– Unlisted equity investments	–	–	152,097	152,097
– Royalty receivables	–	–	1,143,090	1,143,090
– Derivative financial instruments	32,016	4,098	–	36,114
Financial assets at FVTOCI:				
– Bills receivables	–	–	3,103,594	3,103,594
– Investments in securities listed on the SSE	350	–	–	350
– Unlisted equity securities	–	–	4,273	4,273
	32,366	4,098	4,403,054	4,439,518
Liabilities				
Financial assets at FVTPL:				
– Derivative financial instruments	–	85,598	62,956	148,554

During the years ended 31 December 2020 and 2019, 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. The risk-adjusted post-tax discount rate used to determine the future cash flows is 11% (2019: 11%). The estimated fair value would increase if the sales volumes and coal prices were higher and if the AUD weakens against the USD. The estimated fair value would also increase if the risk adjusted discount rate was lower.

46. SHARE-BASED PAYMENTS

(a) The Company

In February 2019, a share option scheme of the Company (the “Share Option Scheme”) was approved. The principal terms are as follows:

(i) *Purpose*

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

(ii) *Scope of participants*

The participants include the directors, senior management, mid-level management and core employees of the Company. In respect of the abovementioned participants, any such directors and senior management must have been elected at the General Meeting or appointed by the Board. A participant must be employed by and have entered into a labor contract or an employment contract with the Company, the wholly-owned subsidiaries or controlled subsidiaries of the Company as at the date of grant and during the assessment years.

The participants do not include the external directors (including the independent directors), the supervisors and any shareholder or actual controller individually or jointly holding more than 5% of the shares of the Company and their respective spouse, parents and children. The participants shall not also be participants of share incentive schemes of any other listed companies, and persons who are already participants of such incentive schemes of any other listed companies shall not take part in the Share Option Scheme.

46. SHARE-BASED PAYMENTS (Continued)

(a) The Company (Continued)

(iii) Total number of the options involved in the Share Option Scheme

The initial number of A Share Options approved and granted under the scheme is 46,320,000. Upon satisfaction of the conditions of exercise of the share options, each share option shall provide its holder with a right to purchase one A Share at the exercise price during the validity period. The share options shall not be transferred, mortgaged or used to set-off.

(iv) Validity Period

The validity period of the share options granted under the Share Option Scheme commences from the date of grant, and such period must not exceed 60 months.

(v) Vesting Period

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

(vi) Exercise Price, exercisable period and exercise conditions

The exercise of the share options under the Share Option Scheme are subject to the performance targets in the assessment years from the financial year of 2019 through the financial year of 2021. Assessment will be made once a financial year.

Under the premise that conditions of exercise of the share options have been fulfilled, the share options are exercisable in three tranches upon expiry of 24 months of the date of grant.

The participants shall exercise their share options during the validity period of the share options. If the conditions of exercise of share options are not fulfilled, the share options for that period shall not be exercised. If the conditions of the share options are fulfilled but not all of the relevant share options for that period have been exercised, such portion of the unexercised share option shall be cancelled by the Company.

During the year ended 31 December 2019, 46,320,000 share options were granted. No options were exercised or cancelled under the Share Option Scheme during the years ended 31 December 2020 and 2019. No options were granted during the year ended 31 December 2020 under the Share Option Scheme.

46. SHARE-BASED PAYMENTS (Continued)

(a) The Company (Continued)

(vi) *Exercise Price, exercisable period and exercise conditions (Continued)*

As at 31 December 2020 and 2019, the Company had 46,320,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 46,320,000 additional ordinary shares of the Company. No option is exercisable as at 31 December 2020 and 2019.

RMB31,898,000 (2019: RMB32,553,000) was recognised as share option expenses during the year ended 31 December 2020.

The fair value of the share options granted was estimated on the date of grant using the Black Scholes model, taking into account of the terms and conditions upon which the options were granted. The inputs used in the model was as follow:

Share price at date of grant	RMB9.37
Exercise price	RMB9.64
Risk-free interest rate	2.77%
Expected life	4 years
Expected volatility	25.52%
Value per share option	RMB2.12

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The Black Scholes model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an share option varies with different variables of certain subjective assumptions.

46. SHARE-BASED PAYMENTS (Continued)

(b) Equity incentive plan of a subsidiary

Yancoal Australia, a non-wholly-owned subsidiary of the Company, had adopted a share incentive scheme and the principal terms of the incentive plan (the “Plan”) are as follows:

(i) Purpose

The purpose of the Plan is to:

- (1) attract, retain and motivate eligible employees essential for the continued growth and development of Yancoal Australia;
- (2) provide a strategic, value based reward for eligible employees who make a key contribution to the success of Yancoal Australia;
- (3) align the interests of eligible employees more closely with the interests of shareholders by providing an opportunity for eligible employees to receive an equity interest in the form of awards;
- (4) provide eligible employees with the opportunity to share in any future growth in value of Yancoal Australia; and
- (5) provide greater incentive for eligible employees to focus on Yancoal Australia’s longer term goals.

(ii) Scope of participants

Those employees that the Board of Yancoal Australia (the “Board”) determine are eligible to participate in the Plan (the “Participants”). Eligible employee may receive, at the absolute discretion of the Board, options or rights (a conditional right to receive shares of Yancoal Australia) (“Rights”) or a Share (each, an “Award”) under the Plan.

(iii) Maximum number of shares

Where an offer is made under the Plan, the Board of Yancoal Australia must, at the time of making the offer, have reasonable grounds to believe that the total number of Shares (or, in respect of Options or Rights, the total number of Shares which would be issued if those Options or Rights were exercised) will not exceed 5% of the total number of Shares on issue when aggregated with the number of Shares issued or that may be issued as a result of offers made at any time during the previous 3 year period under: (a) the Plan or any other employee incentive scheme covered by the Australian Securities and Investments Commission (“ASIC”) Class Order CO 14/1000 (or any amendment to or replacement of that Class Order) (“Class Order”); or (b) an ASIC exempt arrangement of a similar kind to an employee incentive scheme, (“5% Limit”).

46. SHARE-BASED PAYMENTS (Continued)

(b) Equity incentive plan of a subsidiary (Continued)

The Rights are redeemable on a one-for-one basis for Yancoal Australia's shares. Yancoal Australia may at its discretion to settle Rights in cash or share.

During the year ended 31 December 2020, 2,591,655 Rights were granted and 2,756,554 Rights were forfeited. During the year ended 31 December 2019, 2,161,669 Rights were granted, 1,609,198 Rights were cancelled and 45,642 Rights were forfeited. As at 31 December 2020, 3,434,940 Rights (2019: 3,599,839 Rights) were still outstanding.

During the year ended 31 December 2020, a net reversal of share-based payment expense of RMB7,341,000 (2019: RMB24,350,000) was recognised in profit or loss.

The fair value of share options granted was estimated on the date of grant using the Black Scholes model, taking into account of the terms and conditions upon which the options were granted. The inputs used in the model was as follow:

	LTIP	LTIP	LTIP
Grant date	1/1/2020	1/1/2019	30/5/2018
Post-consolidation share price at grant date (\$)	AUD2.86	AUD3.35	AUD4.94
Dividend yield	8%	8%	0%
Value per performance right	AUD2.66	AUD2.66	AUD4.94

The Rights has been valued using the volume weighted average price of Yancoal Australia's ordinary shares across a 10 day trading period before grant date.

There are a maximum of 3,434,940 shares available for issue, which, if issued as new shares of Yancoal Australia, would represent 0.3% of share capital of Yancoal Australia in issue at 31 December 2020 (2019: 3,599,839 shares representing 0.2% of share capital of Yancoal Australia).

47. ACQUISITIONS AND BUSINESS COMBINATIONS

(A) Acquisition of 10% interest in Moolarben Coal Joint Venture

On 31 March 2020, Yancoal Moolarben Coal Mine Pty Ltd, a 100% owned subsidiary of Yancoal Australia acquired an additional 10% interest in Moolarben Coal Joint Venture (“Moolarben JV”) previously owned by Sojitz Corporation (“Sojitz”). The Moolarben JV was accounted for as a joint operation prior to the acquisition of such additional interest. Following the acquisition Yancoal Australia holds an 95% interest in the Moolarben JV. The cash consideration paid and payable was AUD300 million (equivalent to approximately RMB1,455,634,000) split into four installments over a period of 12 months plus a AUD8 million (equivalent to approximately RMB 39,609,000) effective date adjustment whereby the cash consideration was increased by 10% of the Moolarben JV’s net cash outflows from 1 January 2020 to completion date.

