

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

FORM 20-F

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

OR

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

For the fiscal year ended December 31, 2013

OR

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

OR

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

Date of event requiring this shell company report

Commission file number: 001-14714

兖州煤业股份有限公司

(Exact name of Registrant as specified in its charter)

Yanzhou Coal Mining Company Limited

(Translation of Registrant's name into English)

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

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

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Tel: (86)537 5382319
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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class

Name of each exchange on which registered

American Depositary Shares

New York Stock Exchange

Class H Ordinary Shares

New York Stock Exchange*

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

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

None
(Title of class)

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

None
(Title of class)

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

2,960,000,000 Domestic Shares, par value RMB1.00 per share

1,958,400,000 H Shares, par value RMB1.00 per share, including H Shares that were represented by 8,299,946 ADSs

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

U.S. GAAP

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

Other

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

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

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

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

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

DEFINITIONS AND SUPPLEMENTAL INFORMATION

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

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

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

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

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

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

“Australia” are to the Commonwealth of Australia.

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

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

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

“CAGR” are to the compound annual growth rate.

“CASs” are to Accounting Standard for Business Enterprises (2006) and the relevant regulations and explanations issued by the Ministry of Finance of the PRC.

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

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

“CSRC” are to the China Securities Regulatory Commission.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“JORC Code” are to the 2004 Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

“LIBOR” are to the London Interbank Offered Rate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“SSE” are to the Shanghai Stock Exchange.

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

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

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

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

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

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

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

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

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

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

CONVENTIONS

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

Solely for your convenience, certain items in this annual report contain translations of Renminbi amounts into U.S. dollars, which have been made at the rate of RMB6.0537 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, 2013. All such translations in this annual report are provided solely for your convenience and no representation is made that the Renminbi amounts could have been or could be converted into U.S. dollars at that rate, or at all.

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

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

Coal resources and reserves are key elements in our Company’s investment decision-making process. The term “resources” describes a concentration or occurrence of material of intrinsic economic interest in or on the Earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. The term “reserves” describes the recoverable quantity of coal that is commercially viable for development given the prevailing economic situation, particularly with respect to the prices of coal at the time of estimation. Reserves are estimated using a deterministic method, in which a single best estimate is made based on known geological, engineering and economic data, or a probabilistic method, in which known geological, engineering and economic data are used to generate a range of estimates and their associated probabilities. All coal reserves data are estimates, which are revised when additional information becomes available (for example, when additional coal mines commence operations or when actual coal production or extraction commences). “Proven reserves” refers to estimated quantities of coal that geological and engineering data demonstrate have reasonable certainty of being recovered in future years from known deposits under existing economic and operating conditions (that is, prices and costs at the date the estimate is made). “Probable reserves” refers to the estimated quantities of coal that geological and engineering data demonstrate have fair to good probability of being recovered in future years from known deposits under existing economic and operating conditions. To qualify as proven reserves, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the proven estimate. To qualify as probable reserves, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the proven plus probable estimate. Our total in-place proven and probable reserves are presented to include all mining and preparation losses that occur during the processing of coal after it is mined. Recoverable reserves refer to the amount of in-place proven and probable reserves but exclude all mining and preparation losses that occur during the processing of coal after it is mined. Our estimates of recoverable reserves are reported after deduction of actual production volume and nonaccessible reserves up to December 31, 2013. Unless otherwise specified, coal reserves and resources are presented on a 100% basis.

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

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

Historical Financial Data

The following table sets forth selected financial data as of and for the years ended December 31, 2009, 2010, 2011, 2012 and 2013. The selected income statement and cash flow data for the years ended December 31, 2011, 2012 and 2013 and the summary balance sheet data as of December 31, 2011, 2012 and 2013 have been derived from our audited consolidated financial statements included elsewhere in this annual report and should be read in conjunction with those financial statements and the accompanying notes. Unless otherwise indicated, the financial statements have been prepared and presented in accordance with IFRS, as issued by the IASB.

As of and for the Year Ended December 31,						
2009	2010	2011	2012	2013	2013	
RMB	RMB	RMB	RMB	RMB	US\$	
		(Restated)	(Restated)			
(in millions except per Share and per ADS data)						

INCOME STATEMENT DATA

Total revenue ¹	20,677.1	33,944.3	47,065.8	58,146.2	56,401.8	9,316.92
Gross sales of coal	19,947.8	32,590.9	45,181.2	56,200.6	54,444.8	8,993.65
Railway transportation service income	267.3	513.3	476.9	464.1	457.9	75.64
Gross sales of electricity power	187.5	185.5	328.0	323.6	332.1	54.86
Gross sales of methanol	258.9	629.3	1,059.3	1,118.0	1,155.7	190.91
Gross sales of heat supply	15.6	25.2	20.5	39.9	11.2	1.85
Transportation costs of coal	(403.3)	(1,160.5)	(1,248.3)	(2,104.2)	(2,024.2)	(334.37)
Cost of sales and service provided	(10,590.0)	(16,801.3)	(25,986.7)	(42,149.0)	(42,511.8)	(7,022.46)
Cost of electricity power	(190.8)	(195.5)	(362.5)	(330.8)	(320.5)	(52.95)
Cost of methanol	(352.9)	(716.8)	(930.2)	(911.2)	(850.8)	(140.5)
Cost of heat supply	(9.7)	(12.5)	(13.8)	(25.1)	(6.7)	(1.11)
Gross profit	9,130.4	15,057.6	18,524.3	12,625.8	10,687.8	1,765.50
Selling, general and administrative expenses	(3,820.2)	(5,093.4)	(6,570.2)	(7,987.6)	(10,380.7)	(1,714.77)
Share of profit of associates	109.8	8.9	68.9	142.0	233.9	38.64
Share of loss of jointly controlled entities	—	0.5	—	(191.6)	(376.0)	(62.12)
Other income	311.0	3,108.1	1,075.8	2,930.4	1,020.6	168.59
Interest expense	(45.1)	(603.3)	(839.3)	(1,448.7)	(1,765.8)	(291.69)
Profit before income taxes	5,685.8	12,477.3	12,259.5	6,070.4	(580.3)	(95.85)
Income taxes	(1,553.3)	(3,171.0)	(3,466.9)	(36.2)	394.8	65.22
Profit for the year	4,132.5	9,306.3	8,792.5	6,034.2	(185.5)	(30.63)
Profit attributable to our equity holders	4,117.3	9,281.4	8,745.1	6,065.6	777.4	128.41
Earnings per Share	0.84	1.89	1.78	1.23	0.16	0.03
Earnings per ADS	8.37	18.87	17.78	12.33	1.58	0.26
Operating income per Share before income tax	1.16	2.54	2.49	1.23	(0.12)	(0.02)
Profit from continuing operation per ADS before income tax	11.56	25.37	24.93	12.34	(1.18)	(0.19)

CASH FLOW DATA

Net cash from operating activities	6,520.1	5,399.8	17,977.3	6,503.6	(2,201.1)	(363.59)
Net cash from (used in) investing activities	(24,842.9)	(5,884.4)	(25,611.1)	(3,187.4)	(13,504.4)	(2,230.76)
Net cash from (used in) financing activities	18,503.7	1,360.5	9,441.1	1,145.1	13,286.9	2,194.84

BALANCE SHEET DATA

Total current assets	20,000.9	24,281.4	30,169.7	29,833.5	31,524.4	5,207.46
Total current liabilities	10,410.4	10,133.9	34,721.5	28,622.7	28,816.0	4,760.06
Net current assets/(liabilities)	9,590.5	14,147.5	(4,551.8)	1,210.8	2,708.4	447.40
Property, plant and equipment	18,877.1	19,874.6	31,273.8	39,503.1	41,896.5	6,920.81
Total assets	62,432.6	72,755.9	96,890.2	122,165.1	127,458.2	21,054.59
Long-term bank borrowing	20,911.7	22,400.8	14,869.3	33,283.8	44,100.0	7,284.79
Equity attributable to our equity holders	29,151.8	37,331.9	42,451.5	45,530.0	40,378.7	6,670.08

DIVIDEND PER SHARE

A and H Shares	0.25	0.59	0.57	0.36	0.02	0.003
ADS	2.5	5.9	5.7	3.6	0.20	0.03

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

Number of Shares Outstanding

	As of December 31,				
	2009	2010	2011	2012	2013
A Shares	2,960,000,000	2,960,000,000	2,960,000,000	2,960,000,000	2,960,000,000
H Shares	1,958,400,000	1,958,400,000	1,958,400,000	1,958,400,000	1,958,400,000
ADS	19,403,533	19,744,158	13,933,698	12,915,380	8,299,946

Exchange Rate Information

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

Period	Period End	Average ⁽¹⁾ (expressed in RMB per US\$)	High	Low
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.3093	6.3449	6.2221
2013	6.0537	6.1412	6.2438	6.0537
October	6.0943	6.1032	6.1209	6.0815
November	6.0922	6.0929	6.0993	6.0903
December	6.0537	6.0738	6.0927	6.0537
2014				
January	6.0590	6.0509	6.0600	6.0402
February	6.1448	6.0816	6.1448	6.0591
March	6.2164	6.1729	6.2273	6.1183
April (through April 18, 2013)	6.2240	6.2121	6.2240	6.1966

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

On April 18, 2013, the noon buying rate was US\$1.00 = RMB6.2240.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

Risks Relating to Our Business and Industry

Our business and profitability are affected by global economic conditions.

The coal industry depends on general economic conditions, including the conditions of global and local economies. For the past several years, the economies of the United States, Europe and certain countries in Asia experienced a severe and prolonged recession and China experienced a slowdown in overall economic growth, which has led to a reduction in economic activity. In 2013, the global economy remained slow growth. Meanwhile, PRC government has implemented economic reform and transformed the economic growth method. To achieve the target of energy-saving, emission-reduction as well as environmental protection, high energy consumption industries, such as coal industry and its downstream industries may be adversely affected, which may in turn materially and adversely affected our business, results of operations and financial condition.

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

Coal sales accounted for 96.0%, 96.7% and 96.5% of our revenues in 2011, 2012 and 2013, respectively, and we expect our coal sales to continue to account for a substantial portion of our revenue. As we derive a substantial portion of our revenue from sales of coal and coal-related products, our business and operating results depend heavily upon supply and demand for coal and coal-related products in the domestic and international coal markets. Accordingly, we are vulnerable to downturns in the demand for coal, increases in supply of coal through new or expanded coal production and declines in coal prices.

The prices of coal and coal-related products have historically been volatile and fluctuate in response to general economic conditions, supply and demand and the level of global inventories. In 2013, the sluggish global economy has led to weak demand for coal in both the PRC and the overseas markets and the average selling price of our coal products decreased as compared with that of 2012. The average selling price of our coal products was RMB709.1, RMB604.3 and RMB523.5 per tonne in 2011, 2012 and 2013, respectively, representing a drop of RMB80.7 per tonne from 2012 to 2013, which in turn had a direct and adverse impact on our sales income. Our operating profit also decreased by 103.1% from 2012 to 2013. We cannot assure you that demand for and prices of coal will not further decline, the occurrence of which may adversely affect our business, results of operations and financial condition.

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

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

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

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

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

For the years ended December 31, 2011, 2012 and 2013, our top five customers accounted for 19.4%, 19.4% and 16.5% of our revenue, respectively, and sales to our largest customer accounted for 8.5%, 6.3% and 5.8% of our revenue, respectively. We expect that our results of operations will continue to depend on sales to a limited number of customers for the foreseeable future. We may not be able to rely on these customers for revenue generation in the future. We may lose these customers due to the intensified competition. See “— Competition in the PRC and the international coal industry is intensifying, and we may not be able to maintain our competitiveness.” We may also experience reduction, delay or cancellation of orders from one or more of our significant customers, and any decline in the businesses of our customers could also reduce their purchases of our products. The loss of sales to any of these customers could have a material adverse effect on our business, results of operations and financial condition.

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

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

In Australia, we rely substantially on third party operated railway networks to deliver coal to ports in New South Wales and Queensland, for onward shipping to our customers. We generally enter into transportation agreements with national and privately operated railway networks, rail haulage operators and ports to secure transportation capacity, generally for terms of five to ten years and generally on a “take or pay” basis. As the transportation capacity secured by these agreements is based on assumed production volume, we may not have sufficient capacity if our actual production volume exceeds our estimated production volume. Conversely, we may have excess transportation capacity (which, in the case of “take or pay” agreements, we will have to pay for even if unused) if our actual production volume is lower than our estimated production volume. In 2013, the sluggish global economy led to weak demand for coal in both the PRC and overseas markets. We expect that global economic conditions will remain uncertain and international coal markets will not improve in 2014, and as a result, we cannot assure you that we will fully use the transportation capacity secured on a “take or pay” basis. In addition, we may not be able to secure sufficient transportation capacity to deliver our coal in the future and may experience material delivery delays or substantial increases in transportation costs as a result of insufficient transportation capacity, which may also adversely affect our business, results of operations and financial condition.

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

We face competition in all aspects of our business, including pricing, production capacity, coal quality and specifications, transportation capacity, cost structure and brand recognition. Our coal business competes in the domestic and international markets with other large domestic and international coal producers. The ongoing consolidation in the PRC and Australian coal industry has increased the level of competition we face in our core business. In 2013, China’s coal exports further increased and represented approximately 25% of the total coal export worldwide. Our competitors may have higher production capacities, stronger brand names and more 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 quality advantage we have over them. Our failure to compete effectively may have a material adverse impact on our business, results of operations and financial condition.

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

Our business is capital intensive and will require substantial expenditures for, among other things, the construction of our key projects, machinery and equipment and operational capital expenditures. In 2011, 2012 and 2013, our total capital expenditures in respect of property, plant, equipment and intangible assets were approximately RMB12,728.6 million, RMB9,927.0 million and RMB7,859.3 million, respectively. In 2011, 2012 and 2013, our total capital expenditures in respect of acquisition of subsidiaries were approximately RMB10,607.8 million, RMB10,882.2 million and RMB12,391.9 million, respectively. Our capital expenditures were made largely due to investment in our core coal businesses. We intend to use cash on hand, funds from operations and additional debt and equity financing to finance our capital expenditures going forward. However, we may not be able to obtain sufficient amounts of capital in a timely manner, on terms acceptable to us, or at all, which could result in a material adverse effect on our business, results of operations and financial condition.

In recent years, the size of our interest-bearing debt obligations has increased. In November and December 2013, we issued RMB denominated short term notes and non-public financing instruments in aggregate principal amounts of RMB6 billion. As of December 31, 2013, we had approximately RMB55,375.0 million in bank borrowings, of which approximately RMB11,275.1 million is due within a year and approximately RMB44,100.0 million is due after one year. This level of debt could have significant consequences for our operations, including reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes as a result of our debt servicing obligations, limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, our industry and the general economy and potentially limiting our ability to obtain, or increasing the cost of, any additional financing. In addition, our business plans may change from time to time due to changing circumstances, new opportunities or unforeseen contingencies. If we change our business plans, we may need to obtain additional external financing which may include bank borrowings or issuances of debt securities to meet our capital expenditure plans. If we raise additional funds through debt financing, our interest and debt repayment obligations will increase and we may be subject to additional covenants that could limit our ability to access cash flows from operations. We may not be able to raise sufficient financing to fund our future capital expenditures and service our debt obligations or at all. Failure to obtain sufficient financing could cause delays or abandonment of business development plans and have a material adverse effect on our business, results of operations and financial condition.

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2011, 2012 and 2013, we expensed approximately RMB1,513.1 million, RMB1,450.6 million and RMB1,390.6 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. In 2013, the coal consumption represented approximately 65.7% of the total primary energy consumption, representing a 0.9% decrease as compared with 2012, while the consumption of non-fossil fuel energy represented 9.8% of the total primary energy consumption, as compared with 9.1% in 2012. The PRC government expects to further increase the consumption of non-fossil fuel energy to approximately 10.7% of the total primary energy consumption and decrease the coal consumption to less than 65%. In particular, pursuant to the Twelfth Five-Year Plan, the PRC government plans to continue to encourage the development of non-fossil fuel energy sources, such as wind power, solar power, biomass and geothermal energy. As such, alternative energy industries may rapidly develop and gradually gain mainstream acceptance in the PRC and the rest of the world. If alternative energy technologies continue to develop and prove suitable for wide commercial application in the PRC and overseas, demand for conventional energy sources such as coal could gradually be reduced, which would have a material adverse effect on the coal mining industry and, consequently, our business, results of operations and financial condition. See “— Our business, results of operations and financial condition may be adversely affected by present or future environmental regulations.”

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

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

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

We face risks relating to fluctuations in exchange rates for RMB against other currencies, primarily the Australian dollar and the U.S. dollar. China has adopted a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand with reference to a basket of currencies. In April 2012, the PRC government further enlarged the trading band. In this regard, the PBOC has allowed the Renminbi to rise or fall 1% against the U.S. dollar from the daily central parity rate, effective April 16, 2012, compared with its previous 0.5% limit. Subsequently, the PRC government further enlarged this trading band from 1% to 2% in March 2014, effective March 17, 2014. We are primarily affected by exchange rate fluctuations that arise from our export sales denominated in Australian dollars and U.S. dollars, which may affect the RMB values of such export sales. In addition, exchange rate fluctuations can result in exchange losses on our foreign currency deposits and loans and other indebtedness. As of December 31, 2013, the exchange rate for the Australian dollar against the U.S. dollar was US\$1.00 = A\$0.8929, compared with US\$1.00 = A\$1.0393 as of December 30, 2012. We recorded an exchange gain of RMB714.2 million for the year ended December 31, 2012 and an exchange loss of RMB1,686.0 million for the year ended December 31, 2013, respectively. Exchange rate fluctuations can affect our cost of imported equipment and components. See “Item 3. — Key Information — A. Selective Financial Data — Exchange Rate Information.”

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

We are exposed to interest rate risk caused by interest rate changes in relation to our bank borrowings and our other indebtedness, as well as our variable rate bank balances, term deposits and restricted cash held with banks. Our interest rate risk primarily arises from fluctuations in the PBOC benchmark interest rate in relation to our RMB-denominated borrowings, and fluctuations in the LIBOR rate in relation to our U.S. dollar-denominated borrowings. As of December 31, 2013, we had approximately US\$5.569 million of borrowings denominated in U.S. dollars and RMB20.143 million of borrowings denominated in RMB. A substantial majority of our borrowings denominated in RMB are linked to the benchmark lending rate published by the PBOC, which is subject to fluctuations as the PRC government adjusts interest rates and related policies from time to time as a matter of national economic policy.

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

To manage uncertainty in our revenue stream and capital expenditures caused by exchange rate fluctuations, we have entered into forward foreign exchange contracts to sell or purchase specified amounts of foreign currencies at stipulated exchange rates. We have also entered into interest rate swap contracts with banks to hedge a portion of our variable interest rate borrowings. As of December 31, 2013, the fair value of our derivative assets in respect of our forward foreign exchange contracts was RMB13.1 million, compared with the fair value liability of our forward foreign exchange contracts and interest rate swap contracts of approximately RMB224.9 million. See “Item 11. Quantitative and Qualitative Disclosures of Market Risks.” In addition, Yancoal Australia and Yancoal International Holdings have also taken foreign exchange hedging measures to their U.S. dollar denominated loans on the accounting basis to hedge the exchange losses of U.S. dollar denominated loan arising from the fluctuation of foreign exchange. Our hedging arrangements may not be effective and our business, results of operations and financial condition may be materially and adversely affected by fluctuations in exchange rates or interest rates.

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

We currently pay a resource tax of RMB3.60, RMB3.20 and RMB3.20 per tonne of raw coal output in Shandong Province, Shanxi Province and Inner Mongolia Autonomous Region, respectively. The PRC government is considering changes to this tax whereby it would be based on pricing and not on volume. If such a change is adopted and the tax based on pricing is significantly higher than current tax, we costs will increase, which could have a material adverse effect on our business, results of operations and financial condition. In addition, the Australian MRRT became effective as of July 1, 2012. The MRRT is a profits-based tax that is charged at an effective rate of 22.5% on the assessable profits (excess of annual mining revenue over annual mining expenditures with respect to mineral interests, less certain allowances) of, among others, coal mining enterprises. On October 24, 2013, the Australian government announced that it will seek to repeal the MRRT with effect from July 1, 2014. We cannot predict whether the MRRT will be successfully repealed. The MRRT has the potential to increase the overall tax liability of our Australian subsidiaries and adversely affect our results of operations and financial condition in the future.

Our Controlling Shareholder has significant influence over us.

As of December 31, 2013, our Controlling Shareholder, the Yankuang Group, owned 56.52% of our outstanding shares and has significant influence over us. The Company entered into five continuing connected transaction agreements with Yankuang Group, namely a materials supply agreement, a supply of labor and services agreement, a pension fund management agreement, a coal products and materials supply agreement and an electricity and heat energy supply agreement in the ordinary course of business in June 2012 and a special labor & service supply agreement in March 2014. In addition, pursuant to approval granted at the twelfth meeting of the fifth session of the Board of Directors held on March 22, 2013, the Company entered into a financial services agreement with Yankuang Group. These related party transactions were reviewed and approved according to the procedures under relevant regulations and standards of the HKSE, SSE, NYSE and SEC. However, we may continue to enter into related party transactions with Yankuang Group and, as such, any material financial or operational developments experienced by the Yankuang Group that lead to the disruption of its operations or impairs its ability to perform its obligations under the agreements could materially affect our business, results of operations and financial condition and future prospects.

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

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

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

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

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

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

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

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

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

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

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

Due to the increasing awareness of environmental issues, the PRC government has tightened its enforcement of applicable laws and regulations and adopted more stringent environmental standards, such as the Working Plan for the Control of Discharge of Greenhouse Gases under the Twelfth Five-Year Plan, the Twelfth Five-Year Plan for Environmental Protection and the Twelfth Five-Year Plan for Energy-saving and Emission-reduction, pursuant to which China plans to continue to increase the proportion of non-fossil fuels used as an overall primary energy source to 11.4% by 2015 and reduce the proportion of coal used as an overall primary energy source. On September 10, 2013, the State Council issued the Action Plan for Prevention and Control of Atmospheric Pollution (the “Action Plan”), pursuant to which the PRC government plans to reduce the coal consumption to less than 65% of total energy consumption by 2017. In addition, the PRC government plans to reduce the coal consumption growth in certain key areas such as Beijing-Tianjin-Hebei metropolitan region, Yangtze River Delta and Pearl River Delta by increasing the consumption of electricity generated outside the region and using non-fossil fuel energy such as natural gas as alternative energy. On April 24, 2014, the Standing Committee of National People’s Congress passed the Amended Environmental Protection Law, pursuant to which, effective January 1, 2015, more responsibility has been imposed on local governments and unlimited fines will be imposed on polluters. Similarly, our Australian operations are subject to Australia’s stringent federal and state and territory environmental laws and regulations. In March 2012, the Australian government enacted a carbon pricing mechanism (or carbon tax) law, effective July 1, 2012, which imposed a charge on the amount of carbon dioxide emissions with an eventual transition to a “cap and trade” carbon emissions scheme. The carbon pricing mechanism imposes a charge based on tonnage of carbon dioxide equivalent (CO₂-e) emissions, which is intended to provide disincentive for the use of fossil fuels such as coal. In addition, coal mines that exceed the threshold level of fugitive carbon emissions will be liable to surrender carbon units or pay a carbon charge. The current Australian government is currently seeking to repeal these laws. However, until the repeal legislation is passed, liable entities will need to comply with the existing laws.

In addition, there have recently been cases in New South Wales and Queensland relating to the environmental effects of greenhouse gas emissions produced as a result of coal mining. Compliance with laws and involvement in litigation can be expensive, lengthy and disruptive to normal business operations. If this area of law develops further, more stringent regulations may be developed, particularly in relation to greenhouse gas emissions, which could increase the costs of using coal and reduce demand for coal as a fuel source, thus adversely affecting the sales volumes and prices of our coal. Moreover, Australian environmental approval processes require a technical environmental assessment to be prepared prior to granting approval, as well as public consultation. Community groups may lobby for more restrictive conditions to be imposed on approvals granted or for the approval to be declined, either of which may result in a material adverse effect on our business and results of operations.

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

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

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

With respect to our operations in Australia and Canada, we are also required to obtain and renew from time to time a number of material regulatory approvals, permits and license. We are in the process of obtaining or renewing certain regulatory approvals, permits and licenses for our coal mines, such as the open-pit project at Moolarben Coal Mine and the Southeast open-pit project at Ashton Coal Mine.

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

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

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

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

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

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

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

We entered the PRC methanol market and commenced production of coal-based methanol at Tianhao Chemicals and Yulin Nenghua in September 2008 and August 2009, respectively. In 2011, 2012 and 2013, we generated revenue of RMB1,059.3 million, RMB1,118.0 million and RMB1,155.7 million from sales of methanol, respectively, which represented 2.3%, 1.9% and 2.0% of our total revenue for the same periods, respectively. However, we ceased production of coal-based methanol at Tianhao Chemicals in April 2012 due to the shortage of raw materials and are in the process of disposing of its methanol assets.

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

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

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

As of the end of 2013, we had a total annual methanol production capacity of 600,000 tonnes. In addition, we are currently constructing a 600,000-tonne methanol project in Ordos City, Inner Mongolia Autonomous Region, which we expect to become operational in the first half of 2014. We may not be able to optimize the utilization of our new facilities as planned. If our projections for the domestic methanol market prove incorrect or if we are unable to otherwise compete effectively, we may not recover the capital and resources we have invested in our methanol operations and may not realize the intended benefits of our expansion into this industry. In either event, our business, results of operations and financial condition will be adversely affected.

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

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

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

In 2013, we completed 70 technology improvement projects, among which, 22 projects have reached an international advanced level. In addition, we obtained 71 patents and received 18 technological awards in 2013, which have enhanced our coal mining and related business operations. Further, we own other intellectual property such as trademarks and know how. We believe our patents and other intellectual property rights are important to our success. Existing laws in China offer limited protection for our intellectual property rights. We rely upon a combination of patents, confidentiality policies and agreements, nondisclosure and other contractual arrangements to protect our intellectual property rights. We cannot assure you that we will be able to detect any unauthorized use of, or take appropriate, adequate and timely actions to enforce, our intellectual property rights. Consequently, we may not be able to effectively prevent unauthorized use of our patents in other countries where such patents are not registered.

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

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

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

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

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

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

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

On May 24, 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the Ministry of Finance of the PRC, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations in the United States and China. However, it is not clear how these recent developments could affect the SEC's final decision in the case against the five accounting firms or any subsequent appeal to courts that the accounting firms may initiate. Therefore, it is difficult to determine the final outcome of the administrative proceedings and the potential consequences thereof.

If our independent registered public accounting firm were denied, temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined to not be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to the delisting from the NYSE or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

Risks Relating to the PRC

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

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

Interpretation of PRC laws and regulations involves uncertainty.

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

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

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

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

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

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

Risks Relating to Australia

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

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

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

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

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

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

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

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

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

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

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of our Company

Overview

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

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

Our contact information is:

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People’s Republic of China (273500)
Telephone number : (86) 537 538 2319
Website : <http://www.yanzhoucoal.com.cn>
(the contents of our website do not form part of this annual report)

Acquisitions

We were involved in two acquisitions in 2013, a description of which is as follows:

Acquisition of Equity Interests in Inner Mongolia Xintai

On October 10, 2013, upon approval obtained at the general manager working meeting, we completed the acquisition of 20% of the equity interests in Inner Mongolia Xintai held by independent third party for a consideration of RMB680.3 million. This amount represented approximately 522.1% of the Group’s audited total profits under CASs of RMB130.3 million in 2013. Upon the completion of the acquisition, our equity interests in Inner Mongolia Xintai increased to 100%.

Gloucester Acquisition

Removal of the Foreign Investment Selldown Conditions

We and our subsidiary Yancoal Australia completed the merger with Gloucester in June 2012 and Yancoal Australia was listed on the ASX on June 28, 2012. To obtain the approval from the Treasury of Australia in March 2012, we undertook to reduce our economic ownership in Yancoal Australia and Yancoal Resources’s underlying assets to less than 70% and 50%, respectively, by December 31, 2013. In addition, we undertook to reduce our equity interest in Premier Coal Ltd, Syntech Holdings Pty Ltd and Syntech Holdings II Pty Ltd or their underlying assets to less than 70% by December 31, 2014. On December 11, 2013, the Treasurer of Australia announced the removal of the foreign investment selldown conditions imposed on us.

Repurchase of CVR Shares

In accordance with the merger arrangement, the CVR Shares issued are redeemable preference shares conferring rights to cash based on an agreed calculation and subject to a cap of A\$3.0 per CVR Share. In March 2014, we repurchased 87,645,184 CVR Shares issued to the former Gloucester Shareholders at the price of A\$3.0 per CVR Share in cash. As of the date of this annual report, the consideration had been fully paid.