On acquiring the additional interest, the Group is deemed to now control the activities of Moolarben JV by holding all voting rights on the Joint Venture Policy Committee. The change in accounting treatment from joint control to control has resulted in a deemed disposal of the previously held interest and a deemed acquisition of the new interest.

	RMB'000
Consideration transferred	
Discounted purchase price	1,455,634
Effective date adjustment	39,609
Previously held interest	11,049,926
Total consideration	12,545,169
Fair value of net identifiable assets acquired at the date of acquisition	15,778,227
Gain on acquisition and remeasurement	3,233,058
Net cash outflow arising on acquisition	
Cash paid on acquisition	1,455,634
Less: Bank balance and cash acquired	(19,804)
	1,435,830

47. ACQUISITIONS AND BUSINESS COMBINATIONS (Continued)

(A) Acquisition of 10% interest in Moolarben Coal Joint Venture (Continued)

Fair value of assets acquired and liabilities recognised at the date of acquisition:

	Net fair value RMB'000
Bank balances and cash	184,515
Accounts receivables	103,555
Prepayments and other receivables	126,486
Inventories	273,972
Property, plant and equipment	5,862,034
Construction in progress	644,836
Right-of-use assets	265,073
Intangible assets	13,431,874
Accounts payables	(95,318)
Other payables	(456,295)
Lease liabilities	(276,595)
Provisions	(393,058)
Deferred tax liabilities	(3,892,852)
Net fair value change	15,778,227

The above figures has been determined on a provisional basis. Any adjustments to the provisional values as a result of completing work on the fair values of assets and liabilities acquired will be recognised within 12 months of the acquisition date and will be recognised as if they had occurred as at the date of acquisition.

Revenue and profit contribution

The acquired interest contributed revenue of approximately RMB467 million and net profit after tax of approximately RMB60 million to the Group for the period from 1 April 2020 to 31 December 2020. If the acquisition had occurred on 1 January 2020, consolidated revenue and net profit for the year ended 31 December 2020 would have been increased by approximately RMB196 million and approximately RMB55 million respectively.

The proforma financial information was for illustrative purpose only and did not necessarily reflect the Group's revenue and operating results if the acquisition has been completed on 1 January 2020 and could not serve as a basis for the forecast of future operation result.

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47. ACQUISITIONS AND BUSINESS COMBINATIONS (Continued)

(B) Reconsolidation of Watagan

On 16 December 2020, Yancoal Australia announced that a commercial arrangement had been entered into between Yankuang HK, a wholly owned subsidiary of the Parent Company and the other two holders of bonds previously issued by Watagan which will result in Yancoal Australia regaining accounting control of Watagan and its subsidiaries (together referred as the “Watagan Group”) and the financial results of the Watagan Group are consolidated in the Company’s consolidated financial statements. Since 16 December 2020. The reconsolidation of Watagan Group is accounted for as a business combination.

	RMB'000
Consideration transferred-balances eliminated on reconsolidation	
Interest-bearing loan to Watagan	4,051,361
Tax sharing and funding payables to Watagan	(173,135)
Net accounts receivables from Watagan	29,680
Fair value of interests previously held	-
	3,907,906
Fair value of net identifiable liabilities assumed at the date regarding the reconsolidation of Watagan	2,936,104
Loss on reconsolidation of Watagan	6,844,010

Assets acquired and liabilities recognised from the reconsolidation are as follows:

	RMB'000
Bank balances and cash	35,552
Bills and accounts receivables	36,721
Inventories	81,985
Prepayments and other receivables	37,001
Construction in progress	158,275
Right-of-use assets	179,494
Property, plant and equipment	1,256,047
Intangible assets	1,381,462
Deferred tax assets	563,842
Bills and accounts payables	(325,062)
Borrowings	(4,979,401)
Lease liabilities	(298,106)
Provision	(1,063,914)
Net liabilities recognised	(2,936,104)

47. ACQUISITIONS AND BUSINESS COMBINATIONS (Continued)

(B) Reconsolidation of Watagan (Continued)

	RMB'000
Net cash inflow arising on acquisition	
Cash paid on acquisition	–
Add: Bank balance and cash acquired	35,552
	35,552

During the year ended 31 December 2019, the Group had a loan of around RMB4,398,756,000 which was granted to Watagan and details of which are set out in the Company's consolidated financial statements for the year ended 31 December 2019. The outstanding balance prior to the reconsolidation of the financial statements of Watagan amounted to RMB4,051,361,000 which was eliminated upon the reconsolidation of the financial statements of Watagan during the year.

The above figures relating to the "Assets acquired and liabilities recognised from the reconsolidation" has been determined on a provisional basis. Any adjustments to the provisional values as a result of completing work on the fair values of assets and liabilities acquired will be recognised within 12 months of the acquisition date and will be recognised as if they had occurred as at the date of acquisition.

Revenue and profit contribution

The reconsolidation contributed revenue of nil and net profit after tax of approximately RMB10 million to the Group for the period from 16 December 2020 to 31 December 2020. If the reconsolidation had occurred on 1 January 2020, consolidated revenue and net profit for the year ended 31 December 2020 would have been increased by approximately RMB527 million and nil respectively.

The proforma financial information was for illustrative purpose only and did not necessarily reflect the Group's revenue and operating results if the reconsolidation has been completed on 1 January 2020 and could not serve as a basis for the forecast of future operation result.

47. ACQUISITIONS AND BUSINESS COMBINATIONS (Continued)

(C) Acquisition of Target Equity Interests and Target Assets (厚朴項目)

On 30 September 2020, the Company entered into an equity interests and assets transfer agreement (the “Transaction Agreement”) with the Parent Company in relation to the acquisition of 49.315%, 100%, 100%, 100%, 100% and 99% equity interests in Shaanxi Future Energy & Chemicals Co., Ltd (“Shaanxi Future Energy”), Yankuang Yuling Fine Chemical Co., Ltd. (“Fine Chemical”), Yankuang Lunan Chemical Co., Ltd (“Lunan Chemical”), Yankuang Jining Chemical Equipment Co., Ltd. (“Chemical Equipment”), Yankuang Coal Chemicals International Trading Co., Ltd. (“Trading Company”) and Shandong Yankuang Jining No. 3 Power Plant, respectively (collectively referred as the “Target Entities”) and the relevant assets of Yankuang Group Information Center (the “Target Assets”) (collectively the “Acquisition”) at a consideration of approximately RMB18.355 billion, of which approximately RMB11.013 billion is payable before 31 December 2021. In addition, the Parent Company of the Company made commitments to the audited aggregate net profit attributable to shareholders shall not be less than RMB4.314 billion during the years 2020 to 2022. In the case which after the end of the commitment period, the aggregate amount of actual net profit corresponding to the Target Entities’ interests does not reach the committed net profit, the Parent Company shall compensate the Company in cash, and the specific compensation amount shall be calculated based on the difference between the committed net profit and the actual net profit corresponding to the Target Entities’ interests. The transaction was completed in December 2020.

Prior to the Acquisition, the Group had 24.66% equity interest in Shaanxi Future Energy. Following the Acquisition, Shaanxi Future Energy became a non-wholly-owned subsidiary of the Group.

	RMB’000
Consideration transferred	
Cash consideration paid	6,764,720
Consideration payable	11,590,710
Contingent consideration receivable	(161,781)
Previously held interests in Shannxi Future Energy*	4,425,228
Total consideration	22,618,877

* Included remeasurement gain of RMB1,664,006,000.

47. ACQUISITIONS AND BUSINESS COMBINATIONS (Continued)

(C) Acquisition of Target Equity Interests and Target Assets (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Bank balances and cash	2,965,902
Bills and accounts receivables	1,561,096
Prepayments and other receivables	1,980,905
Inventories	655,554
Long-term receivables due within one year	882,950
Investments in securities	326,345
Investment properties	20,915
Property, plant and equipment	17,804,965
Construction in progress	3,460,165
Right-of-use assets	500,704
Intangible assets	15,201,447
Long-term receivables – due after one year	147,689
Deferred tax assets	179,796
Prepayments for property, plant and equipment and intangible assets	528,365
Borrowings	(8,083,638)
Bills and accounts payables	(3,048,318)
Contract liabilities	(542,002)
Other payables and accrued expenses	(3,157,250)
Tax payable	(315,099)
Lease liabilities	(400,470)
Long term payables	(125,533)
Deferred tax liabilities	(2,396,313)
Total identifiable assets	28,148,175
Less: Non-controlling interests (at proportionate share of net assets)	(5,498,925)
Gain on bargaining purchase	(30,373)
	22,618,877
Net cash outflow arising on acquisition	
Cash paid on acquisition	6,764,720
Less: Bank balance and cash acquired	(2,965,902)
	3,798,818

The above figures has been determined on a provisional basis. Any adjustments to the provisional values as a result of completing work on the fair values of assets and liabilities acquired will be recognised within 12 months of the acquisition date and will be recognised as if they had occurred as at the date of acquisition.