Proposed acquisition of the remaining 22% equity interest in Yancoal Australia

On July 8, 2013, we sent an indicative and non-binding proposal to Yancoal Australia's independent board committee, in which we proposed to acquire the remaining 22% equity interest in Yancoal Australia from its minority shareholders. Such minority shareholders will receive Yanzhou CHESS depositary interests as the consideration. If the proposed acquisition is implemented, the underlying securities of Yanzhou CHESS depositary interests will be our H Shares to be listed on the ASX. To protect the interests of the Company and the shareholders of the Company and considering the update of the proposed acquisition, we decided not to proceed the proposed acquisition.

Assets Disposal of Tianhao Chemicals

Tianhao Chemicals methanol project has ceased production since April 2012, due to a shortage of raw materials supply. At the 2012 first extraordinary general meeting of Tianhao Chemicals, the shareholders approved to publicly sell the methanol assets. According to Shandong Zhongxin Assets Appraisal Co., Ltd., the valuation of Tianhao Chemicals' assets was RMB268 million as of April 30, 2012. The transaction is currently undergoing a sale procedure on the Shandong Property Right Exchange Center.

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

Pursuant to approval granted at the 2012 annual general meeting and the acceptance of registration notices Zhongshixiezhuzhu [2013]PNN No. 306 and Zhongshixiezhuzhu[2013]CP No. 418) issued by the National Association of Financial Market Institutional Investors, we completed the issuance of RMB5 billion short term notes due November 2014 bearing interest of 6.0% in November 2013 and RMB1 billion non-public financing instruments due March 2014 bearing interest of 6.8% in December 2013, respectively. As of the date of this annual report, we have utilized all of the net proceeds of approximately RMB6 billion for repayment of bank loans and working capital purposes.

Capital Expenditures

Our principal source of cash in 2013 was cash generated from our operating activities, the offering of RMB denominated short term notes and non-public issuance of financing instruments and bank borrowings. Our capital expenditures in 2013 were primarily for operational capital expenditures, purchase of properties, machinery and equipment, payment of dividends, and consideration paid for our acquisitions of assets and equity interests.

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

	Year Ended December 31,			
	2011 RMB	2012 RMB	2013 RMB	2013 US\$
				(in millions)
Capital Expenditure				
Coal mining	22,736.5	19,170.1	18,709.6	3,090.6
Coal railway transportation	40.9	33.8	22.3	3.7
Electricity power and methanol	555.2	1,605.3	1,519.2	251.0
Corporate	3.8	0.1	0.04	0.006
Total	<u>23,336.4</u>	<u>20,809.2</u>	<u>20,251.2</u>	<u>3,345.3</u>

Our planned capital expenditures for 2014 are approximately RMB9,414.2 million. For more information, see "Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Capital Expenditures" in this annual report.

Potential Takeovers by Third Parties

There were no indications of any public takeover offers by third parties in respect of our common shares in 2013.

B. Business Overview

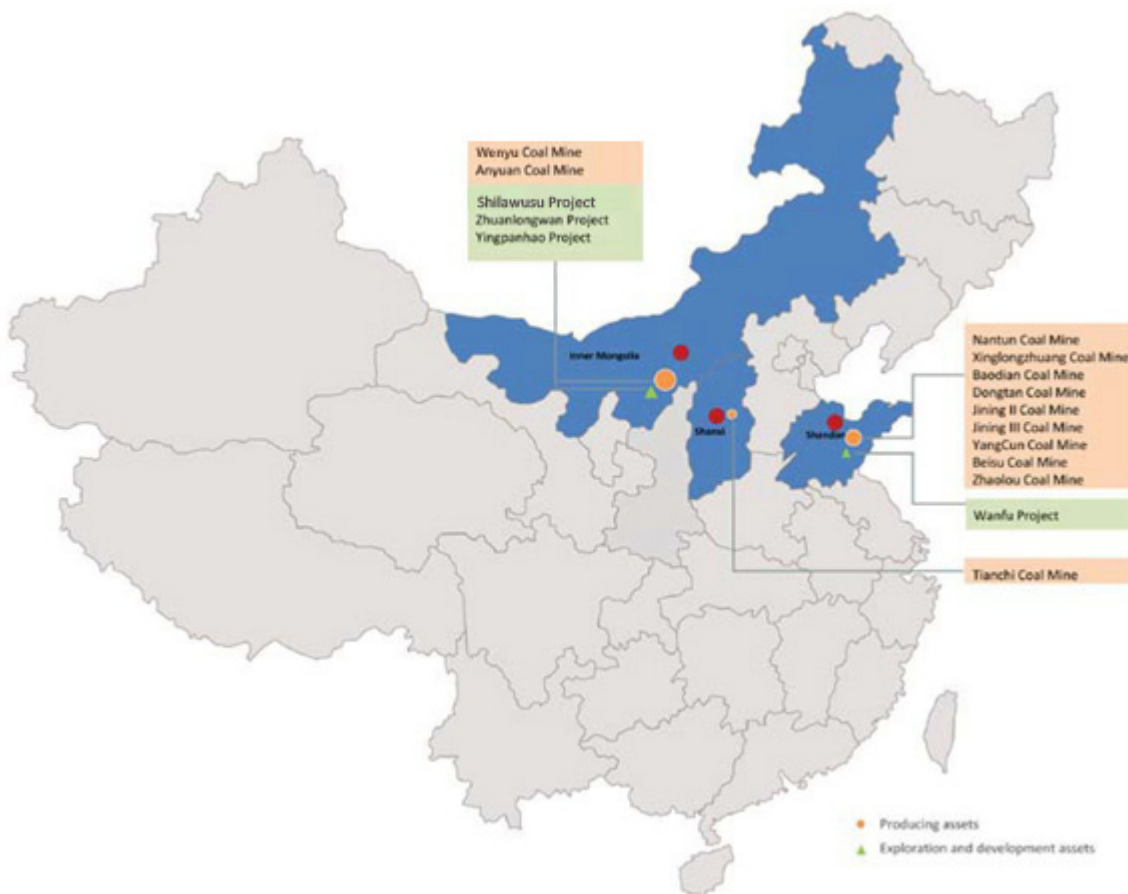
We are one of the largest coal producers in China and Australia, with rapidly growing coal mining operations. We primarily engage in the mining, washing, processing and distribution of coal through railway transportation. We offer a wide variety of coal products including thermal coal, semi-hard coking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

As of December 31, 2013, we were 52.86% directly owned by our parent, the Yankuang Group, which is wholly owned by the Shandong Provincial Government under the control of the SASAC of the Shandong Provincial Government. The Yankuang Group was founded in 1973 to focus on coal mining and sales, the coal chemical industry, power generation, aluminum production, machinery manufacturing and financial investments. We were established in 1997 and listed on the SSE, HKSE and NYSE in 1998. In addition, our subsidiary, Yancoal Australia, was listed on the ASX in 2012. Our revenue was RMB47,065.8 million, RMB58,146.2 million and RMB56,401.8 million in 2011, 2012 and 2013, respectively.

As of December 31, 2013, we owned and operated 20 coal mines across China and Australia with abundant coal resources, including Shandong and Shanxi Provinces and the Inner Mongolia Autonomous Region in China, as well as Queensland, New South Wales and Western Australia in Australia. In addition, as of December 31, 2013, we had nine advanced-exploration stage projects in China and Australia and a number of exploration tenements in Australia that might be potentially developed. Our exploration activities and reserve assessments are continuing on these properties and no reserves have been demonstrated to date.

In PRC, we directly own and operate six coal mines in the PRC, namely, Nantun, Xinglongzhuang, Baodian, Dongtan, Jining II and Jining III, which produced in the aggregate approximately 48.6% of our total coal output in 2013. As of December 31, 2013, these six mines had approximately 1,694.95 million tonnes of in-place proven and probable reserves. In addition, we directly own and operate Beisu and Yangcun Coal Mines. We also hold equity interests in a number of coal mines in China through our subsidiaries. Shanxi Nenghua operates Tianchi Coal Mine, which holds approximately 24.68 million tonnes of recoverable reserves; Heze Nenghua operates Zhaolou Coal Mine, which holds approximately 100.47 million tonnes of recoverable reserves; and Ordos Neng Hua operates Anyuan Coal Mine and Wenyu Coal Mine. In addition, we had four coal projects under development in China as of December 31, 2013.

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



In Australia, we conduct our operations in Australia primarily through our subsidiaries, Yancoal Australia and Yancoal International (Holding). Yancoal Australia currently operates six coal mines in Australia including Astar, Yarrabee, Ashton, Moolarben, Gloucester and Donaldson which collectively held approximately 675.1 million tonnes of JORC-compliant reserves as of December 31, 2013. In addition, Yancoal Australia owns approximately 50% of the equity interest in the joint venture that owns and operates Middlemount Coal Mine, which held approximately 89.8 million tonnes of JORC-compliant reserves as of December 31, 2013. Yancoal Australia also holds an advanced-exploration stage project, Monash. Yancoal International (Holding) currently owns Cameby Downs and Premier Coal Mines, which collectively held approximately 428.6 million tonnes of JORC-compliant reserves as of December 31, 2013, as well as the advanced-exploration stage projects Athena, Harrybrandt, Wilpeena and Wilga. In addition, we had a number of exploration tenements in Australia with potential for developments as of December 31, 2013.

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



Coal Business

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

	<u>Sulfur Content</u>	<u>Range of and Average Ash Content</u>	<u>Calorific Value</u> (megajoule/ kilogram)	<u>Washed</u>	<u>Principal Applications</u>
	%	%			
The Company					
No. 1 clean coal	0.53	7.01-8, average 7.55	22.64	Yes	High quality metallurgical production
No. 2 clean coal	0.46	8-9, average 8.33	28.11	Yes	Metallurgical production, construction, liquid coal production
No. 3 clean coal	0.53	10-11, average 10.33	27.86	Yes	Electricity generation and coal chemical production
Lump coal	0.52	10-14, average 12.14	25.52	Yes	Construction, power generation, coal for oven application
Mixed coal	0.93	19-35, average 27.73	26.57	Yes	Power generation
Shanxi Nenghua					
Screened raw coal	1.86	20-36, average 28.29	21.76	No	Power generation
Lump coal	1.22	10-14, average 11.16	29.86	Yes	Power generation, construction
Heze Nenghua					
No. 2 clean coal	0.55	8-9, average 8.41	29.29	Yes	Metallurgical production, construction
Mixed coal	0.86	28-40, average 29.92	19.87	Yes	Power generation
Ordos Nenghua					
Screened raw coal	0.71	8-24, average 12.79	21.72	No	Power generation
Yancoal Australia					
Semi-hard coking coal	1.30	5.0	25.27	Yes	Metallurgical production
Semi-soft coking coal	0.72	6-12	16.17	Yes	Metallurgical production, construction
PCI coal	0.7	9.5-10.5	30.66	Yes	Metallurgical production
Thermal coal	0.54	10-16	24.93	No	Power generation

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

	Year Ended December 31,					
	2011		2012		2013	
	Sales volume ('000 tonnes)	Sales income ⁽¹⁾ (RMB in millions)	Sales volume ('000 tonnes)	Sales income ⁽¹⁾ (RMB in millions)	Sales volume ('000 tonnes)	Sales income ⁽¹⁾ (RMB in millions)
The Company	32,945	22,600.1	32,809	20,572.1	33,271	17,793.3
No. 1 clean coal	529	582.0	385	353.0	315	240.9
No. 2 clean coal	8,861	9,280.0	9,042	8,039.5	9,725	7,196.4
No. 3 clean coal	2,200	1,949.7	2,540	1,829.1	1,926	1,138.6
Lump coal	1,768	1,827.1	1,245	1,112.9	1,448	969.4
Screened raw coal	13,361	6,647.1	14,176	7,189.1	12,693	5,858.4
Mixed coal and others	6,226	2,314.2	5,421	2,048.6	7,164	2,389.5
Shanxi Nenghua	1,223	572.1	1,343	469.5	1,476	416.7
Screened raw coal	1,223	572.1	1,343	469.5	1,476	416.7
Heze Nenghua	2,004	1,829.2	2,292	1,662.5	2,359	1,435.6
No. 2 clean coal	1,211	1,471.0	1,183	1,234.4	1,293	1,097.5
Screened raw coal	37	19.7	—	—	—	—
Mixed coal and others	756	338.4	1,109	428.1	1,066	338.1
Ordos Neng Hua	4,173	1,213.2	6,827	1,619.7	6,345	1,195.1
Screened raw coal	4,173	1,213.2	6,827	1,619.7	6,345	1,195.1
Yancoal Australia	10,060	9,353.4	14,350	9,296.0	15,623	8,961.9
Semi-hard coking coal	914	1,023.2	506	377.4	1,361	893.6
Semi-soft coking coal	1,049	1,319.6	1,124	1,048.1	1,595	1,122.1
PCI coal	2,333	2,988.9	2,056	1,917.6	3,274	2,304.9
Thermal coal	5,764	4,021.7	10,664	5,952.9	9,393	4,641.2
Yancoal International (Holding)	—	—	2,965	994.3	5,525	1,681.5
Thermal coal	—	—	2,965	994.3	5,525	1,681.5
Externally purchased coal	13,308	9,613.2	32,421	21,586.5	39,396	22,960.8
Total	<u>63,713</u>	<u>45,181.2</u>	<u>93,007</u>	<u>56,200.6</u>	<u>103,995</u>	<u>54,444.8</u>

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

Sales and Marketing

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

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

	Year Ended December 31,					
	2011		2012		2013	
	<u>Sales income⁽¹⁾</u> (RMB in millions)	<u>% of Sales income</u>	<u>Sales income⁽¹⁾</u> (RMB in millions)	<u>% of Sales income</u>	<u>Sales income⁽¹⁾</u> (RMB in millions)	<u>% of Sales income</u>
Power plants	8,647.5	19.1	8,012.7	14.2	10,432.9	19.2
Metallurgical mills	6,445.7	14.3	4,902.7	8.7	4,950.7	9.1
Chemical manufacturers	1,740.6	3.8	6,830.0	12.2	5,010.9	9.2
Trade	3,789.2	8.4	24,341.1	43.3	22,933.2	42.1
Others ⁽²⁾	24,558.2	54.4	12,114.1	21.6	11,117.1	20.4
Total	<u>45,181.2</u>	<u>100.0</u>	<u>56,200.6</u>	<u>100.0</u>	<u>54,444.8</u>	<u>100.0</u>

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

(2) Others comprises industries such as coking and construction material manufacturing.

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

	Year Ended December 31,					
	2011		2012		2013	
	<u>Sales income⁽¹⁾</u> (RMB in millions)	<u>% of sales income</u>	<u>Sales income⁽¹⁾</u> (RMB in millions)	<u>% of sales income</u>	<u>Sales income⁽¹⁾</u> (RMB in millions)	<u>% of sales income</u>
China	36,416.6	80.6	46,580.7	82.9	45,317.5	83.2
Eastern China	28,176.8	62.4	42,616.2	75.8	39,268.7	72.1
Southern China	211.4	0.5	76.1	0.1	139.7	0.3
Northern China	2,449.6	5.4	2,957.6	5.3	2,981.3	5.5
Other regions	5,578.8	12.3	930.9	1.7	2,927.8	5.4
Japan	4,030.3	8.9	1,770.5	3.2	1,225.7	2.3
South Korea	1,972.4	4.4	2,394.2	4.3	2,164.4	4.0
Australia	271.0	0.6	2,297.6	4.1	2,130.6	3.9
Others	<u>2,490.9</u>	<u>5.5</u>	<u>3,157.6</u>	<u>5.6</u>	<u>3,606.6</u>	<u>6.6</u>
Total	<u>45,181.2</u>	<u>100.0</u>	<u>56,200.6</u>	<u>100.0</u>	<u>54,444.8</u>	<u>100.0</u>

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

Our domestic coal sales are concentrated primarily in eastern China, particularly in Shandong and, to a lesser extent, in northern 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 62.4%, 75.8% and 72.1% in 2011, 2012 and 2013, respectively. The majority of our sales income is in the PRC. In 2011, 2012 and 2013, we generated 80.6%, 82.9% and 83.2%, respectively, of our sales income from the PRC.

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

	Year Ended December 31,					
	2011		2012		2013	
	<u>Sales income⁽¹⁾</u> <u>(RMB</u> <u>in millions)</u>	<u>% of</u> <u>sales income</u>	<u>Sales income⁽¹⁾</u> <u>(RMB</u> <u>in millions)</u>	<u>% of</u> <u>sales income</u>	<u>Sales</u> <u>income⁽¹⁾</u> <u>(RMB</u> <u>in millions)</u>	<u>% of</u> <u>sales income</u>
The Company						
Japan	14.3	0.2	7.4	0.1	1.1	0.1
Our Australian subsidiaries						
South Korea	4,030.3	44.2	2,394.2	29.9	2,164.4	25.4
Japan	1,958.1	21.5	1,770.5	22.1	1,225.7	14.4
China	603.0	6.6	670.4	8.4	1,516.0	17.8
Others	<u>2,506.7</u>	<u>27.5</u>	<u>3,157.6</u>	<u>39.5</u>	<u>3,606.6</u>	<u>42.3</u>
Total	<u>9,112.4</u>	<u>100.0</u>	<u>8,000.1</u>	<u>100.0</u>	<u>8,513.8</u>	<u>100.0</u>

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

Export sales, excluding the coal sales in Australia by our Australian subsidiaries, represent only a small percentage of our total coal sales income. In 2011, 2012 and 2013, we generated 20.2%, 14.2% and 15.6%, respectively, of our sales income from export sales. Our major overseas markets include South Korea and Japan. The majority of our overseas customers are located in Asia, and South Korea is our biggest market in this region. Even though we conduct all of our export sales from the PRC through export agents, we maintain close relationships with our overseas customers and end users.

In 2011, 2012 and 2013, our Australian subsidiaries' domestic sales income was 2.7%, 22.3% and 20.0%, respectively, of their total sales income and in these same years their export sales income was 97.3%, 77.7% and 80.0%, respectively, of their total sales income. Our Australian subsidiaries' export sales income represented 99.8%, 99.9% and 99.9% of our total export sales income in 2011, 2012 and 2013, respectively. Our Australian subsidiaries primarily conduct their export sales directly by entering into agreements with end user customers. Our Australian subsidiaries also export a small portion of coal through export agents with which our Australian subsidiaries have established longstanding relationships. The primary destinations for the export sales of our Australian subsidiaries are South Korea, Japan and China.

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

Customers

As of December 31, 2013, our major customers include Yankuang Group, Huadian International, Noble Resources Limited, Linyi Yehua Coking Co., Ltd. and Chongqing Xintianze Industry (Group) Co., Ltd., among which Yankuang Group was our largest customer. In 2011, 2012 and 2013, sales to our top five largest customers accounted for 19.4%, 19.4% and 16.5% of our sales income, respectively. In 2011, 2012 and 2013, sales to our largest customer accounted for 8.5%, 6.3% and 5.8%, respectively, of our sales income.

Leveraging the high quality of our products and the strength of our brand, we have established long-term relationships with our customers. We make significant efforts to establish and maintain long-term cooperative relationships with our customers, and in particular, with our key customers. We have annual evaluations of our customers to identify key customers. To maintain the relationships with our key customers, we generally provide favorable price terms and product delivery priority. Our sales and marketing department conducts routine customer visits and customer surveys to keep abreast of market developments, collect and evaluate customers' responses, maintain customer relationships and continually improve our business. In addition, we closely monitor the market information about eastern 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 180 days. We evaluate the creditworthiness of potential new customers before entering into a sales contract with them and reassess the creditworthiness of all of our customers on an annual basis. For customers without a strong credit history, we require them to settle their accounts upon delivery.

Pricing

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

Transportation

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

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

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

We transport Yancoal Australia's coal products to Newcastle Port and Gladstone Port in Australia at our cost using third parties' railway networks. These coal products are then exported to South Korea, Japan and other destinations by sea. Yancoal Australia owns a 27.0% interest in Newcastle Infrastructure Group ("NCIG"), a joint venture responsible for constructing and operating the third export terminal at Newcastle Port, which is the largest coal export port in New South Wales, and has an annual port capacity of 14.6 million tonnes through NCIG's facility. Yancoal Australia also had an annual port capacity of 11.5 million tonnes at Newcastle Port in 2013 through a facility owned by Port Warratah Coal Services ("PWCS") pursuant to an agreement between Yancoal Australia and PWCS and is entitled to 11.9 million tonnes from 2015. In addition, Yancoal Australia owns a 5.6% interest in Wiggins Island Coal Export Terminal Holdings Pty Limited, which is the parent company of the developer of the Wiggins Island Coal Export Terminal. Yancoal Australia has been allocated an annual port capacity of 1.5 million tonnes when the phase I is completed in 2015. We believe these allocated port capacities will support current export sales.

Mining process

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

PRC underground mining operations

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

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

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

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

Australian open-pit mining operations

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

Australian mining operations

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

Materials, Water and Energy Supply

PRC mining operations

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

We use a significant amount of electricity in our operations. Even though we have not experienced any material disruptions in our electricity supply in the past, we acquired Hua Ju Energy to secure a stable supply of energy for Nantun, Xinglongzhuang, Baodian, Dongtan, Jining II, Jining III, Beisu and Yangcun Coal Mines and to reduce our electricity costs. After we commenced selling the electricity generated by Hua Ju Energy to the local grid company in 2011, we began to purchase electricity from the local grid company for Nantun, Xinglongzhuang, Baodian, Dongtan, Jining II, Jining III Coal Mines. We also purchase electricity from the local grid company for Beisu and Yangcun Coal Mines after we acquired them in May 2012.

Australian mining operations

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

Competition

PRC mining operations

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

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

Australian mining operations

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

Seasonality

Our coal business is not affected by seasonality.

Quality control

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

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

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

Yancoal Australia has engaged Bureau Veritas, Societe Generale De Surveillance and ALS Laboratory Group to supervise and inspect the quality of the coal produced from the respective mines in Australia to ensure quality control and advise on quality improvement measures.

Safety control

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

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

As a result of our safety control program, we have been able to maintain a zero fatality rate in our PRC operations since 2007 compared with the national average of 0.293 fatalities per million tonnes of coal produced in 2013, according to the State Administration of Work Safety of the PRC. In 2013, we produced approximately 46.6 million tonnes of coal in our PRC operations and did not experience any production accidents that involved serious work injuries or death. We have been continuously reviewing and evaluating our safety control and performance in Australia. With respect to our Australian operations in 2013, our lost time injury frequency rate, measured as the number of lost time injuries per million man-hours worked, was 1.7 for open-pit mines and 18 for underground mines. We had no fatalities in our Australian operations in 2013.

On April 15, 2014, an underground incident occurred at Astar Coal Mine and two employees died. The investigation by the Mine Safety Office of the NSW Department of Trade and Investment, Regional Infrastructure and Services (DTIRIS) to determine the cause of the incident is ongoing. As of the date of this annual report, the cause of the incident has not been determined and we are working with the investigators to that end.

Environmental protection

We are subject to PRC environmental protection laws and regulations which impose fees for the discharge of waste substances and require the payment of fines for serious pollution. PRC regulations also authorize government agencies to close any facility that fails to comply with orders to cease, or bring into compliance with relevant laws and regulations, operations that cause environmental damage. In addition, the operations of Yancoal Australia must comply with relevant Australian environmental protection laws and regulations. In 2013, we incurred expenses related to environmental protection of RMB134.3 million.

Railway Transportation Business

In addition to transporting coal to support our own operations, we also provide railway transportation services to our customers, including the Yankuang Group, for fees. In 2013, we transported 18.3 million tonnes of coal on our railway network, representing an increase of 0.7 million tonnes, or 4.2%, from 17.5 million tonnes in 2012. We generated sales income of RMB457.9 million from railway transportation services in 2013, representing a decrease of RMB6.2 million, or 1.3%, from RMB464.1 million in 2012.

We own 15 steam locomotives, two heavy-duty rail motors and over 200 kilometers of railway tracks constructed for coal transportation that connect most of our coal mines with Zouxian Power Plant located in Jining City, Shandong. Our railway network also connects to two major national railways, namely, Beijing-Shanghai Railway and Yanzhou-Shijiang Railway. Our railway network provides us with substantial control over a major means of transportation for our key product, allowing us to benefit from the synergies from coal production, sales and transportation. As of December 31, 2013, our railway transportation business had 3,565 employees.

We maintain ISO 9001 quality accreditation, ISO 14001 environmental management certification, OHS 18000 occupational safety and health certificate and ISO 10012:2003 management certification for the operation of our railway network.

Coal Chemical Business

Our coal chemical business focuses on the production of methanol, a liquid commodity that can be produced from coal or natural gas. We operate our coal chemical business through Yulin Nenghua and Tianhao Chemicals. In 2013, we produced 609,000 tonnes of methanol and sold 599,000 tonnes of methanol. We generated sales income of RMB1,155.7 million in 2013, representing an increase of RMB37.8 million, or 3.4%, from RMB1,118.0 million in 2012. Yulin Nenghua produced 609,000 tonnes of methanol in 2013. We are in the process of disposing Tianhao Chemical's methanol assets. In addition, we are currently constructing a 600,000-tonne methanol project in Ordos City, Inner Mongolia Autonomous Region, which we expect to become operational in the first half of 2014.

Sales and marketing

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

Pricing

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

Production process

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

Materials, water and energy supply

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

Quality control

We have implemented a series of quality control measures for our coal chemical operations to ensure product quality. We obtained AAA measurement management system, ISO 9001 quality accreditation and ISO 14001 environmental management certification in November 2009 and subsequently renewed ISO 9001 quality accreditation and ISO 14001 environmental management certification in November 2012 and AAA measurement management system in October 2013. We perform regular inspections and maintenance on our methanol plants.

Safety control

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

Competition

We compete with domestic methanol manufacturers in Shanxi and Shaanxi Provinces and the Inner Mongolia Autonomous Region. We expect to benefit from economies of scale as Yulin Nenghua's 600,000-tonne methanol project achieves optimal utilization of its facilities and Ordos Neng Hua's 600,000-tonne methanol plant commences operations in the first half of 2014.

Seasonality

Our coal chemical operations are not affected by seasonality.

Electric Power and Heat Supply Business

As of the date of this annual report, we owned and operated seven power plants, which generate electricity for internal use and external sales. In 2013, we generated a total of 1,234.4 million KWh of electricity, 879.1 million KWh of which we sold to third parties. We generated sales income of RMB332.1 million in 2013, representing an increase of RMB8.5 million, or 2.6%, from RMB323.6 million in 2012.

Hua Ju Energy operates coal-fired power plants whose main facilities consist of energy conversion CFB boilers and extraction and condensing steam turbines. The power plants at Hua Ju Energy have an aggregate installed capacity of 144 MW. In 2011, 2012 and 2013, Hua Ju Energy generated 1,028.8 million KWh, 968.2 million KWh and 992.8 million KWh, respectively, and sold 895.5 million KWh, 831.9 million KWh and 869.1 million KWh, respectively, to the local power grid company.

The power plants at Yulin Nenghua and Tianhao Chemicals were established with the primary intention to satisfy the power demand of the methanol projects of these two entities; we sell a small amount of electricity to third parties. These plants had an aggregate installed capacity of 84 MW as of the date of this annual report; however, Tianhao Chemicals has stopped generating electricity since January 1, 2012 due to the high cost of fuel, and we are in the process of disposing of the power plant together with Tianhao Chemical's methanol assets. In 2013, the power plants operated by Yulin Nenghua generated 241.6 million KWh of electricity, of which 10.0 million KWh was sold to third parties.

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

We commenced heat supply operations, which consist of the production and sale of heat, following our acquisition of Hua Ju Energy in 2009. In 2013, Hua Ju Energy generated 1.32 million steam tonnes of heat energy. Our coal mines consume the substantial majority of heat energy produced by Hua Ju Energy. We sold 50,000 steam tonnes of heat to third parties and generated sales income of RMB11.2 million in 2013.

Sales and marketing

We consume a major portion of the heat generated by our power plants and, to a lesser extent, sell to the Yankuang Group. In addition to our own use and our sales to the Yankuang Group, we sold 71.2% of the electric power we produced to other end-users through power grids in 2013.

Pricing

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

Production process

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

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

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

Materials, water and energy supply

Our power plants are all coal-fired power plants. The power plants of Hua Ju Energy generate electricity by recycling coal gangue and coal slurry. Yulin Nenghua currently sources thermal coal from local coal mines.

Quality control

Hua Ju Energy obtained ISO 9001 quality accreditation and ISO 14001 environmental management certification in November 2003 and has maintained its certification since then. Yulin Nenghua obtained AAA measurement management system, ISO 9001 quality accreditation and ISO 14001 environmental management certification in November 2009.

Safety control

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

Seasonality

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

Regulatory Oversight of Our Group

Regulation of the PRC Coal Industry

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

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

Pricing Laws

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

Regulation of fees and taxes

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

Item	Base	Rate
Corporate income tax	Taxable income	25%
Corporate income tax (for Anyuan Coal Mine and Inner Mongolia Xintai)	Taxable income	15%
VAT (for coal and other products)	Sales revenue	17%
VAT (for heat supply)	Sales revenue	13%
Business tax (for coal transportation services)	Revenue from service	3%
Business tax (for other services except for coal transportation services)	Revenue from service	5%
City construction tax	Amount of VAT and business tax	7%
Education surcharge	Amount of VAT and business tax	3%
Local education surcharge	Amount of VAT and business tax	2%
Water conservancy fund	Amount of VAT and business tax	1%
Resource tax	Aggregate volume of raw coal sold or used ⁽¹⁾	RMB3.6 per tonne (Shandong Province) RMB3.2 per tonne (Shanxi Province)
Compensation for the depletion of coal resources	Revenue from coal produced by us	1%
Price adjustment fund	Volume of raw coal produced or sales volume of merchantable coal	1. Jining City, Shandong Province: RMB8 per tonne based on volume of raw coal produced; 2. Heze City, Shandong Province: (1) RMB1.5 per tonne for 20% of the sales volume of clean coal and RMB20 per tonne for 80% of the sales volume of clean coal; (2) RMB1 per tonne for 20% of the sales volume of other types of coal and RMB15 per tonne for 80% of the sales volume of other types of coal.
Property tax (for domestic companies)	70% of the initial value of the property	1.2%

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

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

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

Foreign exchange laws

The Notice of the State Administration of Foreign Exchange on Deciding the External Financing Guarantee Balance Quota of Domestic Banks in 2011 (Hui Fa [2011] No. 30), promulgated by the SAFE on July 27, 2011, provides that the SAFE will conduct a strict review of any application from a domestic enterprise with respect to external financing guarantees. In addition, when domestic banks provide offshore financing guarantees, the SAFE will conduct a strict review of the financing measures with respect to the external financing guarantee. The proceeds of any offshore financing under an offshore financing guarantee must not be repatriated into the PRC, directly or indirectly, either in the form of equity or debt interests, through, including but not limited to, the following methods:

- financing applied towards the repayment of the original loans of the enterprise or other offshore companies which were repatriated into the PRC through equity or debt interests;
- financing directly applied towards the acquisition of the equity of an offshore target company, and the principal assets of the target company are predominantly located in the PRC; or other methods of repatriation recognized by the SAFE.

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

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

On December 16, 2013, the Ministry of Finance announced the tariff plan for 2014, which impose zero import tariff on coking coal.

However, we do not export any coke, coking coal or soft coal from the PRC and we do not expect changes in export tariffs will affect us.

Domestic trading regulations

Pursuant to the Amended Measures for the Regulation of Coal Operations promulgated by the NDRC on December 6, 2013, entities are required to file their information of coal operations with local authorities within 30 business days after they obtained business license.

Environmental protection

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

The Environmental Protection Law requires any entity operating a facility that produces pollutants or may create a hazard to

incorporate environmental protection measures into its operations and to establish an environmental protection responsibility system which includes effective measures to control and properly dispose of waste materials. On April 24, 2014, the Standing Committee of National People's Congress passed the Amended Environmental Protection Law, pursuant to which, effective January 1, 2015, more responsibility has been imposed on local governments and unlimited fines will be imposed on polluters. In addition, projects without environmental evaluation in accordance with relevant laws are not allowed to commence construction.

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

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

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

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

Mining safety

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

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

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

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

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

Coal mining industry and resources integration

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

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

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

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

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

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

Regulation of the Australian Coal Industry

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

Environmental and planning issues

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

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

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

Work Health and Safety | Occupational Health and Safety

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

The WHS Laws have commenced operation in New South Wales, Queensland, the ACT, the Northern Territory, South Australia, Tasmania and in Commonwealth jurisdictions. However, Western Australia and Victoria are yet to implement the new laws. These jurisdictions have occupational health and safety (**OHS**) laws in place. It is expected that these States will implement the WHS Laws by 2014.

WHS [New South Wales, Queensland]

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

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

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

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

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

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

OHS [Western Australia]

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

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

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

Coal Industry Specific Legislation [All Relevant/Applicable States]

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

Workers' Compensation [All Relevant/Applicable States]

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

MRRT

Australian MRRT laws became effective as of July 1, 2012. The MRRT is a profits-based tax that is charged at an effective rate of 22.5% on the assessable profits (excess of annual mining revenue over annual mining expenditures with respect to mineral interests, less certain allowances) of, among others, coal mining enterprises. According to the relevant provisions of the MRRT tax laws, our subsidiaries in Australia are required to determine the starting base allowance on their balance sheets. A book value or market value approach can be selected in calculating the starting base and may be amortized over the prescribed useful lives of such assets.

However, while the MRRT law is currently in place, the Australian government announced on October 24, 2013 that it would seek to repeal the MRRT law with effect from July 1, 2014. A bill containing measures to repeal the MRRT was defeated in the Senate of the Australian Parliament on March 25, 2014.

Carbon tax scheme

A number of countries, including Australia have ratified the Kyoto Protocol to the United Nations Framework Convention on Climate Change. The Australian government has devoted efforts in meeting the emissions target for Australia as set forth in the Kyoto Protocol. To this end, the Australian federal government introduced legislation making a liable entity liable pay for each tonne of carbon pollution that it emits. At the end of each year, the entity must acquire and surrender the number of carbon units which represents its total emissions to the Clean Energy Regulator to avoid paying a unit shortfall charge. Tax legislation was also introduced which sets out the income tax treatment for trading in units registered on the Australian National Registry of Emissions Units. However, the status of this legislation in Australia is now uncertain as the current Australian government is seeking to replace these laws.

Foreign investment

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

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

Power generation industry

The Electric Power Law and the Electric Power Regulatory Ordinance

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

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

Approvals and licenses for power plants

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

Pricing

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

Safety

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

Coal chemical processing industry

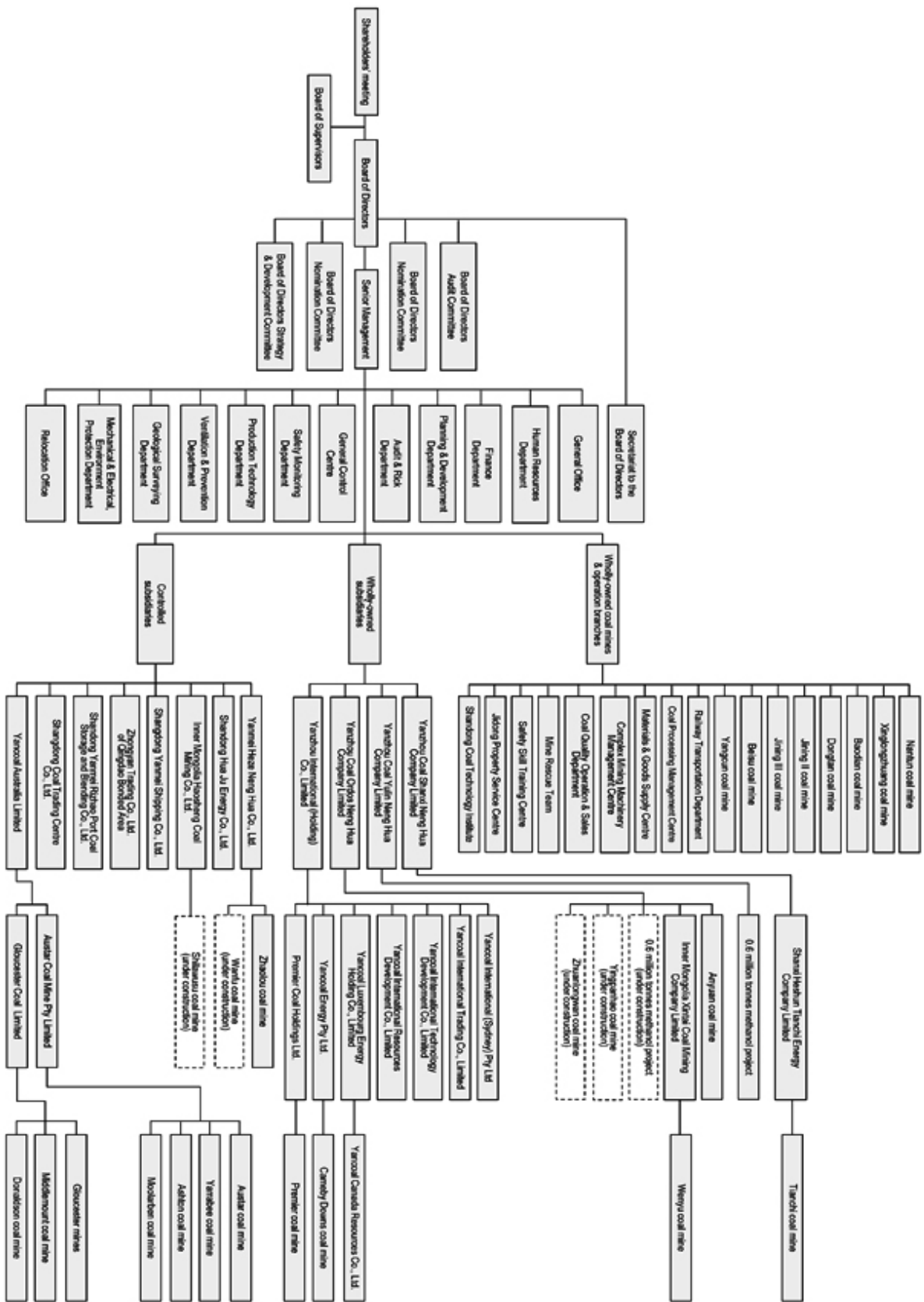
The PRC Coal Industry Law, encourages and supports coal mining enterprises and other enterprises to produce both coal and electricity, coking coal and coal chemicals. In July 2006, the NDRC issued the Notice of Strengthening the Administration of Coal Chemical Processing Industry and Improving the Healthy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

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

C. Organizational Structure

As of December 31, 2013, our Company consisted of 13 departments.

The following chart shows our departments and simplified corporate structure as of December 31, 2013:



D. Property, Plant and Equipment

Real Property and Leasehold Property

As of December 31, 2013, the net book value of our property, plant and equipment was RMB41,896.5 million. The properties for which we own land use rights in China occupy an area of approximately 7.24 million square meters, while the coalfields to which we possess mining rights in Australia occupy an area of approximately 2.1 billion square meters. Under PRC law, land use rights for properties in China are granted for 50 years commencing from the respective grant dates of such land use rights and are freely transferable. In addition, the land ownership rights held by Yancoal Australia are held in perpetuity pursuant to Australian law.

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

Coal Mines and Coal Production Facilities

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

We acquired Austar Coal Mine in Australia in 2004, and we acquired the entire equity interest in Yancoal Resources (formerly Felix) through Yancoal Australia in 2009, which operates Ashton Coal Mine, Yarrabee Coal Mine and Moolarben Coal Mine. We acquired an additional 30% of the equity interest in the Ashton Coal Mine Joint Venture and disposed of 51% of the equity interest in the Minerva Coal Mine Joint Venture in 2011. As of December 31, 2012, we held 90% of the equity interest in the Ashton Coal Mine Joint Venture. In August 2011, we acquired the entire equity interest of both Syntech Holdings Pty Ltd. and Syntech Holdings II Pty Ltd., which operate the Cameby Downs Coal Mine and have five exploration tenements that can be potentially developed. In September 2011, we acquired the entire equity interest of both Premier Coal, which operates the Premier Coal Mine and Wilga Exploration Area, and Premier Char. In May 2012, we purchased from Yankuang Group and Beisu Company all of the assets and liabilities of Beisu Coal Mine and Yangcun Coal Mine, including mining rights, building ownership certificates, mining and related equipment and other fixed assets. In addition, as a result of its merger with Gloucester in June 2012, Yancoal Australia is the largest listed Australian pure-play coal mining enterprise in terms of saleable coal production in 2011.

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

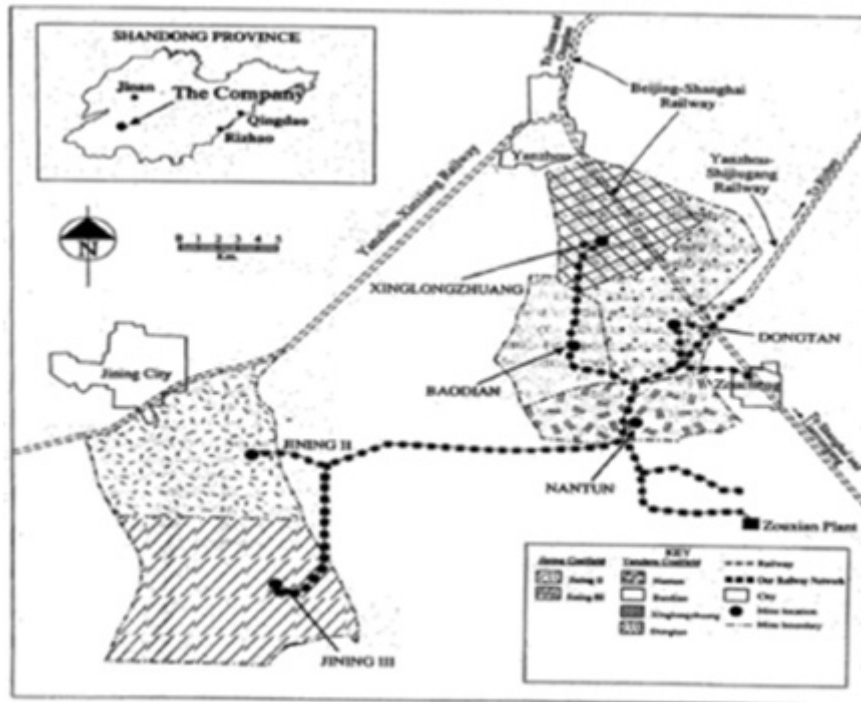
- we obtained the approval from the NDRC to conduct preliminary work on Shilawusu and Zhuanlongwan projects in December 2012 and March 2013, respectively;
- Yingpanhao Project has been included into the NDRC's twelfth five-year plan for the coal mining industry in March 2012. We are in the process of obtaining permits for our commencement of construction on this project; and
- we submitted the application for the mining permit for Wanfu Project to the MLR in January 2014.

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

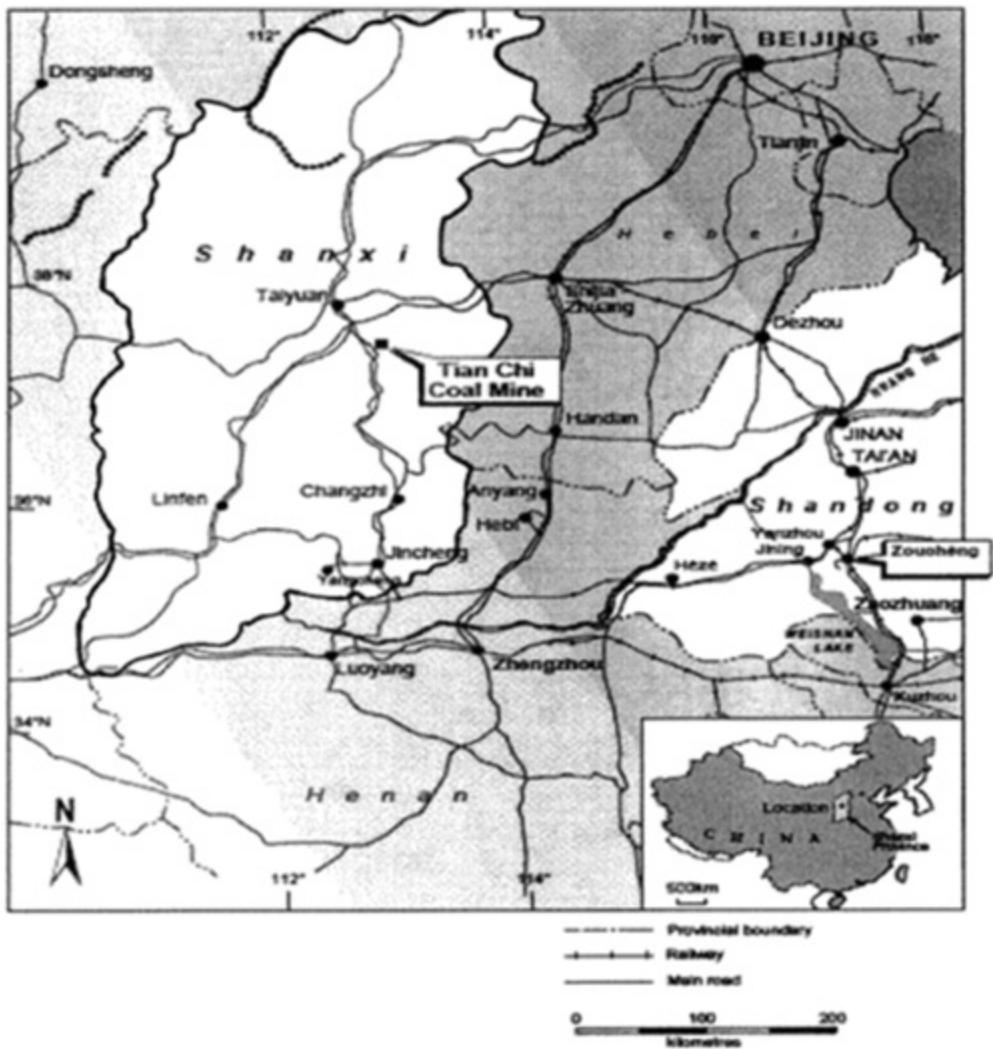
- surface mining leases for the development of proposed additional stages of the Moolarben Coal Mine are pending for planning approval from relevant authorities; and
- we have obtained the planning approval for the proposed "South East Open Cut" project of the Ashton Coal Mine from the NSW Minister for Planning and Infrastructure. Amendments to this approval are being sought and recommendations for revised conditions made to the NSW Planning Assessment Commission. We expect to obtain a final decision in 2014.

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

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



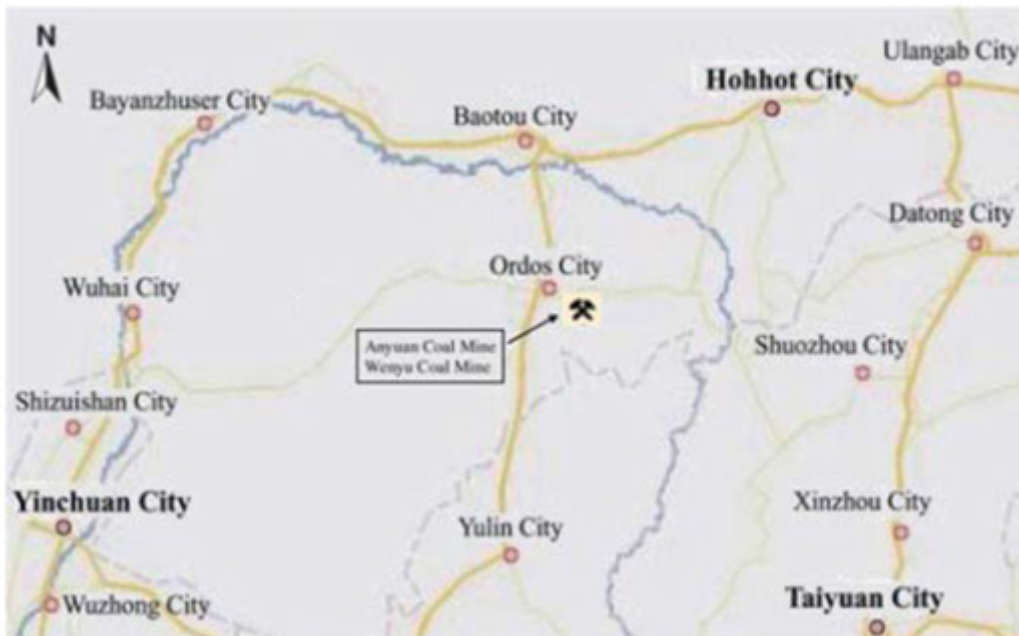
The map below shows the location of Tianchi Coal Mine:



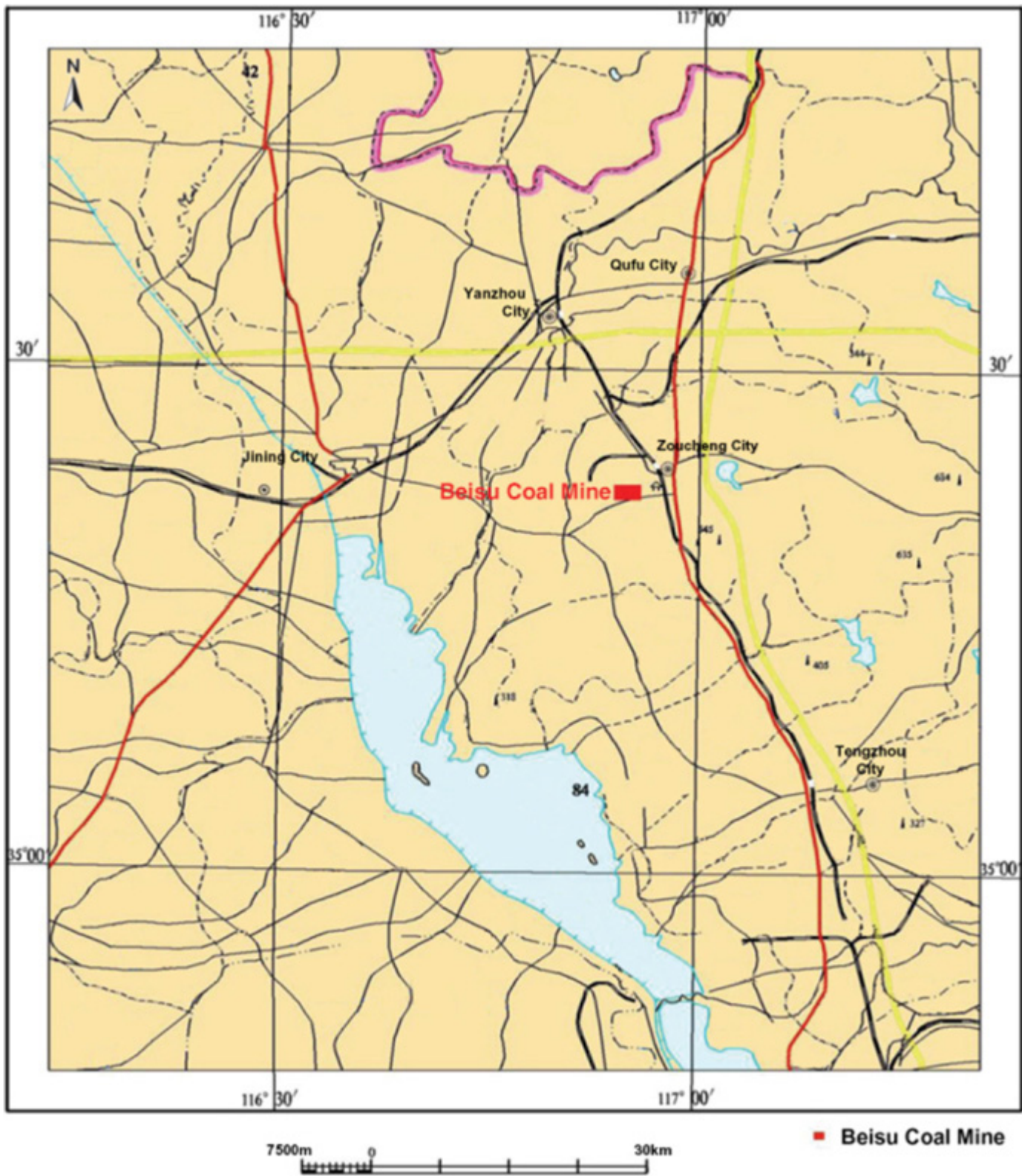
The map below shows the location of Zhaolou Coal Mine:



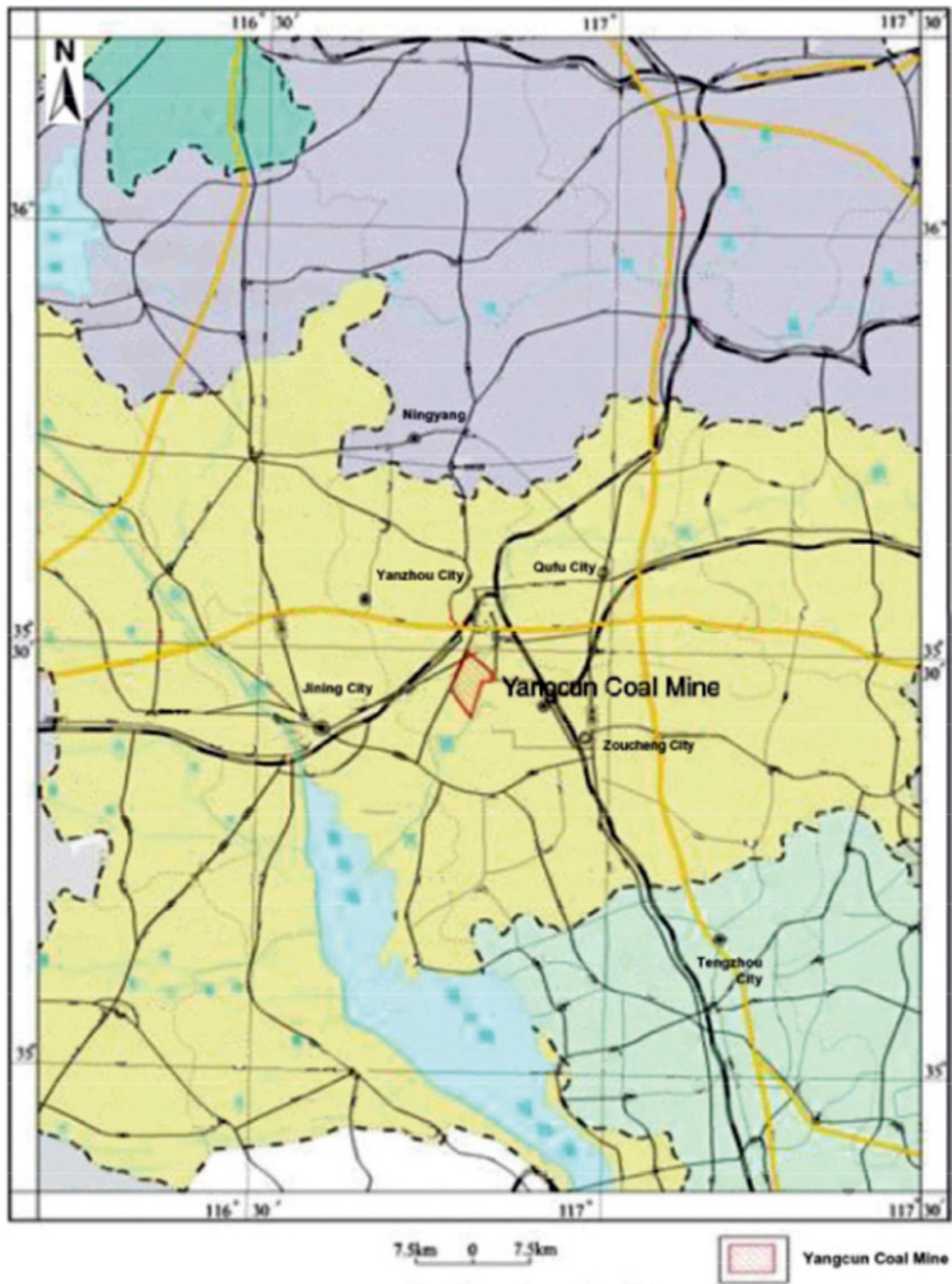
The map below shows the location of Anyuan and Wenyu Coal Mines:



The map below shows the location of Beisu Coal Mine:



The map below shows the location of Yangcun Coal Mine:



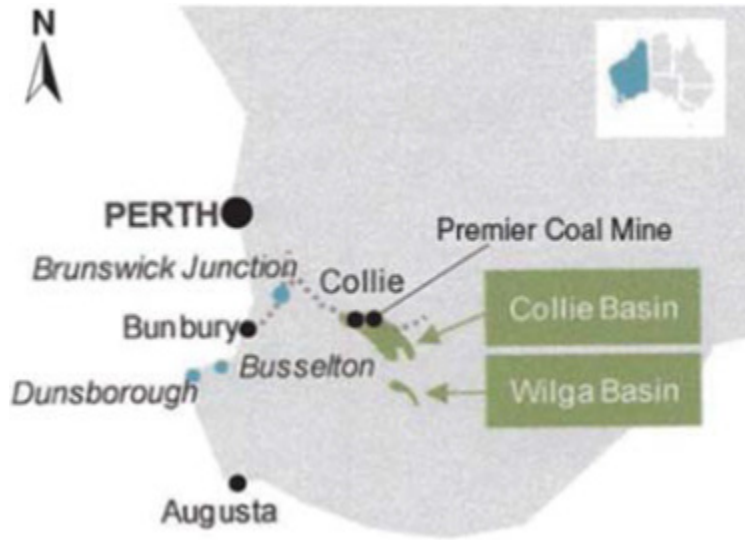
The map below shows the location of Austar, Yarrabee, Ashton and Moolarben Coal Mines as well as advanced-exploration stage projects Athena, Harrybrandt and Wilpeena.