47. ACQUISITIONS AND BUSINESS COMBINATIONS (Continued)

(C) Acquisition of Target Equity Interests and Target Assets (Continued)

Revenue and profit contribution

During the period from the acquisition date to 31 December 2020, the Target Entities had contributed a total revenue of approximately RMB599,547,000 and net profit of approximately RMB445,770,000.

If the acquisition had occurred on 1 January 2020, the consolidated revenue and net profit of the Group for the year ended 31 December 2020 would have been increased by approximately RMB13,174,189,000 and approximately RMB1,434,958,000 respectively.

The proforma financial information was for illustrative purpose only and did not necessarily reflect the Group's revenue and operating results if the acquisition has been completed on 1 January 2020 and could not serve as a basis for the forecast of future operation result.

(D) Capital increase in Inner Mongolia Mining

On 28 October 2020, the Company entered into a capital increase arrangement with Inner Mongolia Geological Mining (Group) Company Limited ("Inner Mongolia Dikuang") for making capital injection into Inner Mongolia Mining (Group) Company Limited ("Inner Mongolia Mining"). The Group made capital injection into Inner Mongolia Mining in December 2020 and hold 51% equity interests in Inner Mongolia Mining after the capital increase.

	RMB'000
Consideration transferred	
Capital contribution made	1,640,373
Capital consideration payable	2,321,917
	3,962,290

47. ACQUISITIONS AND BUSINESS COMBINATIONS (Continued)

(D) Capital increase in Inner Mongolia Mining (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Bank balances and cash	139,521
Interests in associates	3,967,281
Capital contribution receivables	2,321,917
Bills and accounts receivables	278,099
Prepayments and other receivables	1,027,686
Inventories	15,932
Prepayments for property, plant and equipment and intangible assets	17,843,094
Property, plant and equipment	1,359,702
Construction in progress	523,697
Right-of-use assets	888,185
Intangible assets	164,605
Deferred tax assets	622,480
Borrowings	(3,050,850)
Bills and accounts payables	(456,042)
Contract liabilities	(14,410)
Other payables and accrued expenses	(9,042,844)
Tax payable	(27,291)
Long term payables	(2,098,347)
Lease liabilities	(298,699)
Deferred tax liabilities	(2,935,971)
Net assets acquired	11,227,745
Less: non-controlling interest (at proportionate share of net assets)	(6,430,945)
Gain on bargaining purchase	(834,510)
	3,962,290
Net cash outflow arising on acquisition	
Cash paid on acquisition	1,640,373
Less: Bank balance and cash acquired	(139,521)
	1,500,852

47. ACQUISITIONS AND BUSINESS COMBINATIONS (Continued)

(D) Capital increase in Inner Mongolia Mining (Continued)

The above figures has been determined on a provisional basis. Any adjustments to the provisional values as a result of completing work on the fair values of assets and liabilities acquired will be recognised within 12 months of the acquisition date and will be recognised as if they had occurred as at the date of acquisition.

Revenue and profit contribution

During the period from the acquisition date to 31 December 2020, Inner Mongolia Mining had contributed a total revenue of approximately nil and net profit of approximately nil.

If the acquisition had occurred on 1 January 2020, the consolidated revenue and net profit of the Group for the year ended 31 December 2020 would have been increased by approximately RMB1,048,555,000 and net profit for the year ended 31 December 2020 would have been decreased by approximately RMB1,165,540,000 respectively.

The proforma financial information was for illustrative purpose only and did not necessarily reflect the Group's revenue and operating results if the acquisition has been completed on 1 January 2020 and could not serve as a basis for the forecast of future operation result.

- (E) In addition to the above, during the year ended 31 December 2020, the Group acquired 2 subsidiaries that are not individually material for aggregate consideration of RMB239 million and resulted in goodwill of RMB90 million.

48. NON-CONTROLLING INTERESTS

Summarised financial information of material non-controlling interests of subsidiaries is set out below.

	Yancoal Australia At 31 December		Haosheng At 31 December	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Non-controlling interests percentage	37.74%	37.74%	44.56%	40.62%
Summarised financial information				
Current assets	6,732,506	8,653,988	2,019,870	1,800,416
Non-current assets	48,720,832	44,777,384	11,120,442	10,450,812
Current liabilities	(6,005,633)	(10,308,273)	(1,791,171)	(1,518,949)
Non-current liabilities	(23,390,344)	(13,716,792)	(5,967,697)	(5,900,027)
Net assets	26,057,361	29,406,307	5,381,444	4,832,252
Carrying amounts of non-controlling interests	9,834,048	11,097,940	2,397,971	1,962,861
Revenue	17,677,134	21,887,315	2,436,295	1,169,804
Profit (loss) for the year	(4,437,043)	3,524,844	548,298	(273,285)
Other comprehensive income	-	854,867	-	-
Total comprehensive income (expense)	(4,437,043)	4,379,711	548,298	(273,285)
Total comprehensive income (expense) allocated to non-controlling interests	(1,674,540)	1,652,827	244,322	(68,646)
Cash flows generated from operating activities	3,034,862	7,560,896	1,167,376	226,567
Cash flows used in investing activities	(2,964,633)	(1,914,646)	(444,588)	(2,169,605)
Cash flows (used in) from financing activities	(1,575,118)	(5,905,119)	(709,969)	1,953,452
Net (decrease) increase in cash and cash equivalents	(1,504,889)	(258,869)	12,819	10,414
Dividends paid to non-controlling interests	530,082	239,634	-	-

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48. NON-CONTROLLING INTERESTS (Continued)

Summarised financial information of material non-controlling interests of subsidiaries is set out below. (Continued)

	Shaanxi Future Energy At 31 December		Inner Mongolia Mining At 31 December	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Non-controlling interests percentage	26.03%	Note (i)	49%	Note (i)
Summarised financial information				
Current assets	2,212,734	Note (i)	3,605,804	Note (i)
Non-current assets	29,692,013	Note (i)	25,401,225	Note (i)
Current liabilities	(4,083,541)	Note (i)	(13,199,188)	Note (i)
Non-current liabilities	(4,804,228)	Note (i)	(4,580,096)	Note (i)
Net assets	23,016,978	Note (i)	11,227,745	Note (i)
Carrying amounts of non-controlling interests	5,991,319	Note (i)	6,430,945	Note (i)
Revenue	1,071,440	Note (i)	–	Note (i)
Loss for the year	(284,581)	Note (i)	–	Note (i)
Other comprehensive expense	–	Note (i)	–	Note (i)
Total comprehensive expense	(284,581)	Note (i)	–	Note (i)
Total comprehensive expense allocated to non-controlling interests	(74,076)	Note (i)	–	Note (i)
Cash flows used in operating activities	(1,334,318)	Note (i)	–	Note (i)
Cash flows generated from investing activities	322,429	Note (i)	–	Note (i)
Cash flows generated from financing activities	205,536	Note (i)	–	Note (i)
Net decrease in cash and cash equivalents	(806,353)	Note (i)	–	Note (i)
Dividends paid to non-controlling interests	–	Note (i)	–	Note (i)

Note (i): These subsidiaries are newly acquired during the year ended 31 December 2020.

Note (ii): The above financial information is before elimination of intra-group transactions.