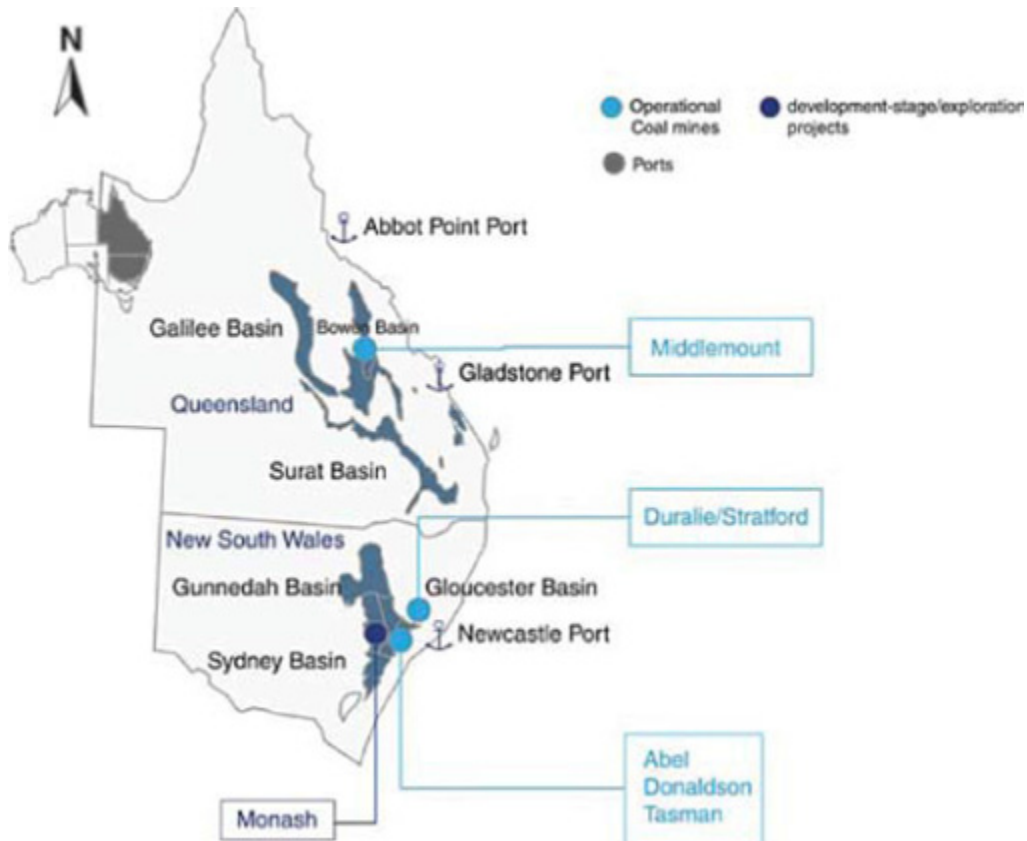
The map below shows the location of Cameby Downs Coal Mine:



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



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



The Six Coal Mines

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

	Nantun	Xinglong-zhuang	Baodian	Dongtan	Jining II	Jining III	Total
Background data:							
Commencement of construction	1966	1975	1977	1979	1989	1993	N/A
Commencement of commercial production	1973	1981	1986	1989	1997	2000	N/A
Coalfield area (<i>square kilometers</i>)	35.2	56.2	37.0	60.0	87.1	105.1	383.6
Reserve data:⁽¹⁾ (<i>millions tonnes as of December 31, 2013</i>)							
Total in-place proven and probable reserves ⁽¹⁾	104.98	296.33	263.30	429.56	397.29	203.49	1,694.95
Mining recovery rate ⁽²⁾ (%)	83.44	80.17	78.52	83.68	81.28	80.64	N/A
Coal preparation plant recovery rate (%) ⁽³⁾	82.87	73.68	66.87	47.44	74.31	57.55	N/A
Depth of mine (<i>meters underground</i>)	465	399	517	780	517	551	N/A
Average thickness of main coal seam (<i>meters</i>)	5.35	8.3	8.8	8.41	4.68	4.9	N/A
Type of coal	thermal coal	thermal coal	thermal coal	thermal coal	thermal coal	thermal coal	N/A
Leased/owned	owned	owned	owned	owned	owned	owned	N/A
Assigned/unassigned ⁽⁴⁾	assigned	assigned	assigned	assigned	assigned	assigned	N/A
Average calorific value (Kcal/kg)	5,485	5,574	5,500	5,289	5,208	5,194	N/A
Sulfur content (%)	0.72	0.51	0.58	0.54	0.58	0.66	N/A
Production data : (<i>million tonnes</i>)							
Designed raw coal production capacity	2.4	3.0	3.0	4.0	4.0	5.0	21.4
Designed washing capacity	1.8	3.0	3.0	4.0	3.0	5.0	19.8
Raw coal production							
1997-2005	37.9	56.1	50.2	62.5	35.3	37.5	279.5
2006	3.9	7.2	5.6	8.0	4.0	6.8	35.5
2007	3.9	6.8	5.8	7.6	3.4	5.3	32.8
2008	3.5	6.6	6.0	7.0	3.9	6.1	33.1
2009	3.8	6.6	5.7	7.5	3.6	6.2	33.4
2010	3.6	6.8	6.1	7.4	4.2	6.2	34.3
2011	3.3	6.8	6.1	7.3	4.4	6.1	34.0
2012	3.2	7.0	6.1	7.6	3.7	5.5	33.1
2013	3.0	6.9	6.2	8.1	3.1	6.5	33.8
Cumulative raw coal production as of December 31, 2013	66.1	110.8	97.8	123.0	65.6	86.2	549.5

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

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

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

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

Nantun Coal Mine

Nantun is located in the southern portion of our coalfield, with a coalfield area of approximately 35.2 square kilometers. Nantun began commercial production in 1973 with a designed annual raw coal production capacity of 2.4 million tonnes of coal. The main coal seam of Nantun is divided into four leaves. The thickness of the upper leaf averages 5.35 and 3.21 meters and the thickness of the lower leaf averages 0.89 and 1.03 meters. As of December 31, 2013, the total in-place proven and probable reserves on the main coal layer were approximately 104.98 million tonnes.

We primarily use the fully mechanized sublevel caving mining method to extract coal. As of December 31, 2013, Nantun produced coal from three work faces. Nantun’s coal preparation plant produces mainly No. 2 Clean Coal and employs movable-sieve jig machines and jig machines. Most of the equipment used in the Nantun coal preparation plant was manufactured in the PRC.

Xinglongzhuang Coal Mine

Xinglongzhuang is located in the northern portion of our coalfield, with coalfield area of approximately 56.2 square kilometers. Xinglongzhuang began commercial production in 1981 with a designed annual raw coal production capacity of 3.0 million tonnes. The main coal seam of Xinglongzhuang is concentrated in one leaf with an average thickness of 8.3 meters. As of December 31, 2013, the total in-place proven and probable reserves on the main coal layer were approximately 296.33 million tonnes.

We primarily use the fully mechanized sublevel caving method to extract coal from the coal seam of Xinglongzhuang Coal Mine. At this coal mine, we produced coal from two work faces as of December 31, 2013. The Xinglongzhuang coal preparation plant produces No. 1 and No. 2 Clean Coal, lump coal and thermal coal. The majority of the equipment in the Xinglongzhuang coal preparation plant, including its jig machines, movable-sieve jig machines and flotation machines, was manufactured in the PRC while a small portion of the equipment was imported.

Baodian Coal Mine

Baodian is located in the central western portion of our coalfield, with coalfield area of approximately 37.0 square kilometers. Baodian began commercial production in 1986 with a designed annual raw coal production capacity of 3.0 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. As of December 31, 2013, the total in-place proven and probable reserves on the main coal layer were approximately 263.3 million tonnes.

We primarily use the fully mechanized sublevel caving method to extract coal. At this coal mine, we maintained two work faces as of December 31, 2013. 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 jig machines, was manufactured in the PRC.

Dongtan Coal Mine

Dongtan is located in the central eastern portion of our coalfield, with coalfield area of approximately 60.0 square kilometers. Dongtan began commercial production in 1989 with a designed annual raw coal production capacity of 4.0 million tonnes. Certain sections of the main coal seam consist of one layer with an average thickness of 8.41 meters, and the remaining sections are divided into two layers, with an average thickness of 5.38 meters for the upper layer and 3.22 meters for the lower layer. As of December 31, 2013, the main coal layer held approximately 429.56 million tonnes of in-place proven and probable reserves.

We primarily use the fully mechanized sublevel caving method to extract coal. At this mine, we maintained two work faces as of December 31, 2013. 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 and jig machines, were manufactured in the PRC.

Jining II Coal Mine

Jining II is located in the northern portion of the Jining coalfield, with coalfield area of approximately 87.1 square kilometers. Jining II began commercial production in 1997 with a designed annual raw coal production capacity of 4.0 million tonnes. Certain sections of the main coal seam of Jining II are concentrated in one layer, with an average thickness of 6.78 meters. The remaining sections are divided into two layers, with an average thickness of 2.1 meters for the upper leaf and an average thickness of 4.68 meters for the lower leaf. As of December 31, 2013, the total in-place proven and probable reserves on the main coal layer were approximately 397.29 million tonnes.

We primarily use the fully mechanized sublevel caving method to extract coal. At this coal mine, we produced coal from two work faces as of December 31, 2013. The main equipment used in Jining II are movable-sieve jig machines, cyclones and jig machines, most of which were manufactured in the PRC. The principal product of the coal preparation plant of Jining II is No. 2 Clean Coal.

Jining III Coal Mine

Jining III is located in the southern portion of the Jining coalfield and covers an area of 105.1 square kilometers. Jining III has a designed annual raw coal production capacity of 5.0 million tonnes. The main coal seam of Jining III is divided into two leaves. The thickness of the upper leaf averages 1.21 meters and the thickness of the lower leaf averages 4.91 meters. As of December 31, 2013, the total in-place proven and probable reserves on the main coal layer were approximately 203.49 million tonnes.

We primarily used the fully mechanized sublevel caving method to extract coal from three work faces in Jining III Coal Mine as of December 31, 2013. The main pieces of equipment used in Jining III are slanted wheel, cyclones and movable-sieve jig machines, which were manufactured in the PRC. The principal products of the coal preparation plant of Jining III are No. 2 Clean Coal and thermal coal.

Beisu and Yangcun Coal Mines

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

	Beisu	Yangcun	Total
Background data:			
Commencement of construction	1972	1981	N/A
Commencement of commercial production	1976	1988	N/A
Coalfield area (<i>square kilometers</i>)	29.3	27.5	56.8
Reserve data: (as of December 31, 2013)			
Mining recovery rate (%) ⁽¹⁾	86.0	82.0	N/A
Coal preparation plant recovery rate (%) ⁽²⁾	N/A	N/A	N/A
Depth of mine (<i>meters underground</i>)	269.7	318.8	N/A
Average thickness of main coal seam (<i>meters</i>)	0.99	8.34	N/A
Type of coal	thermal coal	thermal coal	N/A
Leased/owned	owned	owned	N/A
Assigned/unassigned ⁽³⁾	assigned	assigned	N/A
Average calorific value (<i>Kcal/kg</i>)	5,244	4,974	N/A
Sulfur content (%)	3.52	1.38	N/A
Production data: (<i>million tonnes</i>)			
Designed raw coal production capacity	1.0	1.15	2.15
Designed coal preparation input washing capacity	—	—	—
Raw coal production			
2011	—	—	—
2012	1.0	1.1	2.1
2013	1.0	1.1	2.1
Cumulative raw coal production as of December 31, 2013	2.0	2.2	4.2

(1) The mining recovery rate is the rate of the amount of coal recovered from a determined amount of reserves, which is calculated by dividing the actual volume of coal recovered in a year by the volume of reserves mined and consumed in the same year.

(2) "Coal preparation plant recovery rate" refers to the wash plant recovery rate of raw coal used during the production of our coal products.

(3) "Assigned" reserves refer to coal reserves which have been committed to a particular mining complex (mine shafts, mining equipment and plant facilities), and all coal which has been leased by the company to others. "Unassigned" reserves refers to coal reserves which have not been committed, and which would require new mine shafts, mining equipment, or plant facilities before operations could begin on the property.

Beisu Coal Mine

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

Beisu Coal Mine commenced operations in 1976 with a designed annual raw coal production capacity of 0.75 million tonnes. The annual raw coal production capacity has been increased to 1.0 million tonnes since 2006. The main coal seam of Beisu is divided into two thin-seam leaves. The thickness of the upper leaf averages 0.99 meters and the thickness of the lower leaf averages 0.9 meters. We primarily used the thin coal seam blasting method and the fully mechanized system to extract coal from four work faces in Beisu Coal Mine as of December 31, 2013. Beisu Coal Mine primarily produces thermal coal. Beisu Coal Mine has a coal preparation plant. The main equipment used in the coal preparation plant is a waste discharge system, which was manufactured in China.

Yangcun Coal Mine

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

Yangcun Coal Mine commenced operations in 1988 with a designed annual raw coal production capacity of 0.6 million tonnes. The annual raw coal production capacity has been increased to 1.15 million tonnes since 2006. The main coal seam of Yangcun is divided into three leaves. The thickness of the upper leaf averages 8.34 meters and the thickness of the lower leaves average 1.17 and 1.02 meters. We primarily used the fully mechanized sublevel caving method to extract coal from the upper leaf and the fully mechanized system to extract coal from the lower leaves. As of December 31, 2013, Yangcun Coal Mine has three work faces. Yangcun Coal Mine primarily produces thermal coal. Yangcun Coal Mine does not have any coal preparation plant.

Coal Mines operated by Shanxi Nenghua and Heze Nenghua

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

	<u>Tianchi</u>	<u>Zhaolou</u>	<u>Total</u>
Background data:			
Commencement of construction ⁽¹⁾	2004	2004	N/A
Commencement of commercial production ⁽¹⁾	2006	2009	N/A
Coalfield area (<i>square kilometers</i>)	18.7	143.4	162.1
Reserve data: (millions tonnes as of December 31, 2013)			
Recoverable reserves ⁽²⁾	24.7	100.5	125.2
Mining recovery rate ⁽³⁾ (%)	79.0	81.6	N/A
Coal preparation plant recovery rate (%) ⁽⁴⁾	N/A	46.08	N/A
Depth of mine (<i>meters underground</i>)	225	905	N/A
Average thickness of main coal seam (<i>meters</i>)	4.6	5.2	N/A
Type of coal	thermal coal	1/3 coking coal	N/A
Leased/owned	owned	owned	N/A
Assigned/unassigned ⁽⁴⁾	assigned	assigned	N/A
Average calorific value (<i>Kcal/kg</i>)	5,268	5,883	N/A
Sulfur content (%)	1.83	0.68	N/A
Production data: (million tonnes)			
Designed raw coal production capacity	1.2	3.0	4.2
Designed coal preparation input washing capacity	—	3.0	3.0
Raw coal production			
2006	0.1	—	0.1
2007	1.2	—	1.2
2008	1.1	—	1.1
2009	1.0	0.04	1.04
2010	1.5	1.6	3.1
2011	1.2	3.0	4.2
2012	1.4	2.7	4.1
2013	1.5	2.9	4.4
Cumulative raw coal production as of December 31, 2013	9.0	10.2	19.2

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

“Recoverable reserves” generally refer to proved and probable reserves under the JORC Code as revised in 2004,. “Proved reserves” are the economically mineable part of a measured coal resource and “probable reserves” are the economically mineable part of an indicated, and in some circumstances, measured coal resource. Both “proved reserves” and “probable reserves” incorporate mining dilution and allow for mining losses and are based on an appropriate level of mine planning, mine design and scheduling.
 - (3) The mining recovery rate is the rate of the amount of coal recovered from a determined amount of recoverable reserves, which is calculated by dividing the actual volume of coal recovered in a year by the volume of recoverable reserves mined and consumed in the same year.
 - (4) “Coal preparation plant recovery rate” refers to the wash plant recovery rate of raw coal used during the production of our coal products.
 - (5) “Assigned” refer to coal reserves which have been committed to a particular mining complex (mine shafts, mining equipment and plant facilities), and all coal which has been leased by the company to others. “Unassigned” refers to coal reserves which has not been committed, and which would require new mine shafts, mining equipment, or plant facilities before operations could begin on the property.

Tianchi Coal Mine

Tianchi Coal Mine is an underground mine located in Heshun County of Shanxi, with an area of approximately 18.7 square kilometers. Tianchi Coal Mine commenced commercial production in 2006 and the designed production capacity was increased to 1.2 million tonnes per annum in the same year. Tianchi Coal Mine is operated by inclined shaft development and primarily produces thermal coal. The average thickness of the target coal seam is 4.6 meters. As of December 31, 2013, the total recoverable reserves of Tianchi Coal Mine were approximately 24.7 million tonnes.

We primarily used the longwall caving mining method to extract coal from one work face at Tianchi Coal Mine as of December 31, 2013. The primary piece of equipment in this system is a slanted wheel, which was manufactured in China. The operations at Tianchi Coal Mine are powered by electricity from local power grids. We ship coal products from the Tianchi Coal Mine to Hebei and surrounding areas on the 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 kilometers, and is accessible by roadway and railway.

Zhaolou Coal Mine commenced commercial production in December 2009 and has a designed annual raw coal production capacity of 3.0 million tonnes. Zhaolou Coal Mine produces 1/3 coking coal. The average thickness of the main coal seam of Zhaolou Coal Mine is 5.2 meters. The total recoverable reserves of Zhaolou Coal Mine were approximately 100.5 million tonnes as of December 31, 2013, which was net of coal preparation and plant recovery losses.

We primarily used the longwall caving mining method to extract coal from the two work faces at Zhaolou Coal Mine as of December 31, 2013. The coal preparation plant at Zhaolou Coal Mine commenced commercial production in September 2009. The main equipment used in the coal preparation plant was a slanted wheel, cyclone machines, TBS separators and flotation machines, which were mainly produced in China. The main product of Zhaolou’s coal preparation plant is No. 2 Clean Coal. The operations at Zhaolou Coal Mine are powered by electricity from local power grids. We ship coal products to Shandong and Hebei Provinces and surrounding areas by truck.

In 2013, we implemented technical improvement in all of our coal mines in Shandong province, except for Beisu and Yangcun Coal Mines. The flotation system has been installed in Xinglongzhuang and Zhaolou Coal Mines since December 31, 2013. We expect the capacity of coal preparation and the coal recovery rate will be improved significantly after we complete technical improvement in all coal preparation plants in the first half of 2014.

Coal Mines operated by Ordos Neng Hua

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

	Anyuan	Wenyu	Total
Background data:			
Commencement of construction	—	1996	N/A
Commencement of commercial production	2004	1997	N/A
Coalfield area (<i>square kilometers</i>)	9.3	9.4	18.7
Reserve data: (as of December 31, 2013)			
Mining recovery rate (%) ⁽¹⁾	86.7	85.4	N/A
Coal preparation plant recovery rate (%) ⁽²⁾	N/A	N/A	N/A
Depth of mine (<i>meters underground</i>)	68	59	N/A
Average thickness of main coal seam (<i>meters</i>)	2.8	3.9	N/A
Type of coal	thermal coal	thermal coal	N/A
Leased/owned	owned	owned	N/A
Assigned/unassigned ⁽³⁾	assigned	assigned	N/A
Average calorific value (<i>Kcal/kg</i>)	5,309	2,237	N/A
Sulfur content (%)	0.32	0.75	N/A
Production data: (<i>million tonnes</i>)			
Designed raw coal production capacity	1.2	3.0	4.2
Designed coal preparation input washing capacity	—	—	—
Raw coal production			
2011	2.3	2.1	4.4
2012	2.3	4.6	6.9
2013	2.2	4.1	6.3
Cumulative raw coal production as of December 31, 2013	6.8	10.8	17.6

(1) The mining recovery rate is the rate of the amount of coal recovered from a determined amount of reserves, which is calculated by dividing the actual volume of coal recovered in a year by the volume of reserves mined and consumed in the same year.

(2) “Coal preparation plant recovery rate” refers to the wash plant recovery rate of raw coal used during the production of our coal products.

(3) “Assigned” reserves refer to coal reserves which have been committed to a particular mining complex (mine shafts, mining equipment and plant facilities), and all coal which has been leased by the company to others. “Unassigned” reserves refers to coal reserves which have not been committed, and which would require new mine shafts, mining equipment, or plant facilities before operations could begin on the property.

Anyuan Coal Mine

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

In 2011, we increased the annual production capacity of Anyuan Coal Mine from the designed annual production capacity of 600,000 tonnes to 1.2 million tonnes through reconstruction and expansion. Anyuan Coal Mine primarily produces thermal coal. The average thickness of the main coal seam of Anyuan Coal Mine is 2.8 meters. We principally extracted coal from one work face at Anyuan Coal Mine as of December 31, 2013. Anyuan Coal Mine has a coal separation system. Anyuan Coal Mine is located in close proximity to railway and road transportation. The provincial highway and Baoshen railway are located approximately six kilometers to the west of the coalfield.

Wenyu Coal Mine

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

The original designed annual raw coal production capacity of Wenyu Coal Mine was 1.1 million tonnes. We completed production capacity expansion from 1.1 million tonnes to 3.0 million tonnes upon approvals from the relevant administrative authority and commenced commercial production in 2011. The average thickness of the main seam of Wenyu Coal Mine is 3.9 meters. The type of coal is thermal coal. We principally extracted coal from two work faces at Wenyu Coal Mine as of December 31, 2013. Wenyu Coal Mine has a simplified coal separation system. Wenyu Coal Mine is located in close proximity to Baofu road, Anyuan Coal Mine and railway transportation.

Zhuanlongwan Project

Zhuanlongwan project is now under construction. We expect to commence operation in mid-2014.

Coal Mines operated by Yancoal Australia

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

	Austar	Yarrabee	Ashton	Moolarben	Gloucester Mine	Donaldson Mine	Middlemount (6)	Total
Background data:								
Commencement of construction ⁽¹⁾	1998	1981	2003	2009	1998	2001	2009	N/A
Commencement of commercial production ⁽¹⁾	2000	1982	2004	2010	1999	2001	2011	N/A
Coalfield area ⁽²⁾ (square kilometers)	108	203	17	130	164	166	28	816.0
Reserve data:								
<i>(millions of tonnes as of December 31, 2013)</i>								
Recoverable reserves ⁽³⁾	46.9	56.9	56.1	313.3	65	136.9	89.8	764.9
Depth of mine ⁽⁴⁾ (meters underground)	300-700	N/A	190-280	N/A	N/A	50-150	N/A	N/A
Type of coal	semi-hard coking coal	PCI coal	semi-soft coking coal	thermal coal	semi-hard coking coal	semi-soft coking coal	Coking coal	N/A
Leased/owned	owned	owned	owned	owned	owned	owned	owned	N/A
Assigned/unassigned ⁽⁵⁾	assigned	assigned	assigned	assigned	assigned	assigned	assigned	N/A
Average calorific value (Kcal/kg)	6196	7300	7100	6650	7550	8200	7300	N/A
Sulfur content (%)	1.75	0.7	0.65	0.5	1.05	0.90	0.5	N/A
Production data: (million tonnes)								
Designed raw coal production capacity	3.6	3.0	5.2	16.0	3.8	3.0	5.25	39.85
Designed coal preparation input washing capacity	3.3	2.4	6.5	16.0	3.8	3.0	5.25	40.25
Raw coal production								
2006	0.4	—	—	—	—	—	—	0.4
2007	1.6	—	—	—	—	—	—	1.6
2008	1.9	—	—	—	—	—	—	1.9
2009	1.9	—	—	—	—	—	—	1.9
2010	1.7	2.3	2.7	3.9	—	—	—	10.6
2011	1.9	3.1	1.7	5.6	—	—	—	12.3
2012	1.7	3.2	2.3	7.2	1.8	2.0	—	18.2
2013	1.6	3.7	2.4	6.7	3.5	3.2	—	21.1
Cumulative raw coal production as of December 31, 2013	12.7	12.3	9.1	23.4	5.3	5.2	—	68.0

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

Austar Coal Mine

Austar Coal Mine is an underground mine located in Hunter Valley, New South Wales, Australia and is accessible by railway. Austar Coal Mine covers an area of 108 square kilometers. Austar Coal Mine was constructed in 1998 and commenced commercial production in 2000.

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

The average thickness of the main coal seam of Austar Coal Mine is 6.5 meters. As of December 31, 2013, the mine's JORC-compliant reserves were approximately 46.9 million tonnes. As of the same date, the mine's marketable coal reserves, representing beneficiated or otherwise enhanced coal products where modifications resulting from mining, dilution and processing have been considered, were approximately 37.1 million tonnes.

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

Yarrabee Coal Mine

Yarrabee Coal Mine is an open-pit mine located in Bowen Basin, Queensland, Australia and is accessible by railway to the Gladstone Port. Yarrabee Coal Mine covers an area of 203 square kilometers. The construction of Yarrabee Coal Mine started in 1981 and commercial production commenced in 1982.

Through Yancoal Resources, Yancoal Australia wholly owns Yarrabee Coal Mine. Currently, the designed annual capacity of Yarrabee Coal Mine is approximately 3.0 million tonnes. Yarrabee Coal Mine mainly produces low volatility PCI coal.

The thickness of the main coal seam of Yarrabee Coal Mine ranges from 3.2 to 4 meters. As of December 31, 2013, the mine's JORC-compliant reserves were approximately 56.9 million tonnes. As of the same date, the mine's marketable coal reserves were approximately 45.0 million tonnes. We utilize conventional truck shovel and open-pit mining methods to extract coal at Yarrabee Coal Mine.

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

Ashton Coal Mine

Ashton Coal Mine consists of an underground mine and a provisional open-pit mine located in Hunter Valley, New South Wales, Australia and is accessible by railway to Newcastle Port. Ashton Coal Mine covers an area of approximately 17 square kilometers. The construction of the open-pit and underground mines of Ashton Coal Mine started in 2003 and commercial production commenced in 2004.

The designed annual capacity of Ashton Coal Mine is approximately 5.2 million tonnes of coal. Ashton Coal Mine mainly produces semi-soft coking coal.

The thickness of the main coal seams of the open-pit mine and the underground mine of Ashton Coal Mine ranges from 2.1 to 2.3 meters and 1.7 to 2.4 meters, respectively. As of December 31, 2013, the mine's JORC-compliant reserves were approximately 56.1 million tonnes. As of the same date, the mine's marketable coal reserves were approximately 27.0 million tonnes, according to our internal estimates. We principally use longwall operations to extract coal from the underground coal seam of Ashton Coal Mine.

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

Moolarben Coal Mine

Moolarben Coal Mine consists of an open-pit mine and an underground development project and is located near Mudgee in central western New South Wales. It is connected by railway to Newcastle Port. Moolarben Coal Mine covers an area of 130 square kilometers.

Yancoal Australia holds 80% of the equity interest in Moolarben Coal Mine through its subsidiary, Moolarben Coal Mines Pty Limited. Construction of Phase I, the open-pit mine, commenced in 2009 with commercial production starting in mid-2010. We have made an application for a modification consent to our open-pit mine, pursuant to which we will be able to access additional reserves by extending the footprint of our open-pit mine, and continuing to mine at the existing production rates. We expect the Planning Assessment Commission to make the decision in late 2014. In addition, we are in the process of obtaining a planning consent for our Phase II, which comprises of one open-pit mine and two underground mines. As part of the approval process, Phase II has been referred by the NSW Department of Planning and Infrastructure to the Planning Assessment Commission for review. We will be able to commence construction of Phase II upon approval from the Planning and Assessment Commission and we expect to commence operation in late 2015. We expect the annual production limit of Moolarben Coal Mine Phase I & II to be 17 million tonnes per annum, of which the annual production limit of the underground mine will be 4.0 million tonnes and the annual production limit of the open-pit mine is 13.0 million tonnes. Moolarben Coal Mine produces thermal coal.

The average thickness of the main coal seam of the open-pit mine of Moolarben Coal Mine is 5.5 to 11.66 meters. As of December 31, 2013, the mine's JORC-compliant reserves were approximately 313.3 million tonnes. As of the same date, the mine's marketable coal reserves were approximately 236 million tonnes. We use conventional truck shovel mining methods in the open-pit mine and expect to use longwall machines to extract coal in the underground mine project.

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

Gloucester Coal Mine

Gloucester Coal Mine is located in Gloucester basin in New South Wales, Australia and covers an area of 164 square kilometers. Gloucester Coal Mine is approximately 100 kilometers away from Newcastle Port. The construction of Gloucester Coal Mine started in 1998 and commercial production commenced in 1999.