49. RELATED PARTY BALANCES AND TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed. In accordance with Main Board Listing Rules Chapter 14A, continuing connected transactions are disclosed below:

Balances and transactions with related parties

	At 31 December	
	2020 RMB'000	2019 RMB'000
Nature of balances (other than those already disclosed)		
Bills and accounts receivable		
– Parent Company and its subsidiaries	267,917	584,454
– Joint ventures	154,519	362,167
– Associates	60	–
Prepayments and other receivables		
– Parent Company and its subsidiaries	1,411,355	327,392
– Joint ventures	295,545	122,107
– Associates	101,287	72,819
Long-term receivables		
– Parent Company and its subsidiaries	1,132	8,689
– Joint ventures	676,085	989,901
– Associates	–	4,398,756
Bills and accounts payable		
– Joint ventures	14,209	–
– Associates	21,415	8,151
– Parent Company and its subsidiaries	2,118,227	1,093,259
Other payables and accrued expenses		
– Parent Company and its subsidiaries	18,571,954	10,599,970
– Associates	142,836	17,272

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

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49. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Balances and transactions with related parties

During the years, the Group had the following significant transactions with the Parent Company and/or its subsidiaries (excluding the Group):

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Income		
Sales of coal	1,556,089	2,860,293
Sales of auxiliary materials	332,044	805,598
Supply of power and heat	26,755	31,138
Sales of methanol	–	5,456
Equipment leasing	33,809	29,450
Professional services	2,078	5,553
Provision of repair and maintenance services	4,042	17,196
Provision of road transportation services	26,674	74,010
Expenditure		
Utilities and facilities	52,251	49,133
Purchases of materials and facilities	245,752	275,204
Repair and maintenance services	98,873	102,834
Labour and services	1,008,290	958,016
Construction services	690,812	896,497
Coal train escort services	51,344	50,476
Financial services	1,572	852
Insurance fund management and payment services (free of charge)	819,702	961,616
Purchase of bulk commodities	2,061,917	561,586
Commissioned management services	2,989	5,790

Expenditures for social welfare and support services (excluding medical and child care expenses) are approximately RMB58,633,000 (2019: RMB103,439,000) for the year ended 31 December 2020. These expenses will be negotiated with and paid by the Parent Company each year.

As at 31 December 2020, the Parent Company and its subsidiaries, excluding the Group, had deposited approximately RMB9,845,000,000 (2019: RMB10,129,682,000) to Yankuang Finance. For the year ended 31 December 2020, interest income from and interest expense to the Parent Company and its subsidiaries (excluding the Group), joint ventures and associates amounted to approximately RMB229,770,000 and RMB99,660,000 respectively (2019: RMB207,191,000 and RMB105,623,000).

In addition to the above, the Company participates in a retirement benefit scheme of the Parent Company in respect of retirement benefits (note 51).

49. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Balances and transactions with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government (“state-controlled entities”). In addition, the Group itself is part of a large group of companies under the Parent Company which is controlled by the PRC government. Apart from the transactions with the Parent Company and its subsidiaries disclosed above, the Group also conducts business with other state-controlled entities. The directors of the Company consider those state-controlled entities are independent third parties so far as the Group’s business transactions with them are concerned.

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

	Year ended 31 December	
	2020 RMB’000	2019 RMB’000
Trade sales	2,918,382	3,366,596
Trade purchases	2,777,127	861,501

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

	Year ended 31 December	
	2020 RMB’000	2019 RMB’000
Amounts due to other state-controlled entities	1,066,439	712,270
Amounts due from other state-controlled entities	270,870	49,211

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

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

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

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49. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Balances and transactions with joint ventures/associates

	At 31 December	
	2020 RMB'000	2019 RMB'000
Loan to a joint venture and an associate (note 28)	676,085	5,388,657

Interest recognised by the Group in the current year amounting to approximately RMB382,659,000 (2019: RMB397,683,000).

Compensation of key management personnel

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

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Directors fee	600	568
Salaries, allowance and other benefits in kind	17,533	10,589
Retirement benefit scheme contributions	2,634	1,861
	20,767	13,018

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

50. COMMITMENTS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following capital commitments.

	At 31 December	
	2020 RMB'000	2019 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
Acquisition of property, plant and equipment		
– the Group	4,490,977	8,397,556
– share of joint operations	193,768	215,197
– others	314	26,234
Intangible assets		
– share of joint operations	17,655	9,764
– others	9,720	–
Exploration and evaluation		
– share of joint operations	14,864	22,766
– others	361	9,156
	4,727,659	8,680,673

51. RETIREMENT BENEFITS

Qualifying employees of the Company are entitled to pension, medical and other welfare benefits. The Company participates in a scheme of the Parent Company and pays a monthly contribution to the Parent Company in respect of retirement benefits at an agreed contribution rate based on the monthly basic salaries and wages of the qualified employees. The Parent Company is responsible for the payment of all retirement benefits to the retired employees of the Company.

Pursuant to the Provision of Insurance Fund Administrative Services Agreement entered into by the Company and the Parent Company on 21 March 2014, the monthly contribution rate is at 20% (2019: 20%) of the total monthly basic salaries and wages of the Company's employees for the period from 1 January 2015 to 31 December 2017. Other welfare benefits will be provided by the Parent Company, which will be reimbursed by the Company.

The amount of contributions paid to the Parent Company were approximately RMB813,035,000 and RMB961,616,000 for the years ended 31 December 2020 and 2019 respectively.

The Company's subsidiaries are participants in a state-managed retirement scheme pursuant to which the subsidiaries pay a fixed percentage of its qualifying staff's wages as a contribution to the scheme. The subsidiaries' financial obligations under this scheme are limited to the payment of the employer's contribution. During the year, contributions paid and payable by the subsidiaries pursuant to this arrangement were insignificant to the Group. The Group's overseas subsidiaries pay fixed contribution as pensions under the laws and regulations of the relevant countries.

During the year and at the balance sheet date, there were no forfeited contributions which arose upon employees leaving the above schemes available to reduce the contributions payable in future years.

52. HOUSING SCHEME

- (a) The Parent Company is responsible for providing accommodation to its employees and the domestic employees of the Company. The Company and the Parent Company share the incidental expenses relating to the accommodation at a negotiated amount for each of the two years ended 31 December 2020 and 2019. Such expenses, amounting to nil for the year ended 31 December 2020 (2019: RMB6,333,000) respectively, have been included as part of the social welfare and support services expenses summarised in note 50.
- (b) The Company currently makes a fixed monthly contribution for each of its qualifying employees to a housing fund which is equally matched by a contribution from the employees. The contributions are paid to the Parent Company which utilises the funds, along with the proceeds from the sales of accommodation and, if the need arises, from loans arranged by the Parent Company, to construct new accommodation.

53. POST BALANCE SHEET EVENTS

Subsequent to 31 December 2020, 13 million share options were exercised and resulted in the issuance of 13 million new ordinary shares.

Subsequent to 31 December 2020, the Group issued a short-term note with a principal amount of RMB2.0 billion maturing in September 2021.

54. CONTINGENT LIABILITIES

(i) Guarantees

	At 31 December	
	2020 RMB'000	2019 RMB'000
(a) The Group		
Performance guarantees provided to daily operations	687,190	736,989
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	562,316	661,600
(b) Joint operations		
Performance guarantees provided to external parties	738,671	780,700
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	1,597,379	1,390,318
(c) Related parties		
Performance guarantees provided to external parties	451,351	515,714
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	20,425	411,710
	4,057,332	4,497,031

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55. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

During the year ended 31 December 2019, investment in securities of approximately RMB3,781,200,000 was reclassified to interests in associates.

Additions to the Group's property, plant and equipment and construction-in-progress amounted to approximately RMB1,000,000,000 and RMB2,000,000,000 respectively were settled through bills during the year ended 31 December 2019.

During the year ended 31 December 2020, the Group entered into several new arrangement in respect of buildings, and plant, machinery and equipment. Right-of-use assets and lease liabilities of approximately RMB1,575,553,000 (2019: RMB98,304,000) were recognised at the commencement of the lease.

During the year ended 31 December 2019, the Group acquired mining rights of which approximately RMB2,347,154,000 intangible assets payable will be settled over the mining period.

56. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Dividends payable (Note 35) RMB'000	Customers' deposits in relation to financial services (Note 35) RMB'000	Borrowings (Note 38) RMB'000	Lease liabilities (Note 24) RMB'000	Total RMB'000
At 1 January 2020	1,919,666	17,846,659	65,375,491	484,924	85,626,740
Dividends declaration	2,818,800	-	-	-	2,818,800
Finance cost incurred	-	-	-	74,084	74,084
Cash flows	(4,723,044)	852,929	12,171,599	(513,259)	7,788,225
Acquisition of subsidiaries	-	-	16,148,389	1,026,982	17,175,371
New lease arrangements	-	-	-	1,575,553	1,575,553
Termination of lease	-	-	-	(15,767)	(15,767)
Exchange adjustment	-	-	(1,432,535)	(42,554)	(1,475,089)
At 31 December 2020	15,422	18,699,588	92,262,944	2,589,963	113,567,917

**56. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES
(Continued)**

	Dividends payable (Note 35) RMB'000	Customers' deposits in relation to financial services (Note 35) RMB'000	Borrowings (Note 38) RMB'000	Lease liabilities (Note 24) RMB'000	Total RMB'000
At 1 January 2019	43,626	11,284,197	68,472,610	557,854	80,358,287
Dividends declaration	8,788,347	–	–	–	8,788,347
Finance cost incurred	–	–	–	33,894	33,894
Cash flows	(6,912,307)	6,562,462	(3,538,407)	(185,592)	(4,073,844)
New lease arrangements	–	–	–	98,304	98,304
Termination of lease	–	–	–	(21,732)	(21,732)
Exchange adjustment	–	–	441,288	2,196	443,484
At 31 December 2019	1,919,666	17,846,659	65,375,491	484,924	85,626,740

57. INFORMATION OF THE COMPANY

The Company's statement of financial position is disclosed as follows:

	At 31 December	
	2020 RMB'000	2019 RMB'000
Current assets		
Bank balances and cash	3,186,249	4,588,562
Pledged term deposits	210,000	210,000
Restricted cash	436,684	722,320
Bills and accounts receivable	3,407,284	3,754,703
Inventories	474,837	630,263
Prepayments and other receivables	47,759,461	43,419,371
	55,474,515	53,325,219
Non-current assets		
Intangible assets	670,607	828,784
Property, plant and equipment	7,438,822	7,237,158
Right-of-use assets	5,314,897	4,362,050
Investments in subsidiaries (note a)	91,157,754	65,982,294
Investments in securities	4,660	4,623
Investments in associates	6,319,002	8,801,123
Investment in joint venture	29,250	28,290
Deposit made on investments	117,926	117,926
Deferred tax assets	1,165,818	1,233,628
	112,218,736	88,595,876
Total assets	167,693,251	141,921,095

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57. INFORMATION OF THE COMPANY (Continued)

	At 31 December	
	2020 RMB'000	2019 RMB'000
Current liabilities		
Bills and accounts payable	5,443,720	4,683,330
Other payables and accrued expenses	34,052,079	19,207,165
Contract liabilities	733,242	635,148
Borrowings – due within one year	18,840,000	13,248,800
Lease liabilities	1,117,876	1,083,566
Long term payable – due within one year	6,523,360	2,367,430
Derivative financial instruments	153,055	85,598
Tax payable	522,750	330,165
	67,386,082	41,641,202
Non-current liabilities		
Borrowings – due after one year	36,862,497	32,415,387
Lease liabilities	3,909,342	3,671,227
Long term payable – due after one year	155,849	60,755
	40,927,688	36,147,369
Total liabilities	108,313,770	77,788,571
Capital and reserves (note b)		
Equity	54,161,814	53,820,913
Perpetual capital securities	5,217,667	10,311,611
	59,379,481	64,132,524
Total liabilities and equity	167,693,251	141,921,095

57. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2020 and 2019 are as follows:

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power controlled		Principal activities
			2020		2019		2020	2019	
			Directly	Indirectly	Directly	Indirectly			
Shanxi Neng Hua (note 1)	PRC	RMB600,000,000	100%	-	100%	-	100%	100%	Investment holding
Shanxi Tianchi (note 1)	PRC	RMB90,000,000	-	81.31%	-	81.31%	81.31%	81.31%	Coal mining business
Shanxi Tianhao (note 1)	PRC	RMB150,000,000	-	99.89%	-	99.89%	99.89%	99.89%	Methanol and electricity power business
Beisheng Industry and Trade (note 1 and 4)	PRC	RMB2,404,000	-	-	100%	-	-	100%	Coal Mining and sales
Shandong Yanmei Shipping Co., Ltd. ("Yanmei Shipping") (note 1)	PRC	RMB5,500,000	92%	-	92%	-	92%	92%	Transportation via rivers and lakes and the sales of coal and construction materials
Inner Mongolia Haosheng Coal Mining Co., Ltd. ("Haosheng") (note 1)	PRC	RMB1,184,620,000 (2018: RMB904,900,000)	59.38%	-	59.38%	-	59.38%	59.38%	Sales of coal mine machinery equipment and accessories
Zhongyan Trade Co., Ltd (note 1)	PRC	RMB50,000,000	100%	-	100%	-	100%	100%	Trade and storage in free trade zone
Yanzhou Coal Mining Yulin Neng Hua Co., Ltd ("Yulin") (note 1)	PRC	RMB1,400,000,000	100%	-	100%	-	100%	100%	Methanol and electricity power business
Heze (note 1)	PRC	RMB3,000,000,000	98.33%	-	98.33%	-	98.33%	98.33%	Coal mining and sales
Ordos (note 1)	PRC	RMB8,100,000,000	100%	-	100%	-	100%	100%	Investment holding, coal mining and sales
Yize (note 1)	PRC	RMB675,000,000	-	100%	-	100%	100%	100%	Development of methanol project
Inner Mongolia Rongxin Chemicals Co., Ltd (note 1)	PRC	RMB648,360,000	-	100%	-	100%	100%	100%	Development of methanol project
Inner Mongolia Daxin Industrial Gas Co., Ltd (note 1)	PRC	RMB209,992,568	-	100%	-	100%	100%	100%	Development of methanol project
Xintai (note 1)	PRC	RMB5,000,000	-	100%	-	100%	100%	100%	Coal mining and sales
Ordos Zhuanlongwan Coal Mining Company Limited	PRC	RMB5,050,000,000	-	100%	-	100%	100%	100%	Coal mining and sales, manufacturing and sales of mining equipment and machinery
Ordos Yingpanhao Coal Mining Company Limited ("Yingpanhao") (note 1)	PRC	RMB300,000,000	-	100%	-	100%	100%	100%	Coal mining and sales, manufacturing and sales of mining equipment and machinery

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57. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2020 and 2019 are as follows: (Continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power controlled		Principal activities
			2020		2019		2020	2019	
			Directly	Indirectly	Directly	Indirectly			
Ijinhuluo Banner Anyuan West Coal Co., Ltd. (note 1)	PRC	RMB187,351,450	-	100%	-	-	100%	-	Coal mining and sales
Inner Mongolia Mengda Railway Co., Ltd. (note 1)	PRC	RMB201,000,000	-	67%	-	-	67%	-	Coal processing, sales and transportation
Inner Mongolia Mengtong Railway Co., Ltd. (note 1)	PRC	RMB100,000,000	-	51%	-	-	51%	-	Coal processing, sales and transportation
Qingdao Yanmei Dongqi Energy Co., Ltd (note 1)	PRC	RMB50,000,000	-	51%	-	51%	100%	100%	Coal and Related Products Wholesale
Trading Centre (note 1)	PRC	RMB100,000,000	51%	-	51%	-	51%	51%	Coal Mining and sales
Shandong Zhongyin International Trade Co., Ltd. (note 1)	PRC	RMB300,000,000	100%	-	100%	-	100%	100%	Coal and non-ferrous metal wholesale
Zhongyin Logistics (note 1)	PRC	RMB300,000,000	-	100%	-	100%	100%	100%	Trade Broker and Agent
Zhongyin Financial (note 1)	PRC	RMB7,060,000,000	90%	9%	90%	9%	99%	99%	Financial leasing
Shanghai Dongjiang Real Estate Development Co., Ltd. (note 1)	PRC	RMB8,000,000	-	100%	-	-	100%	-	Real estate development and operation, property management
Duanxin (note 1)	PRC	RMB3,310,000,000	100%	-	100%	-	100%	100%	Investment and assets management
Shandong Duanxin Supply Chain Management Co., Ltd (note 1)	PRC	RMB200,000,000	100%	-	100%	-	100%	100%	Logistics storage and leasing
Heze Duanxin Supply Chain Management Co., Ltd (note 1)	PRC	RMB10,000,000	-	100%	-	100%	100%	100%	Logistics storage and leasing
Dalateqi Duanxin Supply Chain Management Co., Ltd (note 1)	PRC	RMB5,000,000	-	100%	-	100%	100%	100%	Logistics storage and leasing
Ejin Horo Qi Duanxin Supply Chain Management Co., Ltd. (note 1)	PRC	RMB10,000,000	-	100%	-	100%	100%	100%	Logistics storage and leasing
Ruifeng (note 1)	PRC	RMB200,000,000	51%	-	51%	-	51%	51%	Trading
Yancoal International (Singapore) Pte. Ltd.	Singapore	USD10,000,000	-	-	-	100%	-	100%	Trading
Yancoal Australia (note 2)	Australia	AUD6,482,144,000	62.26%	-	62.26%	-	62.26%	62.26%	Investment holding
Austar Coal Mine Pty, Limited ("Austar")	Australia	AUD64,000,000	-	62.26%	-	62.26%	100%	100%	Coal mining business in Australia

57. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2020 and 2019 are as follows: (Continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power controlled		Principal activities
			2020		2019		2020	2019	
			Directly	Indirectly	Directly	Indirectly			
Gloucester	Australia	AUD719,720,808	-	62.26%	-	62.26%	100%	100%	Coal resource exploration development
Yancoal Australia Sales Pty Ltd	Australia	AUD100	-	62.26%	-	62.26%	100%	100%	Coal sales
Yancoal SCN Ltd	Australia	AUD5	-	62.26%	-	62.26%	100%	100%	Issue subordinated capital note
Yancoal Mining Services Ltd	Australia	AUD100	-	62.26%	-	62.26%	100%	100%	Provide management services to the underground mines
Yancoal Resources Ltd	Australia	AUD446,409,065	-	62.26%	-	62.26%	100%	100%	Coal mining business in Australia
Westralian Prospectors NL	Australia	AUD93,001	-	62.26%	-	62.26%	100%	100%	No business in Australia
Eucla Mining NL	Australia	AUD2	-	62.26%	-	62.26%	100%	100%	Coal mining
CIM Duralie Pty Ltd	Australia	AUD665	-	62.26%	-	62.26%	100%	100%	No business in Australia
Duralie Coal Marketing Pty Ltd	Australia	AUD2	-	62.26%	-	62.26%	100%	100%	No business in Australia
Duralie Coal Pty Ltd	Australia	AUD2	-	62.26%	-	62.26%	100%	100%	Coal mining
Gloucester (SPV) Pty Ltd	Australia	AUD2	-	62.26%	-	62.26%	100%	100%	Holding company
Gloucester (Sub Holdings 1) Pty Ltd	Australia	AUD2	-	62.26%	-	62.26%	100%	100%	Holding company
Gloucester (Sub Holdings 2) Pty Ltd	Australia	AUD2	-	62.26%	-	62.26%	100%	100%	Holdings company
SASE Pty Limited	Australia	AUD9,650,564	-	56.03%	-	56.03%	90%	90%	No business in Australia, to be liquidated
Proserpina Coal Pty Ltd	Australia	AUD1	-	62.26%	-	62.26%	100%	100%	Coal mining and sales
Yarrabee Coal Company Pty Ltd	Australia	AUD92,080	-	62.26%	-	62.26%	100%	100%	Coal mining and sales
White Mining Limited	Australia	Ordinary shares AUD3,300,000 A Shares AUD200	-	62.26%	-	62.26%	100%	100%	Investment holding and management of operations
Moolarben Coal Operations Pty Ltd	Australia	AUD2	-	62.26%	-	62.26%	100%	100%	Management of coal operations
Moolarben Coal Mines Pty Limited	Australia	AUD1	-	62.26%	-	62.26%	100%	100%	Coal business development
Felix NSW Pty Ltd	Australia	AUD2	-	62.26%	-	62.26%	100%	100%	Investment holding
Moolarben Coal Sales Pty Ltd	Australia	AUD2	-	62.26%	-	62.26%	100%	100%	Coal sales
CIM Mining Pty Ltd	Australia	AUD30,180,720	-	62.26%	-	62.26%	100%	100%	No business in Australia

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57. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2020 and 2019 are as follows: (Continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power controlled		Principal activities
			2020		2019		2020	2019	
			Directly	Indirectly	Directly	Indirectly			
Donaldson Coal Holdings Limited	Australia	AUD204,945,942	-	62.26%	-	62.26%	100%	100%	Holdings company
Monash Coal Holdings Pty Ltd	Australia	AUD100	-	62.26%	-	62.26%	100%	100%	Dormant
Athena Coal Operation Pty Ltd	Australia	AUD1	-	62.26%	-	62.26%	100%	100%	Dormant
Yancoal Moolarbes	Australia	AUD300,000,000	-	62.26%	-	-	100%	-	Coal mining and coal Mine management
Watagan Mining Company Pty Ltd.	Australia	USD575,000,000	-	62.26%	-	-	100%	-	Coal mining and coal Mine management
Athena Coal Sales Pty Ltd	Australia	AUD1	-	62.26%	-	62.26%	100%	100%	Dormant
Paway Limited	British Virgin Islands	AUD1	-	62.26%	-	62.26%	100%	100%	Dormant
White Mining Services Pty Limited	Australia	AUD2	-	62.26%	-	62.26%	100%	100%	No business in Australia, to be liquidated
Ashton Coal Operations Pty Limited	Australia	AUD5	-	62.26%	-	62.26%	100%	100%	Management of operations
Ashton Coal mines Limited	Australia	AUD5	-	62.26%	-	62.26%	100%	100%	Coal sales
White Mining (NSW) Pty Limited	Australia	AUD10	-	62.26%	-	62.26%	100%	100%	Coal mining and sales
CIM Stratford Pty Ltd	Australia	AUD21,558,606	-	62.26%	-	62.26%	100%	100%	Dormant
CIM Services Pty Ltd	Australia	AUD8,400,002	-	62.26%	-	62.26%	100%	100%	Dormant
Donaldson Coal Pty Ltd	Australia	AUD6,688,782	-	62.26%	-	62.26%	100%	100%	Coal mining and sales
Donaldson Coal Finance Pty Ltd	Australia	AUD10	-	62.26%	-	62.26%	100%	100%	Investment company
Monash Coal Pty Ltd	Australia	AUD200	-	62.26%	-	62.26%	100%	100%	Coal mining and sales
Stradford Coal Pty Ltd	Australia	AUD10	-	62.26%	-	62.26%	100%	100%	Coal mining
Stradford Coal Marketing Pty Ltd	Australia	AUD10	-	62.26%	-	62.26%	100%	100%	Coal sales
Abakk Pty Ltd	Australia	AUD6	-	62.26%	-	62.26%	100%	100%	Liquidated
Newcastle Coal Company Pty Ltd	Australia	AUD2,300,999	-	62.26%	-	62.26%	100%	100%	Coal mining and sales
Primecoal International Pty Ltd	Australia	AUD1	-	62.26%	-	62.26%	100%	100%	No business in Australia, to be liquidated
("C&A")	Australia	AUD3,724,000,000	-	62.26%	-	62.26%	100%	100%	Coal mining business
Australian Coal Resources Ltd	Australia	AUD5	-	62.26%	-	62.26%	100%	100%	Coal mining business
Kalamah Pty Ltd	Australia	AUD1	-	62.26%	-	62.26%	100%	100%	Investment, holding company

57. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2020 and 2019 are as follows: (Continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power controlled		Principal activities
			2020		2019		2020	2019	
			Directly	Indirectly	Directly	Indirectly			
RioTinto Coal (NSW) Pty Ltd	Australia	AUD1	-	62.26%	-	62.26%	100%	100%	Employment, management company
Coal & Allied Operations Pty Ltd	Australia	AUD17,147,500	-	62.26%	-	62.26%	100%	100%	Coal mining, processing and sales
CNA Investments (UK) Pty Ltd	Australia	AUD202,000	-	62.26%	-	62.26%	100%	100%	Investment Management
CNA Resources Holdings Pty Ltd	Australia	AUD405	-	62.26%	-	62.26%	100%	100%	Investment holding
HV Operations Pty Ltd	Australia	AUD1	-	62.26%	-	62.26%	100%	100%	Management company
Lower Hunter Land Holdings Pty Ltd	Australia	AUD6	-	62.26%	-	62.26%	100%	100%	Management, holding company
Oaklands Coal Pty Ltd	Australia	AUD5,005,000	-	62.26%	-	62.26%	100%	100%	Management company
Novacoal Australia Pty Ltd	Australia	AUD530,000	-	62.26%	-	62.26%	100%	100%	Management company
Yancoal International (Holding) Co., Ltd	Hong Kong	USD689,313,091	100%	-	100%	-	100%	100%	Investment holding
Yancoal International Resources Development Co., Limited	Hong Kong	USD600,000	-	100%	-	100%	100%	100%	Coal resource exploration development
Yancoal International Technology Development Co., Limited	Hong Kong	USD1,000,000	-	100%	-	100%	-	100%	Coal mining technology development, transfer and consultation
Yancoal International Trading Co., Limited (note 4)	Hong Kong	USD1,000,000	-	-	-	100%	-	100%	Entrepot trade
Yancoal Luxembourg Resources Holding Co., Ltd	Luxembourg	USD500,000	-	100%	-	100%	100%	100%	Investment holding
Yancoal Canada Resources Holding Co., Ltd	Canada	USD290,000,000	-	100%	-	100%	100%	100%	Potash exploration
Athena Holdings P/L	Australia	AUD24,450,405	-	100%	-	100%	100%	100%	Holding company
Premier Coal Holdings Pty Ltd	Australia	AUD321,613,108	-	100%	-	100%	100%	100%	Holding company
Tonford Holdings Pty Ltd	Australia	AUD46,407,917	-	100%	-	100%	100%	100%	Holding company
Wilpeena Holdings Pty Ltd	Australia	AUD3,457,381	-	100%	-	100%	100%	100%	Holding company
Yancoal Energy Pty Ltd	Australia	AUD202,977,694	-	100%	-	100%	100%	100%	Holding company
Yancoal International Technology Development Pty Ltd	Australia	AUD75,407,506	-	100%	-	100%	100%	100%	Holding company
Athena Coal Mine Pty Ltd	Australia	AUD2	-	100%	-	100%	100%	100%	Coal exploration