Gloucester Coal Mine consists of two open-pit mines, Duralie and Stratford, which has an aggregate annual designed production capacity of 3.8 million tonnes and an aggregate annual designed preparation capacity of 3.8 million tonnes. We use conventional truck shovel mining methods in Duralie open-pit mine and light mining equipment in Stratford open-pit mine. As of December 31, 2013, Gloucester Coal Mine's JORC-compliant reserves were approximately 65 million tonnes. As of the same date, the mine's marketable coal reserves were approximately 37.3 million tonnes.

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

Donaldson Coal Mine

Donaldson Coal Mine is located in Newcastle coal field in New South Wales, Australia and covers an area of 166 square kilometers. Donaldson Coal Mine is approximately 25 kilometers away from Newcastle Port. The construction of Donaldson Coal Mine started in 2001 and commercial production commenced in the same year.

Donaldson Coal Mine consists of one open-pit coal mine, Donaldson open-pit mine and two underground coal mines, Abel and Tasman underground mines, which has an aggregate annual designed production capacity of 3.0 million tonnes. The open-pit mine of Donaldson Coal Mine ceased mining operations in April 2013 due to reserve depletion and the underground coal mine, Tasman, was temporarily closed in July 2013 due to the high operational costs of the Tasman mine and the weak demand for coal products. The only underground mine, Abel, which is still under operation has an annual designed production capacity of 2 million tonnes. As of December 31, 2013, Donaldson Coal Mine's JORC-compliant reserves were approximately 136.9 million tonnes. As of the same date, the mine's marketable coal reserves were approximately 84.6 million tonnes.

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

Middlemount Coal Mine

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

As of December 31, 2013, Middlemount Coal Mine's JORC-compliant reserves were approximately 89.8 million tonnes. As of the same date, the mine's marketable coal reserves were approximately 64.5 million tonnes. The mine has an annual designed production capacity of 5.4 million tonnes. We use conventional truck shovel open-pit mining methods to extract coal at Middlemount Coal Mine and the mine primarily produces coking coal and PCI coal. Middlemount Coal Mine has a coal preparation plant with an annual capacity of 5.25 million tonnes. The main pieces of equipment used in the coal preparation plant are screw machines with flotation devices. We transport our coal products from Middlemount Coal Mine via railway.

Coal Mines operated by Yancoal International

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

	<u>Cameby Downs</u>	<u>Premier</u>	<u>Total</u>
Background data:			
Commencement of construction	2009	1996	N/A
Commencement of commercial production	2010	1996	N/A
Coalfield area ⁽¹⁾ (<i>square kilometers</i>)	287	130	417
Reserve data: <i>(millions of tonnes as of December 31, 2013)</i>			
Recoverable reserves ⁽²⁾	276.5	152.1	428.6
Depth of mine (<i>meters underground</i>)	N/A	N/A	N/A
Type of coal	thermal coal	thermal coal	N/A
Leased/owned	owned	owned	N/A
Assigned/unassigned ⁽³⁾	assigned	assigned	N/A
Average calorific value (Kcal/kg)	6,000	4,776	N/A
Sulfur content (%)	0.47	0.6	N/A
Production data: (<i>million tonnes</i>)			
Designed raw coal production capacity	1.8	5.0	21.0
Designed coal preparation input washing capacity	1.8	N/A	16.0
Raw coal production			
2011	0.8	—	0.8
2012	1.9	4.2	6.1
2013	2.0	4.2	6.2
Cumulative raw coal production as of December 31, 2013	4.7	8.4	13.1

(1) The coalfield area refers to the area of current leased land for mining, excluding the area on which we own prospecting rights.

(2) The recoverable reserves of the above coal mines are based on the report prepared by the competent persons appointed by Yancoal Australia or Yancoal Resources and other companies which have been acquired by Yancoal Australia and such reserves refer to total proved and probable reserves that were prepared in accordance with the standards in the JORC Code.

(3) "Assigned" refers to coal reserves which have been committed to a particular mining complex (mine shafts, mining equipment and plant facilities), and all coal which has been leased by the company to others. "Unassigned" refers to coal reserves which have not been committed, and which would require new mine shafts, mining equipment, or plant facilities before operations could begin on the property.

Cameby Downs Coal Mine

Cameby Downs Coal Mine consists of an open-pit mine located near Chinchilla in Southwest Queensland. The mine covers an area of approximately 287 square kilometers. The construction of the mine commenced in 2009 and commercial production started in late 2010. Yancoal Australia owns 100% of Cameby Downs Coal Mine. Cameby Downs Mine produces thermal coal and the average thickness of Cameby Downs Coal Mine was 4 meters. As of December 31, 2013, Cameby Downs Coal Mine had JORC-compliant reserves of approximately 276.5 million tonnes. As of the same date, the mine's marketable coal reserves were approximately 275 million tonnes.

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

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

Premier Coal Mine

Premier Coal Mine, located in Perth, is an open-pit coal mine covering an area of approximately 130 square kilometers. The construction of the mine began in 1996 and commercial production commenced in the same year. Yancoal International (Holding) indirectly wholly owns Premier Coal Mine. The annual production capacity of Premier Coal Mine is approximately 5.0 million tonnes. Premier Coal Mine primarily produces low ash and low sulfur sub-bituminous coal. As of December 31, 2013, Premier Coal Mine had JORC-compliant reserves of approximately 152.1 million tonnes. We utilize conventional truck shovel open-pit mining methods to mine the coal from a number of seams at the mine. The coal mined at Premier Coal Mine is crushed and sold without washing. As a result, the mine's marketable coal were approximately 152.1 million tonnes as of December 31, 2013, the same amount as its JORC-compliant reserves.

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

Mining and Exploration Rights

Nantun, Xinglongzhuang, Baodian, Dongtan and Jining II

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

In September 2006, the State Council approved the *Implementation Plan for the Compensation System Reform Testing in Relation to Deepening Coal Resources*, jointly promulgated by the Ministry of Finance of the PRC, Ministry of Land and Resources of the PRC and the NDRC (the "Implementation Plan"). According to the Implementation Plan, enterprises that obtain mining rights as a result of state-funded exploration must pay mining right fees based on the valuation of its reserves. Our operations in Shandong Province are subject to this mining right fee. On August 3, 2012, Jining Municipal Land and Resources Bureau issued the Notice of payment for mining rights by Yanzhou Coal Mining Company Limited [JiGuotuzi(2012) No. 212], pursuant to which we are required to pay a consideration of RMB2,476.78 million for the mining rights of Nantun, Xinglongzhuang, Baodian, Dongtan and Jining II coal mines, RMB495.4 million of which was paid before the due date of September 30, 2012. The consideration was determined based on the assessment report for the consideration of mining rights of these five coal mines issued by independent third parties appointed by Jining Municipal Land and Resources Bureau and filed with Shandong Provincial Department of Land and Resources. For the year ended December 31, 2013, we paid mining rights compensation fees of approximately RMB396.3 million.

Jining III Coal Mine

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

Austar Coal Mine

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

Tianchi Coal Mine

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

Zhaolou Coal Mine

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

Anyuan Coal Mine

We acquired the entire equity interest in Anyuan Coal Mine for a consideration of approximately RMB143.5 million in November 2010. The fair market value of the mining rights for Anyuan Coal Mine was approximately RMB131.3 million as of October 31, 2010. As of the date of this annual report, we were in the process of obtaining of the approval, permit and registration of the acquisition of Anyuan Coal Mine, and have confirmed with the relevant mining authorities that our approval, permit and registration of Anyuan Coal Mine is pending regulatory review. Despite the outstanding approvals and lack of mining license, we have received confirmation from the relevant mining authorities to continue our coal mining operations at Anyuan Coal Mine. Until we receive such approvals, we are prohibited from transferring or disposing of this mine. As of the date of this annual report, we are not aware of any pending administrative action, fines or penalties for the continued operation of Anyuan Coal Mine.

Wenyu Coal Mine

In July 2011, Ordos Neng Hua acquired 80% of the equity interest in Inner Mongolia Xintai, which operates Wenyu Coal Mine, for a consideration of RMB2,801.6 million.

Zhuanlongwan Coalfield

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

Yangcun and Beisu Coal Mine

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

Coal Mines Owned by Yancoal Resources

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

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

Cameby Downs Coal Mine

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

Premier Coal Mine and Wilga Exploration Area

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

Coal Mines Owned by Gloucester

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

Potash Mineral Exploration Permits in Canada

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

Railway Assets

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

Methanol and Cogeneration Power Plants

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

Hua Ju Energy. Hua Ju Energy is headquartered in Zoucheng City, Shandong. Hua Ju Energy owns and operates six cogeneration power plants, each of which is able to supply electric power and heat to our coal mines in its proximity. The power plants consist of the Nantun power plant, Xinglongzhuang power plant, Baodian power plant, Dongtan power plant, Jining II power plant and Jidongxincun power plant. The aggregate installed capacity of these six power plants is 144 MW and the annual power generation capacity and heat supply capacity are 1.0 to 1.1 billion KWh and 1.0 to 1.2 million steam tonnes, respectively. The main pieces of equipment used at Hua Ju Energy include energy conversion CFB boilers and extraction and condensing steam turbines.

Zhaolou Coal Mine Power Plants. Zhaolou Coal Mine power plants are intended to be integrated power plants for Zhaolou Coal Mine, located in Heze City of Shandong. The power plants are being constructed in two phases with designed capacity of 300 MW for each phase. We commenced construction of phase I of the power plants which utilize a power generator of 300 MW and a circulating fluidized-bed boiler with capacity of 1,025 tonnes per hour in March 2010, which we expect to commence operation in mid-2014. The main pieces of equipment used at Zhaolou Coal Mine power plants include extraction and condensing steam turbines, water hydrogen generators and CFB boilers.

ITEM 4A. UNRESOLVED STAFF COMMENTS

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

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

A. Operating Results

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

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

Overview

Coal Business

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

Our invoiced amount of coal sold includes returns, discounts, sales-related taxes, port fees and other fees and, in certain cases, transportation costs payable by customers. Gross sales, or sales income as used elsewhere in this annual report, of coal equals the invoiced amount of coal sold less returns and discounts. In 2013, we produced approximately 73.8 million tonnes of raw coal and sold approximately 104.0 million tonnes of coal, which included approximately 30.2 million tonnes of coal that was purchased externally from third parties for trading. In 2011, 2012 and 2013 our sales income of coal was approximately RMB45,181.2 million, RMB56,200.6 million and RMB54,444.8 million, respectively, which represented approximately 96.0%, 96.7% and 96.5%, respectively, of our total sales income. Domestic sales income of coal accounted for 80.7%, 82.9% and 83.2% and overseas sales income of coal accounted for 19.3%, 17.1% and 16.8% of our total sales income of coal during 2011, 2012 and 2013, respectively.

Railway Transportation Business

We own a railway network spanning over 200 kilometers, which we use primarily to transport coal, as well as other goods upon the request of our railway transportation customers. To facilitate our production and sales of coal, we provide railway transportation services to our coal customers and the Yankuang Group. The annual transport volume on our railway network has remained steady in recent years. In 2013, we transported a total of approximately 18.3 million tonnes of goods on our railway network, compared to approximately 17.5 million tonnes in 2012 and approximately 18.1 million tonnes in 2011.

We derive income from our railway transportation services through the delivery of (i) coal purchased from us on an ex-mine basis, an arrangement where customers separately bear the cost of transporting the coal they purchase to a designated location, and (ii) goods other than coal that we deliver on behalf of customers who engage us exclusively for our railway transportation services. In 2013, income from our railway transportation services totaled approximately RMB457.9 million.

Coal Chemical Business

Our coal chemical operations consist primarily of the production and sale of methanol. Prior to April 2012, we had two subsidiaries engaged in methanol operations: Yulin Nenghua and Shanxi Nenghua. Shanxi Nenghua ceased production in April 2012 due to a shortage in supply of raw materials. Yulin Nenghua's methanol plant, which has a production capacity of 600,000 tonnes per annum, commenced commercial operations in August 2009. In 2011, Yulin Nenghua and Shanxi Nenghua (through its wholly owned subsidiary Tianhao Chemicals) produced a total of approximately 532,000 tonnes and sold 529,000 tonnes of methanol, generating sales income of approximately RMB1,059.3 million. In 2012, Yulin Nenghua and Shanxi Nenghua produced a total of approximately 572,000 tonnes and sold 574,000 tonnes of methanol, generating sales income of approximately RMB1,118.0 million. In 2013, Yulin Nenghua produced a total of approximately 609,000 tonnes and sold 599,000 tonnes, generating sales income of approximately RMB1,155.7 million. In addition, Ordos Neng Hua is constructing a 600,000-tonne methanol project in Ordos City in the Inner Mongolia Autonomous Region which will have a production capacity of 600,000 tonnes per annum, which we expect to become operational in the first half of 2014.

Electric Power Business

We own and operate seven power plants, with total installed capacity of 218 MW, which generate electric power primarily for internal use and, to a lesser extent, external sales. The six cogeneration power plants operated by Hua Ju Energy are able to generate both electric power and heat. We ceased production at the power plant operated by Shanxi Nenghua on January 1, 2012 due to high fuel costs. We are in the process of disposing this power plant together with Tianhao Chemical's methanol assets. In 2012, we generated a total of approximately 1,155.2 million kWh of electricity and sold approximately 856.4 million kWh of electricity, generating approximately RMB323.6 million in revenue. In 2013, we generated a total of approximately 1,234.4 million kWh of electricity and sold approximately 879.1 million kWh of electricity, generating approximately RMB332.1 million in revenue. In addition, Heze Nenghua is constructing a power plant over two phases with an installed capacity of 300 MW each. We expect Phase 1 of the power plant to become operational in mid-2014.

Heat Supply Business

In 2013, we produced approximately 1.3 million steam tonnes of heat and sold approximately 50,000 steam tonnes of heat, generating sales revenue of approximately RMB11.2 million.

Factors Affecting Our Results of Operations

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

Conditions and regulations affecting the coal mining industry

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

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

Demand for coal

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

Acquisition and expansion

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

Exchange rate fluctuations

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

Product mix

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

Production capacity

Our results of operations and future growth prospects are affected by our coal production capacity. Our production capacity and production volume may be affected by the macroeconomy and customer demand. Our production capacity and volume will also depend on our ability to obtain necessary capital and required approvals and permits, as well as production capacity, customer demand and general economic factors. We will continue to focus on increasing our production capacity by developing our existing projects and potential domestic and international acquisitions. Increasing our production capacity also increases costs, expenses and capital expenditures.

Coal prices

The selling prices of our coal products are influenced by price fluctuations in the PRC domestic market and the global market. In addition, potential reduction in the production in high cost coal producing regions are expected to provide support for coal price going forward. In the long run, coal prices are expected to increase as a result of growing demand for coal to fuel industrialization and urbanization and steady production increase due to higher royalties and environmental and social related costs.

Cost of sales

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

Transportation volume and cost

We primarily use railways and highways and, to a lesser extent, domestic and international shipping lanes, to transport coal. We primarily rely on the national railway system in the PRC and railway systems operated by third parties in Australia to transport our coal. In addition, we also utilize our private railway network to transport other goods upon the request of our railway transportation customers. We also transport coal on the national railway system to ports, from which we ship coal to our customers. Railway, waterway and roadway transportation costs are charged by carriers who deliver our coal products to our customers. Our revenue and results of operations may be affected by fluctuations in the transportation volume and capacity of national and state railway systems and of our own railway assets, as well as fluctuations in the costs associated with transporting coal to our customers.

Coal resources and reserves

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

Results of Operations

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

	2011		2012		2013	
	RMB (million) (Restated)	%	RMB (million) (Restated)	%	RMB (million)	%
Total revenue	47,065.8	100.0	58,146.2	100.0	56,401.8	100.0
Gross sales of coal	45,181.2	96.0	56,200.6	96.7	54,444.8	96.5
Railway transportation service income	476.9	1.0	464.1	0.8	457.9	0.8
Gross sales of electric power	328.0	0.7	323.6	0.6	332.1	0.6
Gross sales of methanol	1,059.3	2.3	1,118.0	1.9	1,155.7	2.0
Gross sale of heat supply	20.5	0.0	39.9	0.1	11.2	(0.1)
Transportation costs of coal	(1,248.3)	(2.7)	(2,104.2)	(3.6)	(2,024.2)	(3.6)
Cost of sales and service provided	(25,986.7)	(55.2)	(42,149.0)	(72.5)	(42,511.8)	(80.7)
Cost of electric power	(362.5)	(0.8)	(330.8)	(0.6)	(320.5)	(0.6)
Cost of methanol	(930.2)	(2.0)	(911.2)	(1.6)	(850.8)	(1.5)
Cost of heat supply	(13.8)	0.0	(25.1)	0.0	(6.7)	(0.1)
Gross profit	18,524.3	39.4	12,625.8	21.7	10,687.8	18.9
Selling, general and administrative expenses	(6,570.2)	(13.9)	(7,987.6)	(13.7)	(10,380.7)	(18.4)
Share of profit of associates	68.9	0.1	142.0	0.2	233.9	0.4
Share of loss of jointly ventures	—	0.0	(191.6)	0.3	(376.0)	(0.7)
Other income	1,075.8	2.3	2,930.4	5.0	1,020.6	1.8
Interest expense	(839.3)	(1.8)	(1,448.7)	(2.5)	(1,765.8)	(3.1)
Profit/(Loss) before income taxes	12,259.5	26.0	6,070.4	10.4	(580.3)	(1.0)
Income taxes	(3,466.9)	(7.4)	(36.2)	(0.1)	394.8	0.7
Profit/(Loss) for the year	<u>8,792.6</u>	<u>18.7</u>	<u>6,034.2</u>	<u>10.4</u>	<u>(185.5)</u>	<u>(0.3)</u>
Attributable to:						
Equity holders of the Company	8,745.1	18.6	6,065.6	10.4	777.4	1.4
Non-controlling interests	47.5	0.1	(31.4)	0.1	(962.8)	(1.7)

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

Total revenue

Our total revenue decreased RMB1,744.4 million, or 3.0%, from approximately RMB58,146.2 million in 2012 to approximately RMB56,401.8 million in 2013. Our gross sales of coal, which accounted for 96.5% of our total revenue in 2011, decreased by RMB1,755.8 million, or 3.1%, from approximately RMB56,200.6 million in 2012 to approximately RMB54,444.8 million in 2013. The decrease in gross sales of coal was primarily due to the decrease of the average selling price led by weak demand for coal in both domestic and overseas markets. In 2013, our average selling price of coal products decreased by approximately RMB80.7 per tonne, from RMB604.3 to RMB523.5 per tonne, a 13.4% decrease from 2012. Our sales volume of coal products increased 11.8% from approximately 93.0 million tonnes in 2012 to 104.0 million tonnes in 2013.

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

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

Transportation costs of coal

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

Cost of sales and services provided

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

Cost of electric power

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

Cost of methanol

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

Cost of heat supply

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

Selling, general and administrative expenses

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

Share of income of associates

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

Share of loss of joint ventures

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

Other income

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

Interest expenses

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

Loss before income tax

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

Income tax gain

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

Loss for the year

As a result, we recorded loss for the year of approximately RMB185.5 million in 2013, as compared to profit for the year of approximately RMB6,034.2 million in 2012. In particular, net profit from our trading of externally purchased coal in 2013 was approximately RMB125.8 million. The profit attributable to equity holders of the Company decreased by RMB5,288.2 million, or 87.2%, from approximately RMB6,065.6 million in 2012 to approximately RMB777.4 million in 2013.

Year Ended December 31, 2012 Compared with Year Ended December 31, 2011

Total revenue

Our total revenue in 2012 increased by RMB11,080.4 million, or 23.5%, from RMB47,065.8 million to approximately RMB58,146.2 million. Our gross sales of coal, which accounted for 96.7% of our total revenue in 2012, increased by RMB11,019.4 million, or 24.4%, to RMB56,200.6 million in 2012. This reflected an increase in coal sales volume of 29.9 million tonnes, or 46.5%, primarily due to an increase in the sales volume of externally purchased coal, an increase in the sales volume of coal in Australia and an increase in the sales volume of coal by Ordos Nenghua, partially offset by a decrease in the average selling price of our coal products by RMB108.4 per tonne, or 15.3%, from RMB709.1 per tonne in 2011 to RMB599.3 per tonne in 2012, as the result of the weak demand for coal caused by the global economic slowdown.

In 2012, the transportation volume of our railway assets was approximately 17.5 million tonnes, representing a decrease of approximately 0.6 million tonnes, or 3.2%, compared to 2011. Our railway transportation services income (income from transported volume settled on the basis of ex-mine prices and special purpose railway transportation fees borne by customers) decreased by RMB12.8 million, or 2.7%, from approximately RMB476.9 million in 2011 to approximately RMB464.1 million in 2012. Our gross sales of electric power decreased by RMB4.4 million, or 1.3%, from approximately RMB328.0 million in 2011 to RMB323.6 million in 2012. This decrease was due to decreased power generation and sales of electric power in 2012, in part due to the high cost of fuel as a result of which we shut down power generation operations at Shanxi Nenghua beginning January 1, 2012. Our gross sales of methanol increased by RMB58.7 million, or 5.5%, from approximately RMB1,059.3 million in 2011 to approximately RMB1,118.0 million in 2012. This increase was primarily due to the increased production and sales volumes by Yulin Nenghua. Our gross sales of heat supply increased by RMB19.4 million, or 94.6%, from approximately RMB20.5 million in 2011 to approximately RMB39.9 million in 2012. This increase was primarily due to our provision of heat supply to more customers for a longer duration as compared with 2011.

Transportation costs of coal

Transportation costs of coal primarily consist of railway, waterway and roadway transportation costs charged by carriers that deliver our coal products to our customers. Our coal transportation costs increased by RMB855.9 million, or 68.6%, from approximately RMB1,248.3 million in 2011 to approximately RMB2,104.2 million in 2012, primarily due to the increase in the sales volume of coal. Coal transportation costs in 2012 consisted of transportation costs of approximately RMB281.8 million for coal sold in the PRC and approximately RMB1,822.4 million for coal sold outside of the PRC.

Cost of sales and services provided

Our cost of sales and railway transportation services consists of the costs of our coal business and railway transportation business, which primarily consist of wages and employee benefits, purchases of coal from third parties for trading purposes, materials, land subsidence, restoration, rehabilitation and environmental costs, depreciation and amortization expenses and business tax and surcharges. Our cost of sales and services provided increased by RMB16,162.3 million, or 62.2%, from approximately RMB25,986.7 million in 2011 to approximately RMB42,149.0 million in 2012, primarily due to an increase of approximately RMB11,974.0 million in the cost of traded coal as a result of an increase in the volumes of coal we purchased from third parties for trading purposes. In addition, cost of sales of traded coal is generally higher than cost of sales of our in-house coal products because purchase prices from other coal mining companies and trading companies are higher than the production cost of our in-house coal products. The increase in our cost of sales and services provided was also caused by an increase of approximately RMB1,435.9 million in wages and employee benefits as a result of an increase in employee headcount.

Cost of electric power

Our cost of electric power operations primarily consists of raw material and labor costs incurred to generate electric power. Our cost of electric power decreased by RMB31.7 million, or 8.7%, from approximately RMB362.5 million in 2011 to approximately RMB330.8 million in 2012, primarily due to decreased power generation at the power plants operated by Hua Ju Energy and Yulin Nenghua, as well as the closure of Shanxi Nenghua's power plant due to high fuel costs.

Cost of methanol

Our cost of methanol primarily consists of raw materials, labor costs, depreciation and other manufacturing overhead. Our cost of methanol decreased by RMB19.0 million, or 2.0%, from approximately RMB930.2 million in 2011 to approximately RMB911.2 million in 2012 primarily because the methanol project at Shanxi Nenghua ceased production due to a shortage of raw materials in April 2012.

Cost of heat supply

Our cost of heat supply primarily consists of raw materials and labor in our heat supply business. Our cost of heat supply increased by RMB11.3 million, or 81.9%, from approximately RMB13.8 million in 2011 to approximately RMB25.1 million in 2012, primarily due to an increase of 60,000 steam tonne in heat supply sold.

Selling, general and administrative expenses

Our selling, general and administrative expenses increased by RMB1,417.4 million, or 21.6%, from approximately RMB6,570.2 million in 2011 to approximately RMB7,987.6 million 2012, primarily due to increases in impairment losses on intangible assets, goodwill and inventories of approximately RMB575.7 million, and RMB214.1 million in distribution charges.

Share of income of associates

Our share of income from associates increased by RMB73.0 million, or 106.0%, from approximately RMB68.9 million in 2011 to RMB142.0 million in 2012, due to an increase in our income of RMB82.6 million from Huadian Zouxian Power Generation Company Limited (“Huadian Zouxian”).

Other income

Our other income increased significantly by RMB1,854.7 million, or 172.4%, from approximately RMB1,075.8 million in 2011 to approximately RMB2,930.4 million in 2012. This increase was primarily due to a gain in bargain purchase in the sum of RMB1,269.3 million arising from our acquisition of Gloucester, resulting from a decrease in the market capitalization and market price of the consideration shares, as well as an increase of RMB364.6 million in bank deposit interest and exchange gains of RMB195.6 million from Yancoal Australia.

Interest expenses

Our interest expenses increased by RMB609.4 million, or 72.6%, from approximately RMB839.3 million in 2011 to RMB1,448.7 million in 2012, mainly due to the issuance of corporate bonds in the amount of US\$1.0 billion and an increase in bank loans in 2012.

Profit before income tax

As a result of the foregoing, our profit before income taxes decreased by approximately RMB6,189.18 million, or 50.5%, from approximately RMB12,259.5 million in 2011 to RMB6,070.4 million in 2012.

Income tax expenses

Our income tax decreased by RMB3,430.7 million, or 99.0%, from approximately RMB3,466.9 million in 2011 to approximately RMB36.2 million in 2012, primarily due to a decrease in current income tax expenses of RMB1,725.2 million and a decrease in the income tax expenses in our Australian subsidiaries of RMB1,085.2 million caused by an increase in its deferred tax assets related to the implementation of MRRT.

Profit for the year

As a result, our profit for the year decreased by RMB2,758.4 million, or 31.4%, from approximately RMB8,792.6 million in 2011 to approximately RMB6,034.2 million in 2012. The profit attributable to equity holders of the Company decreased by RMB2,679.5 million, or 30.6%, from RMB8,745.1 million in 2011 to approximately RMB6,065.6 million in 2012. In particular, net profit from our trading of externally purchased coal in 2012 was approximately RMB28.0 million, which represented approximately 0.45% of our profit for the year.

Segment Information

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

	2011		2012		2013	
	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)					
Coal mining revenue	45,468.5	96.6	56,419.8	97.0	54,901.0	97.3
Railway transportation revenue	528.6	1.1	496.6	0.9	501.2	0.9
Methanol, electricity and heat supply revenue	1,664.1	3.5	1,765.9	3.0	1,792.1	3.2
Unallocated and eliminations	(595.3)	(1.3)	(536.2)	(0.9)	(792.4)	(1.4)
Gross revenue	47,065.8	100.0	58,146.2	100.0	56,401.8	100.0

We are mainly engaged in the mining, washing, processing and railway distribution of coal. For the year ended December 31, 2013, we derived our revenue mainly derived from coal sales in the PRC.

B. Liquidity and Capital Resources

Our principal sources of liquidity in 2013 were proceeds from bank borrowings, offering of RMB denominated short term notes and non-public issuance of financing instruments and the cash generated from our operating activities. In 2013, we primarily utilized cash to pay our operating expenses, purchase property, machinery and equipment, finance acquisitions and pay dividends to shareholders.

Our principal sources of liquidity in 2012 were proceeds from bank borrowings, the RMB-denominated corporate bonds we issued in 2012 (the “RMB Bond Offering”) and the US\$-denominated corporate bonds we issued in 2012 (the “US\$ Bond Offering”) and the cash generated from our operating activities. Our primary sources of cash in 2011 were cash flows from operating activities and bank borrowings. We used cash primarily to finance working capital, fund payments of interest and principal due on our indebtedness, finance acquisitions and fund capital expenditures and the growth and expansion of our facilities and operations.

Taking into account our cash and cash equivalents on hand, our available credit facilities, cash generated from our future operations and the proceeds from the offering of RMB denominated short term notes and non-public issuance of financing instruments, we believe we have sufficient working capital to meet our financial requirements for at least the next 12 months from the date of this annual report. As of December 31, 2013, we had cash and cash equivalents of approximately RMB10,922.6 million.

We conduct our operations directly and through our operating subsidiaries, some of which we do not wholly own, are joint ventures or are public companies. Therefore, we may not be able in all circumstances to allocate our free cash flow as we would like among our subsidiaries. In addition, PRC law restricts the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances. PRC regulations currently permit payment of dividends by PRC companies only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, under current PRC laws, regulations and accounting standards, each subsidiary is required to allocate at least 10% of its after-tax profit based on PRC accounting standards to its statutory common reserve fund each year until the cumulative amount of these reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. As of December 31, 2013, the required deductions attributable to these statutory common reserve funds amounted to approximately RMB5,511.3 million.