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57. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2020 and 2019 are as follows: (Continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power controlled		Principal activities
			2020		2019		2020	2019	
			Directly	Indirectly	Directly	Indirectly			
Premier Coal Limited	Australia	AUD8,779,250	-	100%	-	100%	100%	100%	Coal mining and sales
Tonford Pty Ltd	Australia	AUD2	-	100%	-	100%	100%	100%	Coal exploration
Syntech Holdings Pty Ltd	Australia	AUD223,470,552	-	100%	-	100%	100%	100%	Investment holding and management of coal operation
Syntech Holdings II Pty Ltd	Australia	AUD6,318,490	-	100%	-	100%	100%	100%	Investment holding
UCC Energy Pty Limited	Australia	AUD2	-	100%	-	100%	100%	100%	Ultra clean coal technology
Premier Char Pty Ltd	Australia	AUD1,000,000	-	100%	-	100%	100%	100%	Charcoal Product Development
Yancoal Technology Development Pty Ltd	Australia	AUD2	-	100%	-	100%	100%	100%	LTCC technology development and equipment rental
AMH (Chinchilla Coal) Pty Ltd	Australia	AUD2	-	100%	-	100%	100%	100%	Coal exploration
Syntech Resources Pty Ltd	Australia	AUD1,251,431	-	100%	-	100%	100%	100%	Coal mining and sales
Mountfield Properties Pty Ltd	Australia	AUD100	-	100%	-	100%	100%	100%	Investment holding
Donghua (note 1)	PRC	RMB1,277,888,000	100%	-	100%	-	100%	100%	Manufacturing of coal mining and excavating equipment
Yankuang Group Tangcun Industrial Co., Ltd (note 1)	PRC	RMB51,000,000	-	100%	-	100%	100%	100%	Manufacturing and repair of machinery and cable
Shandong Yankuang Group Changlong Cable Manufacturing Co., Ltd (note 1)	PRC	RMB20,000,000	-	95%	-	95%	95%	95%	Manufacturing and sale of cable, rubber products
Zhoucheng Chengyan Material Inspection and Testing Co., Ltd (note 1)	PRC	RMB300,000	-	100%	-	100%	100%	100%	Mining products supporting materials testing
Yankuang Group Mainland Machinery Co. Ltd (note 1 and 4)	PRC	RMB50,000,000	-	-	-	79.69%	-	79.69%	Manufacturing of special coal mining equipment
Yankuang Group Yanzhou Sanfanggang Structural Engineering (note 1)	PRC	RMB8,000,000	-	62.50%	-	62.50%	62.50%	62.50%	Production and processing of steel engineering components
Yankuang Group Zoucheng Jinming Electrical Company Limited (note 1)	PRC	RMB50,000,000	-	100%	-	100%	100%	100%	Manufacturing, installation and repair of electrical equipments
Yankuang Group Zoucheng Dehailan Rubber Product Co., Ltd (note 1)	PRC	RMB860,000	-	41.86%	-	41.86%	41.86%	41.86%	Processing and sale of composite pipe and plastic profile products

57. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2020 and 2019 are as follows: (Continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power controlled		Principal activities
			2020		2019		2020	2019	
			Directly	Indirectly	Directly	Indirectly			
Yanzhou Dongfang Electrical Co., Ltd (note 1)	PRC	RMB50,000,000	-	94.34%	-	94.34%	94.34%	94.34%	Manufacturing and installation of mining equipments
Yankuang Group Jintong Rubber Co., Ltd (note 1)	PRC	RMB6,600,000	-	54.55%	-	54.55%	54.55%	54.55%	Manufacturing and sale of rubber products
Jinan Duanxin Mingren Financial Consulting Partnership (LP) (notes 1, 3 and 4)	PRC	RMB5,000,000,000	-	-	-	100%	-	100%	Financial advisory; Asset management consultancy service; Business advisory; Business service; Market information consultation and investigation
Jinan Duanxin Mingli Financial Consulting Partnership (LP) (notes 1, 3 and 4)	PRC	RMB5,000,000,000	-	-	-	100%	-	100%	Management consulting service, Asset management consultancy service; Business advisory; Business service; Market information consultation and investigation
Jining Duanxin Mingzhi Financial Consulting Partnership (LP) (notes 1, 3 and 4)	PRC	RMB1,250,000,000	-	-	-	100%	-	100%	Investment holding
Qingdao Duanxin Asset Management Company Limited (note 1)	PRC	RMB500,000,000	100%	-	100%	-	100%	100%	Equity investment fund management, Management of corporate asset, Foreign investment funds, Import and export service, International Trading, Export
Qingdao Dongfang Shenglong Industrial Co., Ltd. (note 1)	PRC	RMB30,000,000	-	100%	-	-	100%	-	Coal wholesale business, house leasing
Yancoal Property Service (note 1)	PRC	RMB12,000,000	-	35%	-	35%	35%	35%	Property management, Garden greening engineering, Sewage treatment and rental housing agency service
Duanxin Investment Holding (Shenzhen) Company Limited (note 1)	PRC	RMB1,100,000,000	-	100%	-	100%	100%	100%	Equity investment, the entrusted assets and investment management, corporate management and investment advisory

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57. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2020 and 2019 are as follows: (Continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power controlled		Principal activities
			2020		2019		2020	2019	
			Directly	Indirectly	Directly	Indirectly			
Zhongyin Finance Lease Company Limited (note 1)	PRC	RMB5,790,800,000	-	100%	-	100%	100%	100%	Investment Holding
Yankuang Finance	PRC	RMB1,703,000	90%	N/A	90%	N/A	90%	90%	Financial services
Inner Mongolia Mining (Group) Company Limited (note 1)	PRC	RMB6,997,306,122	51%	N/A	-	-	51%	-	Investment and management of mineral resources, sale of mineral products and import and export trade
Ulanqab Hongda Industrial Co., Ltd. (note 1)	PRC	RMB550,000,000	-	51%	-	-	51%	-	Electricity power business
Ordos Fengwei Photoelectric Co., Ltd. (note 1)	PRC	RMB180,000,000	-	51%	-	-	51%	-	Solar power, Wind power and production management
Inner Mongolia Mining Resources Investment Holdings Co., Ltd. (note 1)	PRC	RMB400,000,000	-	51%	-	-	51%	-	Investment and asset management
Ordos Green Energy Optoelectronics Co., Ltd. (note 1)	PRC	RMB1,200,000,000	-	46.05%	-	-	46.05%	-	Light power and sale of electrical material
Ordos Cultural Industry Park Cultural Education Co., Ltd. (note 1)	PRC	RMB209,034,000	-	32.28%	-	-	32.28%	-	Educational software development and event planning
Inner Mongolia Financial Holding Financial Leasing Co., Ltd. (note 1)	PRC	RMB1,200,000,000	-	28.05%	-	-	28.05%	-	Rental business
Shaanxi Future Energy Chemical Co., Ltd. (note 1)	PRC	RMB5,400,000,000	73.97%	-	-	-	73.97%	-	Research and Development of chemical product, coal mining, and electric power production and sale
Shaanxi Future Clean Oil and Chemical Sales Co., Ltd. (note 1)	PRC	RMB50,000,000	-	73.97%	-	-	73.97%	-	Sale of petroleum products, chemical products and coal
Shaanxi Future Clean Chemical Co., Ltd. (note 1)	PRC	RMB30,000,000	-	37.72%	-	-	37.72%	-	Sale of petroleum products, chemical products and coal
Yankuang Yulin Fine Chemical Co., Ltd. (note 1)	PRC	RMB46,200,000	100%	-	-	-	100%	-	Production and sales of Fischer-Tropsch synthesis catalysts
Yankuang Lunan Chemical Co., Ltd. (note 1)	PRC	RMB5,040,690,900	100%	-	-	-	100%	-	Production and sales of chemical products
Yankuang Jining Chemical Equipment Co., Ltd. (note 1)	PRC	RMB111,899,210	100%	-	-	-	100%	-	Production and sales of chemical products