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

Cash Flows

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

	Year Ended December 31,		
	2011	2012	2013
	(RMB'000)		
Net cash from / (used in) operating activities	17,977.3	6,503.6	(2,201.1)
Net cash used in investing activities	(25,611.0)	(3,187.4)	(13,504.4)
Net cash from financing activities	9,441.0	1,145.1	13,286.9
Net increase / (decrease) in cash and cash equivalents	1,807.3	4,461.4	(2,418.5)
Cash and cash equivalents as of end of year	8,145.3	12,717.4	10,922.6

Cash flow from / (used in) operating activities

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

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

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

Net cash from operating activities was approximately RMB17,977.3 million in 2011, and included profit before income taxes of approximately RMB12,259.5 million, adjustments for non-cash items of approximately RMB4,053.8 million, and positive changes in working capital of approximately RMB4,082.3 million. Adjustments for non-cash items primarily consisted of (i) depreciation of property, plant and equipment of approximately RMB2,266.0 million; (ii) interest expenses of approximately RMB839.3 million; and (iii) amortization of intangible assets of approximately RMB720.0 million. Positive changes in working capital primarily consisted of (i) a decrease in bills and accounts receivables of approximately RMB2,800.2 million; (ii) an increase in bills and accounts payables of approximately RMB537.8 million; (iii) an increase in land subsidence, restoration, rehabilitation and environmental costs of approximately RMB556.7 million; and (iv) an increase in other payables and accruals of approximately RMB531.3 million, partially offset by an increase in prepayments and other current assets of approximately RMB730.7 million.

Cash flows used in investing activities

Net cash used in investing activities was approximately RMB13,504.4 million in 2013, and primarily consisted of purchase of property, plant and equipment of approximately RMB10,221.4 million, increase in term deposits of approximately RMB1,286.1 million and our investment of approximately RMB802.1 million to acquire Haosheng Company.

Net cash used in investing activities was approximately RMB3,187.4 million in 2012, and primarily consisted of purchase of property, plant and equipment of approximately RMB6,230.4 million and purchase of intangible assets of approximately RMB1,330.1 million, which were partially offset by a decrease in term deposits of approximately RMB6,356.3 million.

Net cash used in investing activities was approximately RMB25,611.0 million in 2011, and primarily consisted of (i) acquisition of assets and equity of approximately RMB9,620.0 million; (ii) purchase of property, plant and equipment of approximately RMB8,619.5 million; and (iii) increase in term deposits of approximately RMB6,975.5 million.

Cash flows from (used in) financing activities

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

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

Net cash from financing activities was approximately RMB9,441.0 million in 2011, and primarily consisted of bank borrowings of approximately RMB16,712.3 million, partially offset by (i) dividend payments of approximately RMB2,901.9 million; and (ii) the repayment of bank borrowings of approximately RMB4,367.1 million.

Inventories

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

	As of December 31,		
	2011	2012	2013
	(RMB in millions)		
Methanol	11.8	9.5	23.0
Auxiliary materials, spare parts and small tools	414.5	507.6	495.3
Coal products	965.0	1,048.5	1,070.9
Total	1,391.2	1,565.5	1,589.2

Our inventories increased from approximately RMB1,391.2 million as of December 31, 2011 to RMB1,565.5 million as of December 31, 2012, primarily due to increases in our inventory of auxiliary materials, spare parts and small tools and coal products. Our inventories increased slightly from approximately RMB1,565.5 million as of December 31, 2012 to RMB1,589.2 million as of December 31, 2013.

Bills and Accounts Receivables

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

	As of December 31,		
	2011	2012	2013
	(RMB in millions)		
Accounts receivable	818.0	928.9	1,469.7
Less: Impairment loss	(4.2)	(2.5)	(8.3)
	813.8	926.4	1,461.4
Total bills receivable	6,498.3	6,533.2	7,558.1
Total bills and accounts receivable, net	7,312.1	7,459.6	9,019.5

Our bills and accounts receivable increased from approximately RMB7,312.1 million as of December 31, 2011 to RMB7,459.6 million as of December 31, 2012. Our bills and accounts receivable increased from approximately RMB7,459.6 million as of December 31, 2012 to RMB9,019.5 million as of December 31, 2013, primarily due to the increase of bills we received for the payment of coal in 2013 caused by the weak demand of coal. We allow a range of credit periods to our trade customers which take into account the credit rating of our customers. Our credit periods do not exceed 180 days.

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

	As of December 31,		
	2011	2012	2013
	(RMB in millions)		
0 - 90 days	4,037.9	3,423.0	8,685.1
91 - 180 days	3,274.2	3,954.4	316.7
181 - 365 days	—	80.8	4.7
Over 1 year	—	1.4	13.0
Total	7,312.1	7,459.6	9,019.5

Before accepting any new customer, we assess the potential customer's credit quality and define credit limits by customer. Limits attributed to customers are reviewed once a year. In 2011, 2012 and 2013, we did not have any significant trade receivables that were past due but not yet impaired as of the balance sheet dates above. We do not hold any collateral over these balances. The average ages of these receivables were 86 days, 96 days and 49 days for 2011, 2012 and 2013, respectively. Our management closely monitors the credit quality of accounts receivables and considers the balances that are neither past due nor impaired to be of good credit quality.

We have provided fully for all accounts receivables over three years because our experience is such that receivables that are past due beyond three years are generally not recoverable. Receivables aged over four years are considered irrecoverable by management and are written off. We wrote off our receivables of approximately RMB3.3 million in 2012. We did not write off any of our receivables in 2011 and 2013. The following table sets forth an analysis of our impairment losses on bills and accounts receivables:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	<u>(RMB in millions)</u>		
Balance at January 1	5.4	4.1	2.5
Provided for the year	—	0.005	21.4
Reversal	<u>(1.3)</u>	<u>(1.6)</u>	<u>(15.6)</u>
Balance at December 31	<u>4.1</u>	<u>2.5</u>	<u>8.3</u>

Our allowance for doubtful debts in 2011, 2012 and 2013 were approximately RMB4.1 million, RMB2.5 million and RMB8.3 million, respectively, for individually impaired trade receivables, which were primarily receivables from corporate customers in the PRC and considered irrecoverable by management after considering the credit quality of those individual customers, the ongoing relationship with us and the aging of these receivables. The recognized impairment represents the difference between the carrying amount of these trade receivables and the present value of the amounts. We do not hold any collateral over these balances.

Prepayments and Other Receivables

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

	<u>As of December 31,</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
	<u>(RMB in millions)</u>		
Advances to suppliers	738.4	692.0	1,181.3
Deposit for environment protection	651.7	813.2	719.8
Prepaid relocation costs of inhabitants	1,714.5	1,877.9	2,193.0
Others	<u>520.3</u>	<u>813.8</u>	<u>1,165.5</u>
Total	<u>3,624.8</u>	<u>4,197.0</u>	<u>5,259.6</u>

Our prepayments and other receivables increased from approximately RMB3,624.8 million as of December 31, 2011 to RMB4,197.0 million as of December 31, 2012, primarily due to tax expenses of approximately RMB178 million payable by our subsidiaries and a resettlement compensation of RMB59 million payable by the previous owner of Wenyu Coal Mine. Our prepayments and other receivables increased from approximately RMB4,197.0 million as of December 31, 2012 to RMB5,259.6 million as of December 31, 2013, primarily due to the increase of RMB848.6 million in advances to trade coal suppliers paid by our subsidiary Shandong Yanmei Rizhao Port Coal Storage and Blending Co., Ltd., which was consolidated into our financial statements in 2013.

As of December 31, 2011, 2012 and 2013, we had impairment losses of approximately RMB17.2 million, RMB25.3 million and RMB18.3 million, respectively, on our prepayments and other receivables. We did not write off any impairment losses on our prepayments and other receivables in 2011 and 2012. We wrote off prepayments and other receivables of approximately RMB481,000 in 2013.

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

Bills and Accounts Payables

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

	As of December 31,		
	2011	2012	2013
	(RMB in millions)		
Accounts payable	2,003.6	2,906.6	2,400.3
Bills payable	237.2	3,905.1	316.4
Total	2,240.8	6,811.8	2,716.7

Our bills and accounts payable increased from approximately RMB2,240.8 million as of December 31, 2011 to RMB6,811.8 million as of December 31, 2012, primarily due to an increase in bills payable related to a capital return of approximately RMB3,836.6 million to former Gloucester shareholders. Our bills and accounts payable decreased from approximately RMB6,811.8 million as of December 31, 2012 to RMB2,716.7 million as of December 31, 2013, primarily due to the capital return to former Gloucester shareholders we recorded in 2012.

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

	As of December 31,		
	2011	2012	2013
	(RMB in millions)		
1 - 90 days	1,790.7	6,384.2	2,351.8
91 - 180 days	257.4	224.5	92.9
181 - 365 days	60.9	68.6	128.7
Over 1 year	131.8	134.4	143.1
Total	2,240.8	6,811.8	2,716.7

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

Other Payables and Accrued Expenses

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

	As of December 31,		
	2011	2012	2013
	(RMB in millions)		
Customers' deposit	1,523.6	1,368.7	852.2
Accrued wages	1,047.1	1,084.2	1,054.5
Other taxes payable	431.7	204.1	280.1
Payables in respect of purchases of property, plant and equipment and construction materials	2,733.7	3,662.8	1,268.4
Accrued freight charges	3.9	9.4	2.3
Accrued repairs and maintenance	35.0	51.2	19.2
Staff welfare payable	94.1	187.6	242.7
Withholding tax payable	0.6	7.3	0.7
Deposits received from employees	12.8	24.7	14.0
Coal price adjustment fund	47.1	52.0	—
Accrued land subsidence, restoration, rehabilitation and environmental costs	0.5	1.4	56.8
Payable on compensation fee of mining rights	552.7	—	—
Interest payable	243.4	395.8	540.9
Payable on acquisition of Haosheng's equity	—	—	2,519.3
Others	618.5	1,964.5	1,534.0
Total	7,344.8	9,013.8	8,385.1

Our other payables and accrued expenses increased from approximately RMB7,344.8 million as of December 31, 2011 to RMB9,013.8 million as of December 31, 2012, primarily due to an resources compensation disbursement of RMB443 million payable to Yankuang Group and a deferred income liability of RMB298 million as the result of the merger with Gloucester. Our other payables and accrued expenses decreased from approximately RMB9,013.8 million as of December 31, 2012 to RMB8,385.1 million as of December 31, 2013, primarily due to our settlements with suppliers for purchases of property, plant and equipment and construction materials before December 31, 2013.

Working Capital and Liabilities

We have historically maintained sufficient working capital for our operations. Our principal source of cash in 2013 was cash generated from operating activities, offering of RMB denominated short term notes and non-public issuance of financing instruments and bank borrowings.

As of December 31, 2013, we recorded net current assets of approximately RMB2,708.4 million. Our current assets increased by RMB1,690.9 million, from RMB29,833.5 million as of December 31, 2012 to RMB31,524.4 million as of December 31, 2013, primarily as a result of an increase in bills and accounts receivable of approximately RMB1,559.9 million, an increase in term deposits of approximately RMB1,254.2 million and an increase in prepayments and other receivables of approximately RMB1,062.6 million. The increase was partially offset by a decrease in bank balances and cash of approximately RMB1,794.8 million. Our current liabilities increased by RMB193.3 million, from approximately RMB28,622.7 million as of December 31, 2012 to RMB28,816.0 million as of December 31, 2013, primarily due to an increase in borrowings due within one year of approximately RMB3,562.5 million and a contingent value rights share liabilities of approximately RMB1,408.7 million, which was partially offset by a decrease in bills and accounts payable of approximately RMB4,095.1 million.

As of December 31, 2012 and 2013, we had cash and cash equivalents of approximately RMB12,717.4 million and RMB10,922.6 million, respectively. Our cash and cash equivalents primarily consist of cash on hand and demand deposits with original maturities of three months or less that are placed with banks and other financial institutions.

As of December 31, 2012 and 2013, we had outstanding bank borrowings of approximately RMB40,996.4 million and RMB55,375.1 million, respectively. The following table sets forth the maturity profile of our bank borrowings as of the dates indicated:

	<u>As of December 31,</u>	
	<u>2012</u>	<u>2013</u>
	(RMB in millions)	
Less than one year	7,712.6	11,275.0
One to three years	2,079.9	13,254.4
Three to five years	7,593.1	6,277.3
More than five years	23,610.8	24,568.3
Total	40,966.4	55,375.0

As of December 31, 2013, the interest rates relating to our bank borrowings ranged from 1.00% to 7.18% per annum. The interest rates for these bank borrowings are variable rates that are subject to adjustment based on the interest rate set by the PBOC or LIBOR. As of December 31, 2013, all of our bank loans carry variable interest rates. As of the date of this annual report, our bank borrowings were denominated in Renminbi, U.S. dollars, Australian dollars and Euro. As of December 31, 2013, our total bank loans denominated in Renminbi amounted to approximately RMB20.1 billion, our total bank loans denominated in U.S. dollars amounted to approximately US\$5.6 billion, our total bank loans denominated in Australian dollars amounted to approximately A\$49.3 million and our total bank loans denominated in Euro amounted to approximately €0.1 billion. See Note 35 of the consolidated financial statements for more information on our borrowings. The interest expenses and exchange rate fluctuations associated with our bank borrowings may impair our future profitability.

We have, and in the future may continue to have, substantial debt. As of December 31, 2013, our long-term debt to equity ratio was 100.3%. The interest expenses associated with these debts may impair our future profitability. We may issue additional long term debts to finance short term cash flow requirements as necessary.

Capital Expenditures

Our principal capital expenditures, incurred for the purchase and construction of property, plant and equipment, increased by RMB2,520.6 million, or 38.1%, from approximately RMB6,623.6 million in 2012 to approximately RMB8,129.2 million in 2013. The increase was primarily due to an increased in the capital expenditure of the Company, Ordos Neng Hua and Haosheng Company of approximately RMB794.4 million, RMB1,092.3 million and RMB765.5 million, respectively, which was partially offset by a decrease in the capital expenditure of Yancoal Australia of approximately RMB818.3 million.

Our estimated capital expenditures for 2014 are in the amount of RMB9,414.2 million. We plan to finance our capital commitments primarily through a combination of funds generated from operations, bank borrowings and the proceeds of the offerings of corporate bonds. The following table sets forth our estimated capital expenditures for 2014 and actual capital expenditures we incurred in 2013.

<u>Companies</u>	<u>Estimated capital expenditure for 2014</u>	<u>Capital expenditure incurred in 2013</u>
	<u>(RMB in millions)</u>	
The Company	2,170.0	2,149.8
Shanxi Nenghua	123.7	49.9
Yulin Nenghua	93.7	25.9
Heze Nenghua	862.4	1,123.0
Huaju Energy	93.9	39.2
Ordos Neng Hua	2,863.2	3,118.4
Haosheng Company	729.6	765.5
Yancoal Australia	2,183.0	1,343.1
Yancoal International (Holding)	294.7	529.4
Total	9,414.2	9,144.2

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

One of our core strategies is to maintain our competitiveness and increase the efficiency of our mining operations through technology and innovation. In line with our development strategy with a focus on technology innovation, we have established a multilayer system for integrating new technology into our operations consisting of various entities, including a technology committee, a professional committee, a technology center, as well as relationships with external institutions or organizations with specialized technology development capacities. We have accumulated extensive experience and expertise in coal mining and coal processing procedures, particularly with respect to the underground raw coal mining technology. For example, our independently developed longwall top caving mining method has been adopted by various international coal mining enterprises such as DBT and has been awarded the State Scientific and Technological Progress Award (Second Class) by the National Office for Science and Technology Awards of the PRC in 2009. In 2013, we completed 70 technology improvement projects, among which, 22 projects have reached an international advanced level. In addition, we obtained 71 patents and received 18 technological awards in 2013, which have enhanced our coal mining and related business operations. Our expenditures for research and development were RMB119.2 million, RMB301.6 million and RMB277.2 million in 2011, 2012 and 2013, respectively, accounting for 0.2%, 0.5% and 0.5%, respectively, of our total sales income for the same periods.

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

- increased our production efficiency by utilizing improved mining extraction equipment;
- extended the length of certain longwall coal mine faces to approximately 300 meters, which reduced our tunneling, support equipment and related costs;
- reduced the number of coal pillars required to support mining areas, thereby enhancing our recovery;
- patented our advanced technology for longwall top caving mining in the PRC, Australia and South Africa. We believe the use of our longwall caving extraction technology reduces the per-tonne production cost of our operations and improves the production efficiency;
- conducted research projects that contributed to the development and export of the technology for advanced two-pillar hydraulic roof supports for the top coal caving process; Bucyrus International, Inc., the largest coal mining equipment supplier worldwide, signed a technology license agreement to manufacture and use the longwall top caving coal mining equipment in Australia;
- cooperated with Peabody to trial and commercialize longwall top caving coal mining equipment; and
- implemented various innovative projects to improve equipment installation, safety, energy conservation and environmental protection measures in our coal mining operations.

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

D. Trend Information

Outlook for the Coal Market

The global economic recovery is expected to be modest in 2014. China will continue to restructure its economy and transform its economic growth mode. The international energy consumption structure is expected to change. We expect the demand and supply of coal in both the international and domestic coal markets to be relatively balanced. As a result, we expect the coal price will fluctuate slightly. We intend to sell approximately 105 million tonnes of coal in 2014.

Outlook for the PRC Methanol Market

In 2014, we expect that supply will continue to exceed demand in the domestic methanol market. The demand for methanol remains weak due to governmental control policies with respect to environmental protection and elimination of backward production capacity of certain high energy-consumption industries as well as the excess capacity in methanol industry.

E. Off-balance Sheet Arrangements

As of December 31, 2013, other than the capital expenditure commitments and contractual obligations disclosed in this annual report, we did not have any off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations and commercial commitments as of December 31, 2013:

	Payments Due by Period				
	<u>Total</u>	<u>Less than one Year</u>	<u>One to three years</u>	<u>Three to five years</u>	<u>More than five years</u>
(RMB in millions)					
Contractual Obligations					
Unsecured bank borrowings	17,103.7	4,604.6	11,255.0	1,234.1	10.0
Secured bank borrowings	19,150.3	629.7	1,892.9	—	16,627.7
Finance leases	1,800.0	—	—	1,200.0	600.0
Guaranteed notes	267.5	42.9	106.5	106.5	11.6
Loans pledged by machineries	17,053.6	5,997.9	—	3,736.7	7,319.0
Capital commitments for the acquisition of assets	2,414.5	2,414.5	—	—	—
Mining right compensation fee	1,625.1	436.2	792.6	396.3	—
Amounts due to Controlling Shareholder and its subsidiaries	44.8	44.8	—	—	—
Total	<u>59,459.4</u>	<u>14,170.5</u>	<u>14,047.0</u>	<u>6,673.6</u>	<u>24,568.3</u>

The following table sets forth our consolidated interest-bearing borrowings as of December 31, 2012 and 2013:

	As of December 31,	
	<u>2012</u>	<u>2013</u>
	(RMB in millions)	
Secured bank borrowings	18,625.7	19,150.3
Unsecured bank borrowings	8,900.1	17,103.7
Total	<u>27,529.9</u>	<u>36,254.0</u>

Secured Bank Borrowings

As of December 31, 2013, we had secured bank loans outstanding of approximately RMB19,150.3 million (approximately US\$3,163.5 million), which primarily consisted of secured bank borrowings obtained for financing the acquisition of Felix in 2009. The borrowings are guaranteed by the Company and counter-guaranteed by our Controlling Shareholder. The borrowings are secured by a portion of our term deposits. As of December 31, 2013, we had term deposits of approximately RMB104,948 million that secured bank borrowings.

Borrowings of RMB5,825.8 million (US\$962.4 million) carried interest at three-month LIBOR plus a margin of 0.75% (approximately 0.99%) and borrowings of RMB303.4 million (US\$50.1 million) carried interest at three-month LIBOR plus a margin of 0.8% (approximately 1.04%). The borrowings of approximately RMB11,101.2 million (approximately US\$1,833.8 million) carried interest at three-month LIBOR plus 2.8% (approximately 3.04%). Other borrowings incurred in connection with our acquisition of Gloucester, amounting to approximately RMB90.9 million, (approximately US\$15.0 million) carried interest at 5.68%. We have obtained waiver from the bank in Australia to waive certain debt covenant requirements prior to December 31, 2013. For more information on our secured borrowings, please see Note 35 to the consolidated financial statements.

Unsecured Bank Borrowings

We had unsecured bank borrowings of RMB17,103.7 million as of December 31, 2013, including a loan in the amount of RMB4.6 billion (US\$755.0 million), carrying interest at three-month LIBOR plus a margin of 1.8% to 3.5% per annum, obtained by Yancoal International to replace the other loans for the acquisition of potash exploration permits in Canada and a loan in the amount of RMB88 million (US\$14.5 million), carrying interest at 6.55% per annum, obtained by Shanxi Heshun Tianchi Energy Company Limited for the acquisition of Tianchi Coal Mine. For more information about our unsecured borrowings, please see Note 35 to the consolidated financial statements to this annual report.

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

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

Amounts due to Controlling Shareholder and its Subsidiaries

The amounts due to the Controlling Shareholder and its subsidiary companies do not bear any interest and are unsecured. The following table sets forth the amounts due to the Controlling Shareholder and its subsidiary companies as of December 31, 2012 and 2013.

	As of December 31,	
	2012	2013
	(RMB'000)	
Term for Repayment		
Within one year	1,767,998	44,737
More than one year, but not exceeding two years	—	—
Total due	1,767,998	44,737
Less: amounts due within one year	(1,767,998)	(44,737)
Amounts will due over one year	—	—

As of December 31, 2013, neither the Controlling Shareholder nor its subsidiaries had used our funds for non-operational matters.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with IFRS as issued by the IASB. The preparation of these financial statements requires us to make estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately. These judgments, estimates and assumptions are based on the historical experience of our management as well as other relevant factors. Actual results may differ from these estimates. We review the foregoing judgments, estimates and assumptions regularly on a going concern basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Depreciation

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

Amortization of assets

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

Provision for land subsidence, restoration, rehabilitation and environmental costs

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The determination of value in use requires us to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. As of December 31, 2013, the carrying amount of goodwill was approximately RMB2,460.6 million. During the year ended December 31, 2013, no impairment loss on goodwill was recognized by the Group. Cash flow projections during the budget period for each of the above units are based on the budgeted revenue and expected gross margins during the budget period and the raw materials price inflation during the budget period. Expected cash inflows/outflows have been determined based on past performance and management's market development expectations.

Estimated impairment of property, plant and equipment

When there are indications of impairment, we take into consideration the estimate of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. When actual future cash flows are less than expected, a material impairment loss may arise. In estimating future cash flows, management takes into account recent production and technical advancements. As price and cost levels change from year to year, the estimate of future cash flows also changes. Notwithstanding that management has considered all the available information in making their impairment assessment, inherent uncertainty exists as to the conditions of mines and the environment, and actual write-offs may be higher than the estimated amounts. As of December 31, 2013, the carrying amount of property, plant and equipment was approximately RMB41,896.5 million. During the year ended December 31, 2013, no property, plant and equipment was written off as expenses. We did not recognize any impairment loss on property, plant and equipment during the year ended December 31, 2013.

Most of the coal sales by Premier and Wesfarmers Char are governed by a contract signed with an independent power station. The remaining coal sales are to independent third parties which are sold at market prices. The contract with the power station was a required condition in order for the government to grant the mining rights to Premier and Wesfarmers Char. The sales price under the contract is below market price and Premier and Wesfarmers Char are unable to negotiate to revise the terms of the existing contract, including the sale price of coal. Given the current market price of coal and rising costs, the Company also expected that the power station may purchase more coal from Premier and Wesfarmers Char, which will drive down the Company's overall average sales prices. In 2012, a combined assessment of Premier and Wesfarmers Char, being a cash-generating unit, was performed, and hence in 2012, the Company recorded impairment on intangible assets (mining reserves and mining resources) of RMB417,214,000, property, plant and equipment (mining structures) of RMB226,925,000 and goodwill of RMB17,625,000 as selling, general and administrative expenses in its statement of comprehensive income as set out in Note 9 to the financial statements. The Company used the value-in-use method to assess the impairment and the key assumptions included the future market price of the coal, sales volume, and mining costs. The changes in these key assumptions that were applied in the impairment analysis were a decrease of the average coal price from AUD76 per tonne to AUD24 per tonne, a decrease in total sales volume from 141 million tonne to 58 million tonne, an increase in average nominal operating cost from AUD48 per tonne to AUD62 per tonne and an increase in capital expenditure from AUD460 million to AUD584 million. During the year, no provision for impairment losses were made for Premier and Wesfarmers Char by the Group.

In the process of applying our accounting policies, management has made the following accounting judgments:

Acquisitions

During the year, we acquired several subsidiaries or business as set out in Notes 43 to the consolidated financial statements included in this annual report. We determined whether acquisitions were to be accounted for as an acquisition of business or an acquisition of assets based on factors including (i) whether the acquiree has relevant input, process or output and (ii) whether the acquiree has planned principal activities or is pursuing a plan to produce output and has access to a customer base.

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

Recent Changes in Accounting Pronouncements

In the current year, we have applied, for the first time, a number of new standards and interpretations, amended and revised standards and interpretations (“new IFRSs”) issued by the IASB and the International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB which are effective for our fiscal year beginning January 1, 2012:

IFRSs (Amendments)	Annual Improvements to IFRSs 2009-2011 Cycle
IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 10, IFRS 11 and IFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 13	Fair Value Measurement
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
IAS 19 (Revised)	Employee Benefits
IAS 28 (Revised)	Investments in Associates and Joint Ventures
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described above, the accounting policies adopted for the current year are consistent with those adopted for the Group’s financial statements for the year ended December 31, 2012.

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

- **IFRS 11 Joint Arrangements**

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31-Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.

After the review and assessment made by the directors of the Company, the directors concluded that the Group’s investment which was classified as jointly controlled entities under IAS 31 should be classified as joint ventures under IFRS 11 and will continue to apply the equity method.

- **IFRS 13 Fair Value Measurement**

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for certain exemptions. IFRS 13 requires the disclosures of fair values through a “fair value hierarchy”. The hierarchy categorizes the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure fair value are categorized into different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

For disclosure relating the fair value, please refer to note 42.

- IAS 1 (Amendments) Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine applies to waste removal costs incurred during the production phase of a surface mine (“production stripping costs”). Under the Interpretation, the costs from this waste removal activity (“stripping”) which provide improved access to ore are recognized as a non-current asset (“stripping activity asset”) when certain criteria are met, whereas the costs of stripping activities where the benefit is realised in the form of inventory produced are accounted for in accordance with IAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part. When the costs of the stripping activity asset and the inventory produced are not separately identifiable, production stripping costs are allocated between the inventory produced and the stripping activity asset by using an allocation basis that is based on a relevant production measure.

Prior to the effective of IFRIC 20, stripping costs of the Group and its joint ventures which comprises the accumulation of expenses incurred to enable access to the coal seams, and includes direct removal costs, machinery and plant running costs are deferred then charged to the consolidated income statement in subsequent periods on the basis of run-of-mine (“ROM”) coal tonnes mined. This is calculated by multiplying the ROM coal tonnes mined during the year by the weighted average cost to remove a bank cubic metre (“BCM”) of waste by the stripping ratio (ratio of waste removed in BCMs to ROM coal tonnes mined). The stripping ratio of the Company’s Australian subsidiaries is based on the JORC reserves of each mine.

The requirements in IFRIC 20 differs from the Group and its joint ventures’ previous policies in that only waste stripping costs which provide improved access to ore can be capitalized when certain criteria are met, and the capitalization and amortization of waste stripping costs is undertaken at the level of individual deposits or components thereof rather than on a whole-for-mine basis. In addition, specific transitional rules are provided to deal with any opening deferred stripping balances recognised under the previous accounting policies.

As a result of the adoption of the IFRIC 20, any previously recognised asset that resulted from stripping activity undertaken during the production phase (predecessor stripping asset) is reclassified as part of the existing asset to which the stripping activity related, to the extent that there remains an identifiable component of the orebody with which the predecessor stripping asset can be associated. Such balances are then amortised over the remaining expected useful life of the identified component of the orebody to which each predecessor stripping asset balance relates. If there is no identifiable component of the orebody to which the predecessor asset relates, it has been written off through opening retained earnings at the beginning of the earliest period presented. IFRIC 20 has been applied by Group and its joint ventures prospectively to production stripping costs incurred on or after the beginning of the earliest period presented.