57. INFORMATION OF THE COMPANY (Continued)

(a) Details of the Company's major subsidiaries at 31 December 2020 and 2019 are as follows: (Continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power controlled		Principal activities
			2020		2019		2020	2019	
			Directly	Indirectly	Directly	Indirectly			
Yankuang Coal Chemical Supply and Marketing Co., Ltd. (note 1)	PRC	RMB260,000,000	100%	-	-	-	100%	-	Sales of chemical products
Shandong Yankuang Jisan Electric Power Co., Ltd. (note 1)	PRC	RMB430,000,000	99%	-	-	-	99%	-	Thermal power generation

Unless otherwise specified, the capital of the above subsidiaries are registered capital (those established in the PRC) or ordinary shares (those established in other countries).

Note 1: The companies are established in the PRC as limited liability companies.

Note 2: The investment cost of RMB21,425,119,000 (2019: RMB21,425,119,000) in respect of investment in Yancoal Australia, a subsidiary dually listed on the Australia Stock Exchange and SEHK, was included in investment in subsidiaries. As at 31 December 2020, the market value of these shares was approximately RMB9,980,539,000 (AUD1,989,622,000) (2019: approximately RMB11,645,428,000 (AUD2,384,257,000)).

Note 3: Pursuant to the respective partnership agreements, the Group is able to control 100% of the voting power of these partnerships in relation to the respective relevant activities. Thus, these partnerships are accounted for as subsidiaries of the Group.

Note 4: Those companies were disposed during the year.

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57. INFORMATION OF THE COMPANY (Continued)

(b) The Company's equity is as follows:

	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Future development fund reserve RMB'000	Statutory common fund RMB'000	Investment revaluation reserve RMB'000	Retained earnings RMB'000	Perpetual capital securities (note 43) RMB'000	Total RMB'000
As at 1 January 2019	4,912,016	2,967,947	-	780,222	5,855,024	176	40,265,270	10,316,444	65,097,099
Profit for the year	-	-	-	-	-	-	6,572,677	580,181	7,152,858
Other comprehensive expense									
- Fair value changes of financial assets at FVTOCI	-	-	-	-	-	(467)	-	-	(467)
Total comprehensive income (expense) for the year	-	-	-	-	-	(467)	6,572,677	580,181	7,152,391
Transactions with owners:									
Distribution paid to holders of perpetual capital securities	-	-	-	-	-	-	-	(585,014)	(585,014)
Dividends	-	-	-	-	-	-	(7,564,505)	-	(7,564,505)
Recognition of equity-settled share based payment expenses	-	-	32,553	-	-	-	-	-	32,553
Total transactions with owners	-	-	32,553	-	-	-	(7,564,505)	(585,014)	(8,116,966)
Balance at 31 December 2019	4,912,016	2,967,947	32,553	780,222	5,855,024	(291)	39,273,442	10,311,611	64,132,524

57. INFORMATION OF THE COMPANY (Continued)

(b) The Company's equity is as follows: (Continued)

	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Future development fund reserve RMB'000	Statutory common fund RMB'000	Investment revaluation reserve RMB'000	Retained earnings RMB'000	Perpetual capital securities (note 43) RMB'000	Total RMB'000
As at 1 January 2020	4,912,016	2,967,947	32,553	780,222	5,855,024	(291)	39,273,442	10,311,611	64,132,524
Profit for the year	-	-	-	-	-	-	3,412,374	491,042	3,903,416
Other comprehensive expense									
- Fair value changes of financial assets at FVTOCI	-	-	-	-	-	28	-	-	28
Total comprehensive income (expense) for the year	-	-	-	-	-	28	3,412,374	491,042	3,903,444
Transactions with owners:									
Distribution paid to holders of perpetual capital securities	-	-	-	-	-	-	-	(584,986)	(584,986)
Share purchased	(52,016)	(232,583)	-	-	-	-	-	-	(284,599)
Redemption of perpetual capital securities	-	-	-	-	-	-	-	(5,000,000)	(5,000,000)
Recognition of equity-settled share based payment expenses (note 46)	-	-	31,898	-	-	-	-	-	31,898
Dividends	-	-	-	-	-	-	(2,818,800)	-	(2,818,800)
Total transactions with owners	(52,016)	(232,583)	31,898	-	-	-	(2,818,800)	(5,584,986)	(8,656,487)
Balance at 31 December 2020	4,860,000	2,735,364	64,451	780,222	5,855,024	(263)	39,867,016	5,217,667	59,379,481

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SUPPLEMENTAL INFORMATION

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

The Group has also prepared a set of consolidated financial statements in accordance with relevant accounting principles and regulations applicable to PRC enterprises.

The consolidated financial statements prepared under IFRS and those prepared under PRC GAAP have the following major differences:

(1) Future development fund and work safety cost

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

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

- (2a) Under IFRS, the acquisitions of Jining II, Railway Assets, Heze, Shanxi Group, Hua Ju Energy, Beisu and Yangcun, Donghua and Yankuang Finance have been accounted for using the acquisition method which accounts for their assets and liabilities at their fair value at the date of acquisition. Any excess of the purchase consideration over the fair value of the net assets acquired is capitalised as goodwill.

Under PRC GAAP, as the entities above are under the common control of the Parent Company, their assets and liabilities of are required to be included in the consolidated balance sheet of the Group at historical cost. The difference between the historical cost of their assets and liabilities acquired and the purchase price paid is recorded as an adjustment to shareholders’ equity.

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

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

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

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

SUPPLEMENTAL INFORMATION (Continued)

I. SUMMARY OF DIFFERENCES BETWEEN CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) AND THOSE UNDER THE PRC ACCOUNTING RULES AND REGULATIONS (“PRC GAAP”) (Continued)
(5) Classification of perpetual capital security due to differences between the financial statements prepared under IFRS and PRC GAAP.

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

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

The following tables summarises the differences between consolidated financial statements prepared under IFRS and those under PRC GAAP:

	Net income attributable to the equity holders of the Company for the year ended 31 December		Net assets attributable to the equity holders of the Company as at 31 December	
	2020 RMB’000	2019 RMB’000	2020 RMB’000	2019 RMB’000
As per consolidated financial statements prepared under IFRS	6,318,000	9,388,645	57,894,751	54,119,800
<i>Impact of IFRS adjustments in respect of:</i>				
- Future development fund charged to income before income taxes	1,032,341	(983,241)	-	-
- Reversal of provision of work safety cost	9,811	12,056	(38,521)	(48,332)
- Fair value adjustment and amortisation	10,000	10,000	(220,052)	(230,052)
- Goodwill arising from acquisition of Jining II, Railway Assets, Heze, Shanxi Group, Hua Ju Energy, Beisu and Yangcun	-	-	(899,403)	(899,403)
- Acquisition of Donghua	2,043	2,043	(418,631)	(420,674)
- Goodwill arising from acquisition of Yankuang Finance	-	-	(16,966)	(16,966)
- Deferred tax	(266,609)	228,165	311,858	578,467
- Perpetual capital security	-	-	5,217,667	10,311,611
- Reversal of impairment loss on intangible assets in Yancoal Australia	10,199	10,200	(740,060)	(750,259)
- Acquisition of additional interest in Moorlaben J.V.	652,404	-	652,404	-
- Bargaining purchase arising from acquisition of 厚朴项目	(657,054)	-	(8,181,876)	-
- Goodwill arising from acquisition of 東方盛隆 and 上海東江	10,501	-	(90,426)	-
- Others	-	-	647,648	647,648
As per consolidated financial statements prepared under PRC GAAP	7,121,636	8,667,868	54,118,393	63,291,840

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