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine — continued

The effects of the application of IFRIC 20 on the consolidated balance sheet at January 1, 2012 and December 31, 2012 are as follows:

	Assets		Liabilities	Equity	
	Overburden in advance	Interests in joint ventures	Deferred tax liabilities	Reserves	Non-controlling interests
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At January 1, 2012 as previously reported	261,441	19,453	(3,895,304)	(37,716,090)	(690,560)
Adjustment of IFRIC 20	(261,441)	—	78,431	183,010	—
At January 1, 2012 as restated	—	19,453	(3,816,873)	(37,533,080)	(690,560)
At December 31, 2012 as previously reported	448,889	1,086,985	(7,730,127)	(40,907,956)	(3,264,842)
Adjustment of IFRIC 20	(448,889)	(88,358)	166,179	296,322	74,746
At December 31, 2012 as restated	—	998,627	(7,563,948)	(40,611,634)	(3,190,096)

IFRIC 20 had no material impact on the consolidated balance sheet as at January 1, 2011.

The effects of IFRIC 20 on the consolidated income statement for the year ended December 31, 2012 and for the year ended December 31, 2011 are as follows:

	Increase in cost of sales and service provided RMB'000	Increase in share of loss of joint ventures RMB'000	Decrease in income taxes RMB'000	Decrease in profit for the year RMB'000	Decrease in earnings per share, basic RMB'000	Decrease in earnings per ADS, basic RMB'000
For the year ended December 31, 2011	261,441	—	(78,431)	183,010	0.04	0.37
For the year ended December 31, 2012	187,448	88,358	(87,748)	188,058	0.03	0.31

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

Amendments to IFRSs	<i>Annual Improvements to IFRSs 2010-2012 Cycle²</i>
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2011-2013 Cycle²</i>
IFRS 9	<i>Financial Instruments³</i>
Amendments to IFRS 9 and IFRS 7	<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures³</i>
Amendments to IFRS 10, IFRS 12 and IAS 27	<i>Investment Entities¹</i>
Amendments to IAS 19	<i>Defined Benefit Plans: Employee Contributions²</i>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities¹</i>
Amendments to IAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets¹</i>
Amendments to IAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting¹</i>
IFRIC - Int 21	<i>Levies¹</i>

¹ Effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.

² Effective for annual periods beginning on or after July 1, 2014, except as disclosed below. Early application is permitted.

³ Available for application - the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after July 1, 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to IFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32. The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of IAS 40; and
- (b) the transaction meets the definition of a business combination under IFRS 3.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to IFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of IFRS 9 in the future may have a material impact on the amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in equity securities that are currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in other comprehensive income. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to IAS 19 will have a material impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the Company do not anticipate that the application of these amendments to IAS 32 will have a material impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to IAS 36 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to IAS 39 will have material effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

IFRIC – Int 21 Levies

IFRIC – Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of IFRIC — Int 21 will not have any material impact on the Group's consolidated financial statements as the Group does not have any levy arrangements.

The directors considered that except for the abovementioned standards or interpretations, the application of other standards or interpretations will have no material impact to the Group's financial statements.

G. Safe Harbor

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

ITEM 6. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors, Supervisors and Senior Management

The following table sets forth selected information concerning our board of directors ("Board of Directors" or "Board"), board of supervisors and executive officers as of the date of this annual report. As of the date of this annual report, our Board of Directors consists of 11 directors, including one chairman, one vice chairman, four independent directors and one employee director. All Directors serve three-year terms beginning their respective election date until the election of their respective successor.

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

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

Name	Age	Position at the Company	Date Term of Office Expires¹
<i>Directors</i>			
LI Xiyong	50	Chairman of the Board of Directors	May 2014
ZHANG Xinwen	49	Vice Chairman of the Board of Directors	May 2014
ZHANG Yingmin	60	Director	May 2014
SHI Xuerang	59	Director	May 2014
WU Yuxiang	52	Director and Chief Finance Officer	May 2014
ZHANG Baocai	46	Director, Deputy General Manager and Secretary of the Board of Directors	May 2014
DONG Yunqing	58	Employee Director	May 2014
<i>Independent Non-executive Directors</i>			
WANG Xianzheng	67	Independent Non-executive Director	May 2014
CHENG Faguang	71	Independent Non-executive Director	May 2014
WANG Xiaojun	59	Independent Non-executive Director	May 2014
XUE Youzhi	49	Independent Non-executive Director	May 2014
<i>Supervisors</i>			
ZHANG Shengdong	57	Supervisor	May 2014
ZHEN Ailan	50	Supervisor	May 2014
WEI Huanmin	57	Employee Supervisor	May 2014
XU Bentai	55	Employee Supervisor	May 2014
<i>Other Management Team</i>			
YIN Mingde	51	General Manager	May 2014
SHI Chengzhong	51	Deputy General Manager	May 2014
LIU Chun	52	Deputy General Manager	May 2014
DING Guangmu	53	Deputy General Manager	May 2014
WANG Fuqi	49	Chief Engineer	May 2014

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

Executive Directors

LI Xiyong, a research fellow in applied engineering technology with an EMBA degree, is the chairman of the Company and a director, general manager and deputy secretary of the party committee of Yankuang Group. Mr. Li commenced his career in the year of 1981. He was appointed as the head of Huafeng Coal Mine of Xinwen Mining Group Co., Ltd. (“**Xinwen Group**”) in May 2001. In June 2006, he was appointed as the deputy general manager of Xinwen Group. In May 2010, he was appointed as the chairman and secretary of the party committee of Xinwen Group. In March 2011, he was appointed as the vice chairman of Shandong Energy Group Co., Ltd. and the chairman and secretary of the party committee of Xinwen Group. In July 2013, he was appointed as the director, general manager and deputy secretary of the party committee of Yankuang Group. In September 2013, he was appointed as the chairman of the Company. Mr. Li graduated from Shandong University of Science and Technology and Nankai University.

ZHANG Xinwen, a senior economist with a master’s degree, is the vice chairman of the Company and the chairman and secretary of the party committee of Yankuang Group. Mr. Zhang commenced his career in July 1988. He was appointed as the deputy secretary and the head of Jiyang County in February 2001. In September 2006, he was appointed as the secretary of Jiyang County. He was appointed as the director and party committee secretary of Jinan High-tech Industry Development Zone Management Committee, and the director of International Innovation Park of National Information and Communication Management Committee in February 2012. In July 2013, Mr. Zhang joined Yankuang Group and was appointed as the chairman and secretary of the party committee of Yankuang Group. In September 2013, he was appointed as the vice chairman of the Company. Mr. Zhang graduated from Shandong University.

ZHANG Yingmin, a researcher in applied engineering techniques with an EMBA degree, is a Director of the Yankuang Group. Mr. Zhang joined the Company’s predecessor in 1971, appointed as the Director of the Division of Production Technology of the Yankuang Group in 1996 and became the head of Baodian Coal Mine in 2000. He was also appointed Deputy General Manager of the Yankuang Group in 2003 and the Chief of the Safety Supervision Bureau of the Company from 2004 to 2007. Mr. Zhang was appointed as the General Manager of the Company in 2011. He is a graduate of Nankai University.

SHI Xuerang, a senior engineer with an EMBA degree, is a Director of our Board of Directors and Deputy General Manager of the Yankuang Group. From 2001 to 2003, Mr. Shi acted as the Deputy General Manager of the Xinwen Group. He joined the Yankuang Group as a Deputy General Manager in 2003 and was appointed a Director of the Company in 2005. Mr. Shi became the deputy secretary of the party committee of Yankuang Group in January 2014. He is a graduate of Nankai University.

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

ZHANG Baocai, a senior accountant with an EMBA degree, is a Director, Deputy General Manager and the Board Secretary of the Company. Mr. Zhang joined the Company’s predecessor in 1989 and was appointed as the head of the Planning and Finance Department of the Company in 2002. He was appointed as a Director and the Board Secretary of the Company in 2006 and a Deputy General Manager of the Company in 2011. He is a graduate of Nankai University.

DONG Yunqing, a professional-level senior administrative officer, has served as a Director of the Company. Mr. Dong joined the Company’s predecessor in 1981 and was the Vice Chairman of the labor union of Yankuang Group from 1996 to 2002. Mr. Dong was appointed as a Director and the Chairman of the labor union of the Company from 2002 to July 2013. Mr. Dong was appointed as a Director in 2002. He is a graduate of the Central Communist Party School Correspondence Institute.

Independent Non-executive Directors

WANG Xianzheng, a professional-level senior engineer with a university education, is currently a president of the China Coal Industry Association. Mr. Wang was appointed as a Vice Minister of the Ministry of Coal Industry and a party member from April 1995 to March 1998. He was appointed as the Deputy Head of the State Coal Industry Bureau, Deputy Head and a party member of the SACMS from March 1998 to August 2000. Mr. Wang was the Vice Governor of Shanxi Province from August 2000 to May 2002 and became a standing member of the Provincial Committee in October 2001. From May 2002 to February 2005, he was appointed as the Head and the Party Committee Secretary of the SACMS. From February 2005 to May 2008, Mr. Wang was appointed as the Deputy Head and Vice Secretary to the Party Committee of the State Administration of Work Safety. Mr. Wang has been the President of the China Coal industry Association since January 2007. Mr. Wang is also an independent director of Beijing Haohua Energy Resource Company Ltd. He is a graduate of Fuxin School of Mining.

CHENG Faguang, is a senior accountant with a post-graduate education. Mr. Cheng was the Vice Governor of the People's Government of Ningxia Hui Autonomous Region from May 1988 to May 1992. He was a standing member and the Executive Vice Governor of the Party Committee of Ningxia Hui Autonomous Region from May 1992 to March 1994. Mr. Cheng was appointed as the Chairman, President and Secretary to the Party Committee of China Haohua Chemical (Group) Corporation, which was under the Ministry of Chemical Industry from March 1994 to May 1996. From May 1996 to May 2003, Mr. Cheng was the Deputy Head and a party member of the SAT. He was a member of the Financial and Economic Affairs Committee of the tenth National People's Congress from March 2003 to March 2008. He is a graduate of the Central University of Finance and Economics.

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

XUE Youzhi, holder of a master's degree in corporate management, a doctorate degree in economics and a post-doctoral's degree in business management, is currently the Vice President, a professor and a doctoral tutor in the School of Business of Nankai University. Mr. Xue has extensive experience in economics management and completed various projects supported by the National Social Science Foundation. Mr. Xue became the Vice Dean of the School of Business of Nankai University in 2005. He is a graduate of Jilin University.

Supervisors

ZHANG Shengdong, a senior accountant, has been a supervisor of the Company since 2002. He is also the Deputy General Manager of the Yankuang Group. Mr. Zhang joined the Company's predecessor in 1981 and became the Head of the Finance Department of the Yankuang Group in 1999. He also became the Deputy Chief Accountant of the Yankuang Group, a supervisor of the Company, the Head of the Finance Company Preparatory Office of the Yankuang Group in 2002. Mr. Zhang was appointed as the Assistant to the General Manager of Yankuang Group in 2008. In January 2014, Mr. Zhang was appointed as the deputy general manager of Yankuang Group. He is a graduate of China University of Mining and Technology.

ZHEN Ailan, is a senior accountant, a senior auditor, a Supervisor of the Company and the deputy chief accountant and the head of the Audit and Risk Management Department of Yankuang Group. Ms. Zhen joined the Company's predecessor in 1980. She became the deputy director of the Audit Division of Yankuang Group in 2002 and was appointed as the deputy director of the Audit Department of Yankuang Group in 2005. In 2012, Ms. Zhen became the head of the Audit Department of Yankuang Group. In March 2014, she was appointed as the deputy chief accountant and the head of the Audit and Risk Management Department of Yankuang Group. In 2008, Ms. Zhen became a Supervisor of the Company. Ms. Zhen graduated from Northeastern University of Finance and Economics.

WEI Huanmin, a professional-level senior administrative officer and an employee supervisor and the secretary of the Disciplinary Inspection Committee of the Company. Mr. Wei joined the Company's predecessor in 1984. He was the deputy secretary of the Disciplinary Inspection Committee and the director of the Division of Inspection of the Company from 2002 to 2006. He was the secretary of the Disciplinary Inspection Committee of the Company from 2006 to March 2014. In 2008, Mr. Wei became an employee supervisor of the Company. Mr. Wei graduated from Central Communist Party School Correspondence Institute.

XU Bentai, a professional-level senior administrative officer with a master's degree, is an employee supervisor of the Company. Mr. Xu joined the Company's predecessor in 1978 and became the chairman of Jining III Coal Mines Labor Union in 1999. He was the deputy secretary of the party committee and the secretary of the Disciplinary Inspection Committee of Jining II Coal Mine from 2011 to January 2014. Mr. Xu became an employee supervisor of the Company in 2002. Mr. Xu graduated from the Party School of Shandong Provincial Communist Committee.

Other Executive Officers

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

SHI Chengzhong, a researcher in engineering technique application with an EMBA degree and a master's degree in mining engineer, has served as a Deputy General Manager of the Company since 2002. Mr. Shi joined the Company's predecessor in 1983 and became a Deputy Chief Engineer of the Yankuang Group in 2000 and a deputy general manager of the Company in 2002. He is a graduate of Northeastern University and Nankai University.

LIU Chun, a senior engineer with an EMBA degree, has served as a Deputy General Manager of the Company since 2011. Mr. Liu joined the Company's predecessor in 1983 and served as Head of the Coal Sales and Transportation Department of the Company in 2002. Mr. Liu became a deputy general manager of the Company in 2011. He is graduated from Nankai University.

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

WANG Fuqi, a research fellow in applied engineering technology with an EMBA degree and master of engineering, is the chief engineer of the Company. Mr. Wang joined the Company's predecessor in 1985. In 2000, he was appointed as the chief engineer of Production and Technology Division of Yankuang Group. In 2002, he was appointed as the director of Production and Technique Department. In 2003, he was appointed as the deputy chief engineer and director of Production and Technique Department of the Company. In March 2014, he was appointed as the chief engineer of the Company. Mr. Wang graduated from Northeastern University and Nankai University.

Appointment of Directors, Chairman and Vice Chairman of the Board

At the first extraordinary general meeting of 2013 of the Company and the seventeenth meeting of the fifth session of the Board held on September 9, 2013, Mr. LI Xiyong was elected as Director of the Company and Chairman of the fifth session of the Board and Mr. ZHANG Xinwen was elected as Director of the Company and Vice Chairman of the fifth session of the Board.

Resignation of Directors, Chairman and Vice Chairman of the Board

Mr. LI Weimin, the former Chairman of the Board and Director of the Company submitted his resignation report to the Board on July 22, 2013, effective immediately.

Mr. WANG Xin, the former Vice Chairman of the Board and Director of the Company submitted his resignation report the Board on July 22, 2013, effective immediately.

Appointment of Acting Chairman of the Supervisory Committee

Pursuant to the approval granted at the tenth meeting of the fifth session of the supervisory committee of the Company held on May 15, 2013, Mr. Zhang Shengdong was elected as the acting chairman of the fifth session of the supervisory committee of the Company to temporarily perform the duty of the chairman.

Resignation of Supervisors, Chairman and Deputy Chairman of the Supervisory Committee

Mr. SONG Guo, the former Chairman of the Supervisory Committee of the Company submitted his resignation report the Supervisory Committee on May 15, 2013, as a result of changes of work allocations, effective immediately.

Mr. ZHOU Shoucheng, the former Deputy Chairman of the Supervisory Committee of the Company submitted his resignation report the Supervisory Committee on May 15, 2013, as a result of reaching the age of retirement, effective immediately.

Appointment of Senior Management

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

Retirement and Resignation of Senior Management

Reaching the age of retirement, Mr. ZHANG Yingmin, the former general manager of the Company resigned from his position as general manager on January 8, 2014.

Mr. HE Ye, Mr. LAI Cunliang and Mr. TIAN Fengze submitted their respective resignation report on March 6, 2014, effective immediately.

B. Compensation

Three directors, LI Xiyong, ZHANG Xinwen and SHI Xuerang; two resigned directors, LI Weimin and WANG Xin; two supervisors, ZHANG Shengdong and ZHEN Ailan and two resigned supervisors, SONG Guo and ZHOU Shoucheng, receive salaries from our Controlling Shareholder, while the rest of our directors, supervisors and executive officers who are our employees receive compensation in the form of salaries, housing allowances and other allowances and benefits, including pension contributions. The aggregate amount of cash remuneration paid by us to directors, supervisors and executive officers for the years 2011, 2012 and 2013 was approximately RMB6.2 million, RMB7.4 million and RMB7.5 million (tax inclusive), respectively. We did not pay any discretionary bonus during the reporting period of this annual report to our directors, supervisors or executive officers. Details of each of the directors', supervisors' and senior management members' salaries and benefits provided by our Company are as follows:

	For the Year Ended December 31, 2013			
		Salaries, allowance and other benefits in kind	Retirement benefit plan contributions	Total
	Fees RMB'000	RMB'000	RMB'000	RMB'000
Independent Non-Executive Directors				
WANG Xianzheng	130	—	—	130
CHENG Faguang	130	—	—	130
WANG Xiaojun	130	—	—	130
XUE Youzhi	130	—	—	130
	<u>520</u>	<u>—</u>	<u>—</u>	<u>520</u>
Directors				
LI Xiyong	—	—	—	—
ZHANG Xinwen	—	—	—	—
ZHANG Yingmin	—	512	100	612
SHI Xuerang	—	—	—	—
WU Yuxiang	—	468	91	559
ZHANG Baocai	—	469	92	561
DONG Yunqing	—	470	92	562
	<u>—</u>	<u>1,919</u>	<u>375</u>	<u>2,294</u>
Supervisors				
ZHANG Shengdong	—	—	—	—
ZHEN Ailan	—	—	—	—
WEI Huanmin	—	470	92	562
XU Bentai	—	461	90	551
	<u>—</u>	<u>931</u>	<u>182</u>	<u>1,113</u>
Other Members of Management				
YIN Mingde	—	698	137	835
SHI Chengzhong	—	481	94	575
LIU Chun	—	490	96	586
DING Guangmu	—	425	83	508
WANG Fuqi	—	360	70	430
	<u>—</u>	<u>2,454</u>	<u>480</u>	<u>2,934</u>
Total	<u>520</u>	<u>5,304</u>	<u>1,037</u>	<u>6,861</u>

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

	For the Year Ended December 31, 2013			
	Fees	Salaries, allowance and other benefits in kind	Retirement benefit plan contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Directors				
LI Weimin	—	—	—	—
WANG Xin	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Supervisors				
SONG Guo	—	—	—	—
ZHANG Shengdong	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other Members of Management				
HE Ye	—	417	81	498
TIAN Fengze	—	486	95	581
LAI Cunliang	—	766	—	766
NI Xinhua	—	497	97	594
	<u>—</u>	<u>2,166</u>	<u>273</u>	<u>2,439</u>
Total	<u>—</u>	<u>2,166</u>	<u>273</u>	<u>2,439</u>

C. Board Practices

Board of Directors

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

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

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

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

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

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

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

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

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

- (2) a single loan representing more than 10% and less than 25% of the Company's most recently audited net asset value if the debt ratio to the Company's assets remains under 80% after such financing and the inter-company loans between overseas subsidiaries as long as the it is compliance with relevant laws and regulations and the accumulative outstanding amount in the last 12 months is more than 25% and less than 50% of the Company's most recently audited net asset value prepared in accordance with the PRC GAAP;

- (3) mortgages or pledges of assets so long as the cumulative outstanding amount is less than 30% of the Company's most recently audited net asset value;
- (4) external guarantees that do not require the approval of the shareholders pursuant to the Articles of Association; and
- (5) connected transactions, which must be conducted in accordance with the relevant regulations of competent securities authorities and the listing rules of applicable stock exchanges.

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

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

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

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

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

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

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

Directors' Decision-making Risk Fund

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

Directors, Supervisors and Management's Indemnification

Upon approval at the 2012 general meeting that was held on May 15, 2013, we continued to purchase liability insurance for our Directors, supervisors and senior officers with coverage of up to US\$15 million.

Audit Committee of the Board of Directors

Upon approval at the first meeting of the fifth session of the Board of Directors held on May 20, 2011, the Company set up our audit committee of the fifth session of the Board of Directors. The audit committee is mainly responsible for ensuring the independence of the Company's independent auditors to maintain the integrity of audits, ensuring the efficiency of audit procedures, proposing the appointment or replacement of independent auditors; reviewing the accounting policies of the Company, the disclosure of the financial information and the procedures for preparing financial reports; and reviewing the Company's internal control and risk management systems. The audit committee comprises four independent non-executive directors, namely Mr. CHENG Faguang, Mr. WANG Xianzheng, Mr. WANG Xiaojun, Mr. XUE Youzhi, and one non-executive director, Mr. DONG Yunqing. Mr. CHENG Faguang serves as the Chairman of the audit committee.

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

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

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Ownership of Shares</u>
CHENG Faguang	71	Independent non-executive director, Chairman of the Audit Committee	—
WANG Xianzheng	67	Independent non-executive director	—
WANG Xiaojun	59	Independent non-executive director	—
XUE Youzhi	49	Independent non-executive director	—
DONG Yunqing	58	Employee director	—

In 2013 and up to March 31, 2014, the audit committee held four meetings: on March 21, 2013, August 19, 2013, January 7, 2014 and January 7, 2014.

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

Remuneration Committee

The Remuneration Committee of the fifth session of the Board of Directors was set up following approval from the Board of Directors at the first meeting of the fifth session of the Board of Directors held on May 20, 2011. The primary duties of our Remuneration Committee as set out in the committee charter include drafting and establishing a compensation policy for our directors, supervisors, and the senior officers and making recommendations on the compensation for our directors, supervisors and senior officers. Further details on the responsibilities of the Remuneration Committee can be found on our website. We also filed the responsibilities of the compensation committee with the SSE, the Hong Kong Stock Exchange and the SEC.

The remuneration committee is comprised of three members: two independent non-executive directors, namely Mr. XUE Youzhi and Mr. WANG Xiaojun, and one non-executive director, namely Mr. DONG Yunqing. Mr. XUE Youzhi was elected to serve as the Chairman of the Remuneration Committee.

Nomination Committee

Pursuant to approval granted at the first meeting of the fifth session of the Board of Directors held on May 20, 2011, we established the Nomination Committee of the first session of the Board of Directors. The main duties of the Nomination Committee include (i) considering and formulating the selection criteria and procedures for directors and managers and making recommendations; (ii) extensively searching for suitable candidates of directors and managers for the Company and making recommendations to the Board of Directors; (iii) reviewing the candidates for directors and managers for recommendation to the Board of Directors regarding proposed appointments and succession of directors and managers for recommendation to the Board of Directors; and (iv) assessing the independence of independent non-executive directors. Further details on the responsibilities of the nomination committee can be found on our website. We also filed the responsibilities of the nomination committee with the SSE, the Hong Kong Stock Exchange and the SEC.

The Nomination Committee is comprised of three directors, namely Mr. LI Xiyong, Mr. WANG Xiaojun and Mr. CHENG Faguang. Mr. WANG Xiaojun serves as the Chairman of the Nomination Committee.

In 2013 and up to March 31, 2014, the Nomination Committee held four meetings on July 22, 2013, September 9, 2013, March 5, 2014 and March 18, 2014.

Strategy and Development Committee

Pursuant to approval granted at the first meeting of the fifth session of the Board of Directors held on May 20, 2011, we established the Strategy and Development Committee of the fifth session of the Board. The main duties of the Strategy and Development Committee include: (i) conducting studies and making proposals regarding the long-term development strategy and significant investment decisions of the Company; (ii) conducting studies and making proposals regarding the annual strategic development and operating plans; (iii) supervising the implementation of the Company's strategic and operating plans; and (iv) conducting studies and making proposals regarding other significant issues impacting the development of the Company. The Strategy and Development Committee consists of five directors, namely Mr. LI Xiyong, Mr. ZHANG Xinwen, Mr. ZHANG Baocai and Mr. XUE Youzhi. Mr. LI Xiyong serves as the Chairman.

In 2013 and up to March 31, 2014, the Strategy and Development Committee held one meeting on December 25, 2013.

Supervisory Committee

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

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

Due to the resignation of Mr. SONG Guo and the retirement of Mr. ZHOU Shoucheng, our supervisory committee currently consists of four members, namely Mr. ZHANG Shengdong, Ms. ZHEN Ailan, Mr. WEI Huanmin and Mr. XU Bentai. Pursuant to the approval granted at the tenth meeting of the fifth session of the supervisory committee of the Company held on May 15, 2013, Mr. Zhang Shengdong was elected as the acting chairman of the fifth session of the supervisory committee of the Company to temporarily perform the duty of the chairman.

Corporate Governance

As of December 31, 2013, the Yankuang Group directly held 2,600,000,000 Shares, representing 52.86% of our total shares as of the same date. As the Yankuang Group directly holds more than 50% of our voting power, we are a "controlled company" under Section 303A.00 of the NYSE Listed Company Manual. As a result, we are not required to establish a Nomination Committee or Corporate Governance Committee under Sections 303A.04 and 303A.05 of the NYSE listing rules. Although we have established a Nomination Committee, we have not established a Corporate Governance Committee. For details related to our corporate governance, please refer to "Item 16G — Corporate Governance".

Arrangement to Purchase Equity or Debt Securities and Other Arrangements

At no time during the year ended December 31, 2013 were we, our Controlling Shareholder or any of the Yankuang Group's subsidiaries a party to any arrangement that enabled our Directors or supervisors to acquire benefits through the acquisition of any securities, including our equity or debt securities, with the exception of the A Shares issued to certain of our Directors, supervisors and senior management.

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

Service Contracts of Directors and Supervisors

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

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

D. Employees

General

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

	As of December 31,		
	2011	2012	2013
Coal production employees	39,008	42,991	45,262
Engineers and technicians	2,009	4,665	4,911
Management and administrative personnel	4,348	5,676	5,976
Support staff	10,738	16,049	16,897
Total	56,103	69,381	73,046

The table below sets forth a breakdown of our employees by location as of December 31, 2013:

Location	Employees	% of Total
PRC		
Shandong	68,090	93.22%
Shanxi	1,228	1.68%
Shaanxi	742	1.02%
Inner Mongolia	879	1.2%
Australia	2,101	2.88%
Canada	6	0.01%
Total	73,046	100.00%

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

Domestic Employees

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

According to the Provision of Insurance Fund Administrative Services Agreement and the annual caps from 2012 to 2014, the Yankuang Group will provide free management services for the contributions that we make to an endowment insurance fund, basic medical insurance fund, supplementary medical insurance fund, unemployment insurance fund and maternity insurance fund for our employees. We paid an aggregate of approximately RMB1,408.1 million to the above listed insurance funds in 2013.

Each of our domestic employees, including our directors, supervisors, executive officers and senior management currently pays a percentage of his or her salary as an additional pension contribution. Upon retirement, our domestic employees are entitled to pension payments under the pension plan. In 2011, 2012 and 2013, we paid pension contributions for our directors, supervisors, executive officers and senior management of approximately RMB834,000, RMB1,033,000 and RMB1,020,000, 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. We contribute an amount to the work injury fund equivalent to 2% of each employee's total remuneration the prior year.

Medical insurance plan

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

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

Housing plan

Under the Labor and Service Supply Agreement, the Yankuang Group is partly responsible for providing housing accommodations to our domestic employees. We and the Yankuang Group share the incidental expenses relating to the provision of housing accommodation on a pro rata basis based upon our respective number of employees and other negotiations. Such expenses amounted to approximately RMB140.0 million, RMB137.2 million and RMB80.0 million for 2011, 2012 and 2013, 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 2011, 2012 and 2013, we paid an aggregate of approximately RMB291.8 million, RMB522.0 million and RMB619.0 million, respectively, for our domestic employees' housing allowances.

Australian Employees

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

E. Share Ownership

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

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

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

As of December 31, 2013, the Yankuang Group directly owned 52.86% of our share capital. As a majority shareholder, the Yankuang Group is able to make most of the decisions reserved for shareholders.

The following table sets forth certain information regarding ownership of our capital stock as of December 31, 2013 by all persons who are known by us to own beneficially more than 5% of our capital stock.

Shareholder	Shares Owned	Percentage
Yankuang Group ⁽¹⁾⁽²⁾	2,600,000,000	52.86%
HKSCC Nominee Limited ⁽³⁾⁽⁴⁾	1,949,286,345	39.63%

(1) Ordinary Shares in the form of legal person shares.

(2) Yankuang Group is 100% held by SASAC of the Shandong Provincial Government.

(3) Ordinary Shares in the form of H Shares.

(4) As the nominee of the clearing and settlement agent for our H Shares, HKSCC Nominee Limited is the record holder of our H Shares.

The following table sets forth the substantial shareholders' interests and short positions in our shares as of December 31, 2013.

Name of substantial shareholders	Class of shares	Number of shares held (shares)	Capacity	Nature of interest	Percentage in the H Share capital of the Company	Percentage in total share capital of the Company
Yankuang Group	A Share (state-owned legal person shares)	2,600,000,000	Beneficial owner	long position	—	52.86%
Yankuang Group ⁽¹⁾	H Shares	180,000,000	Interest of controlled corporations	long position	9.19%	3.66%
Deutsche Bank Aktiengesellschaft	H Shares	80,599,060	Beneficial owner	long position	4.12%	1.64%
		72,942,206		short position	3.72%	1.48%
		1,978,000	Interest of controlled corporations	long position	0.10%	0.04%
		33,067,466	Person having a security interest in shares	long position	1.69%	0.67%
		29,924,860		short position	1.53%	0.61%
Templeton Asset Management Ltd.	H Shares	9,173,800	Custodian corporation/ approved lending agent	long position	0.47%	0.19%
		176,182,000	Investment manager	long position	9.00%	3.58%
		52,374,052	Beneficial owner	long position	2.67%	1.06%
JP Morgan Chase & Co.	H Shares	16,790,776		short position	0.86%	0.34%
		873,468	Investment manager	long position	0.04%	0.02%
		64,229,124	Custodian corporation/ approved lending agent	long position	3.28%	1.31%
		117,641,207	Investment manager	long position	6.00%	2.39%
BNP Paribas Investment Partners SA	H Shares					

(1) Yankuang Group's wholly-owned subsidiary incorporated in Hong Kong holds such H shares in the capacity of beneficial owner.

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

(3) Information disclosed hereby is based on the information available on the website of Hong Kong Stock Exchange at www.hkex.com.hk.

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

To our knowledge, other than the Yankuang Group, which directly and indirectly owned 56.52% of our shares as of December 31, 2013, we are not owned or controlled, directly or indirectly, by any other corporation, government, or other natural or legal person or persons, jointly or severally. We are not aware of any arrangement which may at a subsequent date result in a change of control over us.

B. Related Party Transactions

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

Continuing Connected Transactions

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

Pursuant to approval granted at the eighth meeting of the fifth session of the Board of Directors of the Company held on March 23, 2012, the Company entered into five continuing connected transaction agreements with the Yankuang Group, namely the materials supply agreement, supply of labor and services agreement, pension fund management agreement, coal products and materials supply agreement and electricity and heat energy supply agreement, together with the respective annual caps for such transactions from 2012 to 2014, in the ordinary course of business. The above agreements were approved at the annual general meeting held on June 22, 2012. We determine the prices of these transactions primarily based on government pricing, or where is no government pricing is applicable, market pricing. Where no government pricing or market price is applicable, then we determine prices based on actual cost. The supply fees can be settled in one lump sum or by installments. The supply fees for continuing connected transactions within the same calendar month are settled in the following month, except those transactions which are not yet completed or those amounts which are in dispute.

Pursuant to approval granted at the twelfth meeting of the fifth session of the Board of Directors of the Company held on March 22, 2013, we entered into a financial services agreement with Yankuang Finance. Pursuant to the agreement, Yankuang Finance provides us with financial services including deposit services, borrowing services and settlement services. The two agreements also fixed the proposed annual caps for the transactions in 2013. Yankuang Finance has agreed to charge us at the same or a more favorable price for its financial services, compared with those charged by the major commercial banks in the PRC for the same kind of financial services. Fund risk control measures were also taken to safeguard the security of the fund.

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

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

The following table sets forth the amounts of goods and services sold and purchased between our Company and Yankuang Group pursuant to the Materials Supply Agreement, the Supply of Labor and Services Agreement, the Coal Products and Materials Supply Agreement and the Electricity and Heat Energy Supply Agreement for 2012 and 2013.

	For the Year Ended December 31,			
	2012		2013	
	Amount (RMB'000)	% of operating income	Amount (RMB'000)	% of operating income
Sales of goods and rendering of services by the Group to the Controlling Shareholder	3,803,283	6.37	3,406,643	5.80
Sales of goods and rendering of services by the Controlling Shareholder to the Group	3,476,245	5.83	2,502,843	4.26

Note: The listed figures are under CASs.

The table below shows the effect on profits from sales of coal by the Group to the Controlling Shareholder in 2013:

	<u>Sales income</u> <u>(RMB'000)</u>	<u>Operation cost</u> <u>(RMB'000)</u>	<u>Gross profit</u> <u>(RMB'000)</u>
Coal sold to the Controlling Shareholder	2,839,839	1,344,948	1,494,891

Note: The listed figures are under CASs.

Continuing Connected Transaction under the Pension Fund Management Agreement

Pursuant to approval granted at the 2011 annual general meeting and according to the Pension Fund Management Agreement and the annual transaction caps thereunder from 2012 to 2014, the Yankuang Group provided free management services for contributions that we make to the endowment insurance fund, basic medical insurance fund, supplementary medical insurance fund, unemployment insurance fund and maternity insurance fund.

We contributed an aggregate of approximately RMB1,408.1 million and RMB1,428.5 million to the foregoing insurance funds in 2012 and 2013, respectively.

Continuing Connected Transaction under the Financial Services Agreement

Pursuant to approval granted at the twelfth meeting of the fifth session of the Board of Directors of the Company held on March 22, 2013, we entered into the Financial Services Agreement with Yankuang Finance on the same day, which sets forth the annual caps for such transactions in 2013 as follows:

- the maximum daily balance (including accrued interests) on our settlement account in Yankuang Finance is RMB2.15 billion;
- the credit facility limit is RMB2 billion; and
- the total fees for the discounted note services and other financial services is RMB28.54 million.

As of December 31, 2013, the balance of our deposits with Yankuang Finance was RMB103.5 million, representing 0.67% of our total bank deposits as of December 31, 2013 and the balance of our credit facilities with Yankuang Finance was RMB185.1 million, representing 0.33% of our total borrowings as of December 31, 2013. In 2013, we paid financial service fees of RMB1.65 million to Yankuang Finance.

Details of the annual transaction cap for 2013 and the actual transaction amounts in 2013 for the above continuing connected transactions are shown in the following table.

<u>Connected Transactions</u>	<u>Agreement</u>	<u>Annual cap</u> <u>for 2013</u> <u>(RMB'000)</u>	<u>Transaction</u> <u>amount for 2013</u> <u>(RMB'000)</u>
Materials and facilities provided by Yankuang Group	Materials Supply Agreement	1,404,710	1,196,372
Labor and services provided by Yankuang Group	Supply of Labor and Services Agreement	2,501,050	1,306,471
Pension fund management provided by Yankuang Group	Pension Fund Management Agreement	1,658,420	1,428,508
Sale of products, material and equipment lease provided to Yankuang Group	Products, Material and Equipment Lease Supply Agreement	4,180,900	3,294,968
Electricity and heat provided to Yankuang Group	Electricity and Heat Energy Supply Agreement	268,800	111,675
Financial services provided by Yankuang Finance	Financial service agreement	2,150,000	103,464
deposit balance		2,000,000	185,102
credit facility		28,540	1,645
financial service fee		1,404,710	1,196,372

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

	Year Ended December 31,		
	2011	2012	2013
	(RMB'000)		
Sales Income			
Sales of coal	2,088,794	3,162,122	2,839,839
Sales of auxiliary materials	485,676	425,957	328,732
Sales of heat and electricity	180,808	167,295	111,675
Sales of methanol	—	47,909	126,398
Total	2,755,278	3,803,283	3,406,644
Expenditure			
Utilities and facilities	31,646	35,906	19,406
Purchases of supply materials and equipment	696,802	1,552,758	1,196,372
Repair and maintenance services	323,550	327,600	266,849
Social welfare and support services	848,121	802,540	483,783
Technical support and training	26,000	—	—
Road transportation services	73,638	67,654	14,119
Construction services	718,155	689,787	522,314
Total	2,717,912	3,476,245	2,502,843

Opinions of the Independent Non-executive Directors

The Company's independent non-executive Directors have reviewed our continuing connected transactions with the Controlling Shareholder for the year 2013 and confirm that all such connected transactions have been: (i) entered into by us in our ordinary and usual course of business; (ii) conducted either on normal commercial terms, or where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to independent third parties; and (iii) entered into in accordance with the relevant governing agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole. The independent directors also confirmed that transaction amount of each of the above continuing connected transactions did not exceed their respective annual caps for 2013 as approved by independent shareholders and the board of directors.

Opinion of the Auditors

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

The Continuing Connected Transaction Agreement in 2014 and the Revision of the Existing Annual Cap for the Continuing Connected Transaction in 2014

Pursuant to the approval granted at the twentieth meeting of the fifth session of the Board of Directors of the Company held on 21 March 2014, we entered into the Provision of Special Labor and Services Agreement and the Financial Services Agreement with Yankuang Group and Yankuang Finance, respectively, on the same day, which sets forth the annual caps in 2014. The Board of Directors of the Company also proposed to revise the existing annual caps the Provision of Products, Material and Equipment Leasing Agreement in 2014. Such proposal will be submitted to the 2013 annual general meeting for review and approval. Please refer to our announcement furnished to the Securities and Exchange Commission on Form 6-K filing on March 24, 2014.

Debt and Debt Obligations Between the Controlling Shareholder and Our Company

The table below sets forth our balances due from/to the Controlling Shareholder.

Related Parties	Receivable from related parties			Payable to related parties		
	Balance at the beginning	Amount occurred	Closing balance	Balance at the beginning	Amount occurred	Closing balance
	(RMB '000)					
Yankuang Group	2,868,744	11,118,182	556,159	1,767,998	3,983,219	1,111,496

Amounts due to the Controlling Shareholder and Its Subsidiaries

For the details of the amounts due to the Controlling Shareholder and its subsidiaries, please refer to "Item 5 — Operating and Financial Review and Prospects — F. Contractual Obligations — Amounts due to the Controlling Shareholder and Its Subsidiaries." As of December 31, 2013, the Controlling Shareholder or its subsidiaries had not used our funds for nonoperational matters.

Transactions / Balances with Other State-owned Entities in the PRC

We operate in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government (“state-owned entities”). In addition, our Controlling Shareholder is also a state-owned entity. Apart from the transactions with the Controlling Shareholder and its subsidiaries and other disclosure disclosed above, we also conduct business with other state-owned entities. Our Directors consider those state-owned entities as independent third parties so far as our business transactions with them are concerned.

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

	Year Ended December 31,		
	2011	2012	2013
		(RMB'000)	
Trade sales	8,487,421	10,503,203	5,986,611
Trade purchases	2,597,741	4,500,994	5,078,834

Material balances with other state-owned entities are as follows:

	As of December 31,	
	2012	2013
	(RMB'000)	
Amounts due from other state-owned entities	1,361,139	804,906
Amounts due to other state-owned entities	592,267	328,474

In addition, we have entered into various transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institutions that are state-owned entities in the ordinary course of business. In view of the nature of those banking transactions, our Directors are of the opinion that separate disclosures are not be necessary.

Except as disclosed above, our Directors are of the opinion that transactions with other state-owned entities are not significant to our operations.

Interest of Management in Certain Transactions

None of the Directors or supervisors or executive officers had, either directly or indirectly, any material interest in any significant material contract to which we were a party during the year ended December 31, 2013.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Financial Statements

You should read “Item 18. Financial Statements” for information regarding our audited consolidated financial statements and other financial information.

Significant Legal Proceedings and Arbitration

The Dispute Arbitration in relation to the Performance of the Contract between Shanxi Nenghua and Shanxi Jinhui Coke Chemical Co., Ltd.

In February 2005, Shanxi Nenghua entered into an asset swap contract and a material supply contract with Shanxi Jinhui Coke Chemical Co., Ltd. (“Shanxi Jinhui”), according to which, Shanxi Jinhui shall compensate Tianhao Chemical, the subsidiary of Shanxi Nenghua, its actual losses if Shanxi Jinhui fail to provide the land for lease, gas, water, electricity supply and rail transportation for the establishment and production of Tianhao Chemical. In addition, Shanxi Jinhui shall compensate Shanxi Nenghua not less than its total investment in Tianhao Chemical as well as the interest on bank loans over the same period, if Tianchi Chemical is unable to operate continually caused by Shanxi Jinhui’s default.

Shanxi Jinhui failed to fulfill its contractual obligations to provide gas, coarse coal and land supply and unilaterally suspended the gas supply. As a result, Tianhao Chemical was unable to operate continually and subsequently ceased production of methanol in April 2012. In September 2013, Shanxi Nenghua submitted the arbitration application to the Beijing Arbitration Commission for a total compensation of RMB 798.8 million in accordance with the contracts.

As at the date of this annual report, the case has not yet been heard. In October 2013, Shanxi Nenghua submitted an application for property preservation to the People's Court of Xinghualing District, Taiyuan City, Shanxi Province, according to which, 39% of equity interest of Shanxi Jinhui Longtai Coal Co., Ltd. held by Shanxi Jinhui has been frozen and blocked.

Litigation on Coal Sales Contract between Zhongxin Daxie Fuel Co., Ltd. and the Company

The Company was named as the defendant in a civil litigation brought by Zhongxin Daxie Fuel Co., Ltd. ("Zhongxin Daxie") at the Shandong Provincial Higher People's Court in September 2013, for breach of contract. Zhongxin Daxie sued for termination of the coal sales contract it entered with us, return of payments for goods and a compensation of RMB163.6 million as we failed to perform the duty of delivering goods pursuant to the coal sales contract.

We have delivered coal products to the third party designated by Zhongxin Daxie after execution of the contract and Zhongxin Daxie has settled the payment with the Company. All obligations have been fulfilled in accordance with the contract.

The Shandong Provincial Higher People's Court conducted public hearing of this litigation and affirmed that we have fulfilled all delivery obligations under the contract and the requests of Zhongxin Daxie for the termination of the coal sales contract. It was also affirmed that the return of payments for goods and the damage for economic loss shall not be sustained. It was the judgment of the Shandong Provincial Higher People's Court that Zhongxin Daxie's claim was rejected and the litigation fee of RMB0.8602 million shall be on Zhongxin Daxie. There is uncertainty on whether Zhongxin Daxie will appeal to the Supreme People's Court of the People's Republic of China in respect of the aforementioned judgment of the Shandong Provincial Higher People's Court and the final results of the appeal is unknown. Based on the information we currently have, we cannot estimate the outcome of this and no contingent liability is provided for in our consolidated financial statements.

Investigation on the incident at Austar Coal Mine

On April 15, 2014, an underground incident occurred at Austar Coal Mine and two employees died. The investigation by the Mine Safety Office of the NSW Department of Trade and Investment, Regional Infrastructure and Services (DTIRIS) to determine the cause of the incident is ongoing. As of the date of this annual report, the cause of the incident has not been determined and we are working with the investigators to that end.

We were not involved in any other significant litigation or arbitration during the reporting period other than as disclosed above or elsewhere in this report.

Dividend Policy

Pursuant to approval granted at the 2008 annual general meeting held on June 26, 2009, the 2011 annual general meeting held on June 22, 2012 and the 2012 annual general meeting held on May 15, 2013, the Company amended the terms of the Articles of Association relating to profit distribution.

According to our Articles of Association, we shall maintain the continuance and stability of our profit distribution policy. Pursuant to our Articles of Association, our after-tax profit shall be allocated in the following order: (1) compensation of losses (if our statutory common reserve fund is not sufficient to compensate our losses from the previous year, we will utilize our after tax profit to compensate our losses before making any provision for the statutory common reserve fund) (2) allocation to the statutory common reserve fund; (3) allocation to the discretionary common reserve fund upon approval by a resolution of a shareholders' general meeting; and (4) dividend payments for ordinary shares. The calculation of profit after tax of the Company for a fiscal year was based on the financial statements prepared in accordance with the CASs, IFRS or overseas accounting standard under which the shares were traded. We will choose the lowest profit after tax under the above accounting policies when paying the dividend. We pay final dividends once a year. Shareholders shall, by way of an ordinary resolution, authorize our Board of Directors to declare and pay dividends, and we distribute interim dividends pursuant to the approval of the board and shareholders. We may distribute dividends in the form of cash, shares or a combination of both cash and shares. Upon approvals of the Board and the Shareholders' meeting, we distribute final dividends once a year and may distribute interim dividends. Each cash dividend distribution shall have a time interval of more than six months. Cash dividends shall account for approximately 35% of the net profit of the fiscal year after deduction of the statutory common reserve, unless if such distribution will adversely affect our sustainable development or we have contemplated substantial investment or have substantial cash requirements. We may distribute dividends in the form of shares if we are under good operation conditions and the Board of Directors considers the distribution of share dividends benefits the general interest of all shareholders due to a mismatch between the Company's stock price and its scale of share capital as well as under other necessary circumstances.

The Company's dividend distribution plan was approved at the 2012 annual general meeting on May 15, 2013 to distribute cash dividends of RMB0.36 per share (tax inclusive) for 2012. As of the date of this annual report, the 2012 dividends have been distributed to the Shareholders.

B. Significant Changes

We have not experienced any significant changes since the date of the consolidated financial statements in this annual report.

ITEM 9. THE OFFER AND LISTING**A. Offer and Listing Details**

The following tables set forth a summary of the issuance of our Shares:

	<u>H Shares</u>			<u>A Shares</u>	
	<u>Initial offering</u>	<u>Second offering</u>	<u>Third offering</u>	<u>Initial offering</u>	<u>Second offering</u>
Time of issuance	March 1998	May 2001	July 2004	June 1998	January 2001
Issue amount	850,000,000	170,000,000	204,000,000	80,000,000	100,000,000

As of December 31, 2013, our share capital structure was as follows:

<u>Type</u>	<u>Number of shares</u>	<u>Percentage to total shares</u>
Listed shares with restricted trading condition	20,000	0.0004%
Shares held by state-owned legal person	0	0
A Shares held by our Directors, supervisors and executive officers	20,000	0.0004%
Listed shares without trading moratorium	4,918,380,000	99.9996%
A Shares	2,959,980,000	60.1818%
H Shares	<u>1,958,400,000</u>	<u>39.8178%</u>
Total	<u>4,918,400,000</u>	<u>100.0%</u>

As of December 31, 2013, we had 20,000 listed Shares that were subject to trading restrictions, all of which are held by our Directors, supervisors and executive officers.

The trading restrictions on 2,600,001,800 listed Shares held by our Controlling Shareholder on behalf of the State and by our retired supervisors was released in 2013. The following table sets forth changes on Shares subject to trading restrictions during the year ended December 31, 2013.

<u>Shareholders</u>	<u>Shares subject to trading restrictions (shares)</u>	<u>Number of shares released from trading restrictions</u>	<u>Increase in number of shares subject to trading restrictions</u>	<u>Number of shares subject to trading restrictions at the year end</u>	<u>Reasons for trading restriction</u>	<u>Date of release from trading restrictions</u>
Yankuang Group	2,600,000,000	2,600,000,000	0	0	Undertakings made by Yankuang Group in Yanzhou Coal's share split have been performed.	September 6, 2013
WU Yuxiang	20,000	20,000	0	20,000	In accordance with the relevant laws, Directors, Supervisors and senior management can only sell up to 25% of the total number of shares held by them during each year of their employment. If the above persons sold any shares held by them within six months after the purchase, or made any purchase within six months after disposal, any gain from such transactions will be attributable to the Company.	—
SONG Guo	1,800	1,800	0	0		November 15, 2013

Capitalization of Capital Reserve and Our Capital Structure:

Our total Shares and shareholding structure remained the same in 2013.

The table below sets forth certain market information relating to the H Shares, ADSs and A Shares for the periods indicated:

	Price per H Share (HK\$)		Price per ADS (US\$)		Price per A Share (RMB)	
	High	Low	High	Low	High	Low
Annual highs and lows						
2009	17.34	4.00	22.32	5.11	26.15	8.40
2010	25.25	14.00	32.26	18.29	33.65	14.88
2011	32.95	13.72	41.89	17.49	39.50	20.38
2012	20.15	9.92	25.81	12.64	26.54	15.08
2013	14.48	5.13	18.57	6.68	20.18	5.91
Quarterly highs and lows						
2012						
First quarter	20.15	15.72	25.81	20.56	26.54	20.61
Second quarter	17.48	11.60	22.32	14.68	25.66	18.38
Third quarter	13.78	9.92	17.57	12.64	19.76	16.91
Fourth quarter	13.16	11.00	17.11	14.16	19.30	15.08
2013						
First quarter	14.48	10.32	18.57	9.23	20.18	14.47
Second quarter	10.56	5.46	13.77	7.05	17.25	9.01
Third quarter	8.37	5.13	10.74	6.68	11.59	8.76
Fourth quarter	8.74	7.04	11.26	9.08	11.56	8.66
Monthly highs and lows						
2013						
October	8.19	7.27	10.44	9.23	11.56	10.00
November	8.74	7.33	11.26	9.38	10.59	9.32
December	8.56	7.04	10.84	9.08	10.38	8.66
2014						
January	7.12	5.73	8.60	7.34	8.86	7.30
February	6.28	5.48	8.12	7.04	7.82	6.40
March	6.16	4.91	8.14	6.32	6.77	5.91
April (through April 25, 2014)	6.53	5.78	8.41	7.41	6.64	6.07

As of December 31, 2013, a total of 1,958,400,000 H Shares were outstanding, of which approximately 82,999,460 H Shares or 4.2% of the outstanding H Shares, were held in the form of 8,299,946 ADSs. The outstanding ADSs were held collectively by 107 holders of record as of March 31, 2014.

Repurchase, Sale or Redemption of H shares

The shareholders at the 2013 first A shareholders' meeting and the 2013 first H shareholders' meeting, and the 2012 Annual General Meeting, each of which was held on May 15, 2013, resolved and granted the Board of Directors a general mandate to (i) repurchase H Shares up to 10% of the outstanding H Shares as of the date of the resolutions' passage; and (ii) issue additional H shares up to 20% of the outstanding H Shares as of the date of the resolutions' passage. During the mandate period, the Board of Directors may exercise the mandate based on our interests and market conditions, subject to the approvals of the relevant regulatory authorities and in compliance with laws, regulations and the Articles of Association. As of the date of this annual report, the general mandate to repurchase H Shares or issue additional H Shares has not been exercised.

B. Plan of Distribution

Not applicable.

C. Markets

Our A Shares are listed on the Shanghai Stock Exchange under the approval of the China Securities Regulatory Commission. The principal trading market for the H Shares is the Hong Kong Stock Exchange. The ADSs have been issued by The Bank of New York Mellon, acting as Depositary Bank, and are listed on the New York Stock Exchange under the symbol "YZC". For market price information on the exchanges on which our securities are listed, see "– A. Offer and Listing Details".

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Since the effective date of our Articles of Association, the PRC government and other regulatory authorities have promulgated various rules, regulations and opinions which include the Securities Laws of the PRC, the General Meeting Opinions, and the Guide for Articles of Association of Listed Companies. As a listed company, we are required to incorporate these rules, regulations and opinions into our Articles of Association as appropriate.

Selected Summary of our Articles of Association

A copy of the English translation of our Articles of Association was filed with the Commission as an exhibit to our registration statement on Form F-1 under the Securities Act in connection with the global offering of our H Shares and related American Depositary Shares in 1997. The following table sets forth the dates our Articles of Association were amended or filed with the Commission, or both:

Date of Amendment to the Articles of Association	Filing
April 22, 2002	Appendix to 2001 20-F
June 25, 2004	Appendix to 2003 20-F
July 8, 2004	Appendix to 2004 20-F
June 28, 2005	Appendix to 2005 20-F
August 22, 2005	
June 28, 2006	Appendix to 2006 20-F
November 10, 2006	
June 15, 2007	Appendix to 2007 20-F
January 30, 2008	Appendix to 2008 20-F
December 23, 2008	
June 26, 2009	Appendix to 2010 20-F
June 25, 2010	
February 18, 2011	
May 20, 2011	
April 23, 2012	Appendix to 2012 20-F/A
May 15, 2013	Appendix to 2013 20-F

Objects and Purposes

We are a joint stock limited company established in accordance with the “Company Law”, “State Council’s Special Regulations Regarding the Issue of Shares Overseas and the Listing of Shares Overseas by Companies Limited by Share” and other relevant laws and administrative regulations of the State. We were established by way of promotion with the approval of the former State Commission for Restructuring the Economic System on September 24, 1997, as evidenced by approval document Ti Gai Sheng (1997) No. 154 of 1997. We were registered with and have obtained a business license from Shandong Provincial Administration Bureau of Industry and Commerce on September 25, 1997. Our business license number is: 370000400001016.

Our scope of business includes: selection and sale of coal (among others, the export of coal should be made through companies with coal export rights according to existing state regulations); transportation of goods through self-owned railways within the mining areas; transportation of goods through highways; operation of ports; manufacture, sale, lease and repair of relevant mining equipment; production and sale of other mining materials; sale and lease of electronic equipment and sale of parts; sale of metallic materials, electronic products, construction materials, timber, rubber products and methanol; provision of mining, science and technological services; property development within the mining areas, property leasing and provision of services such as dining and accommodation; production and sale of coal residual stones as construction materials; sale of coking coal and iron ore; import and export of goods and technology; warehousing; and automotive repairs.

Board of Directors

The Board of Directors is accountable to shareholders and exercises the powers granted to it by the Articles of Association.

Directors who are not employee representatives are elected or removed at shareholders’ general meetings. Employee directors are elected in staff representative meetings or by other democratic methods. All Directors are elected for a term of three years, which can be renewed by re-election at the expiry of the term, unless a Director is removed for cause during his term.

We have established a system of independent Directors and currently have four independent Directors. Independent Directors do not hold any positions in the Company other than their role as directors and do not maintain with us or our substantial shareholders a connection which may hamper their independent and objective judgment. In addition to the powers granted to Directors by the Company Law and other relevant laws, regulations and the Articles of Association, independent Directors have the following powers:

- (i) a majority of the independent Directors must agree to the engagement of substantial connected transactions, as determined in accordance with the standards promulgated from time to time by the regulatory organizations of the place where the Company's shares are listed, and the appointment of accounting firm(s) before submitting such decisions to the Board of Directors;
- (ii) a majority of the independent Directors may call an extraordinary general meeting for the Board of Directors, propose a board meeting, and publicly collect proxy votes from shareholders before shareholders' general meetings; and
- (iii) with the consent of a majority of the independent Directors, the independent Directors may independently engage external auditors and consultants to provide audit and consultation for specific Company matters, with the Company bearing the associated costs.

If the above recommendations are not accepted or the above powers cannot be exercised ordinarily, the Company shall disclose the circumstances accordingly.

Where a Director, supervisor or senior officer of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (other than his contract of service with the Company), he shall declare the nature and extent of his interests to the Board of Directors at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal therefore is otherwise subject to the approval of the board of directors. Unless the interested director, supervisor or senior officer discloses his interests in accordance with the preceding subparagraph of this Article and the contract, transaction or arrangement is approved by the board of directors at a meeting in which the interested director, supervisor or senior officer is not counted as part of the quorum and refrains from voting, a contract, transaction or arrangement in which that Director, supervisor or senior officer is materially interested is voidable at the instance of the Company except as against a bona fide party thereto who did not have notice of the breach of duty by the interested director, supervisor or senior officer.

Similarly, our Articles provide that when passing a resolution in relation to a connected transaction, or where any Director or any of its associates (as defined under the Listing Rules of the Stock Exchange of Hong Kong) is connected with such resolution, such connected director must recuse himself from the Board meeting, not have any voting rights in respect thereof, not exercise any voting right on behalf of other directors and not be counted as part of the quorum of the Board of Directors' meeting. Such board meeting can be convened where not less than half of the disinterested directors of the Company attend the meeting and any such resolutions shall be passed by at least half of the disinterested directors of the Company. If less than three non-connected Directors attend the Board of Directors' meeting, the connected transaction shall be submitted as a resolution at a shareholders' general meeting of the Company.

Pursuant to our Articles of Association, with the approval of over two-thirds of all Directors, the Board of Directors may exercise its borrowing powers subject to the following guidelines:

- (1) a single loan of more than 10% and less than 25% of the Company's latest audited net asset value so long as the debt ratio to the Company's assets remains under 80% after such financing; and
- (2) mortgages or pledges of assets the cumulative outstanding amount of which is less than 30% of the Company's latest audited net asset value.

Remuneration of Directors are determined by resolution of the shareholders. The Articles of Association do not impose a mandatory retirement age or share ownership qualification on Directors.

Description of the Shares and Shareholder Rights

As of December 31, 2013, our share capital structure consists of 4,918,400,000 ordinary shares, comprising

- (1) 2,960,000,000 domestic shares, which represent 60.18% of our share capital, of which:
 - a. 2,600,000,000 shares, which represent 52.86% of our share capital, were directly held by the promoter, Yankuang Group Corporation Limited, and
 - b. 360,000,000 shares, which represent 7.32% of our share capital, were held by other shareholders; and
- (2) 1,958,400,000 foreign H shares, which represent 39.82% of our share capital, were held by the H Shares shareholders.

Holders of our ordinary Shares are entitled to share in the Company's profits, dividends and other distributions in proportion to the number of Shares held and are not liable for making any further contribution other than the subscription amount. Our ordinary shareholders enjoy the following rights:

- (i) the right to receive dividends and other distributions in proportion to the number of shares held;
- (ii) the right to demand the convening of a shareholders' meeting, convene a shareholders' meeting, attend or appoint a proxy to attend shareholders' meetings and to vote thereat;
- (iii) the right of supervisory management over our business operations and the right to present proposals or to raise queries;
- (iv) the right to transfer, grant or pledge shares so held in accordance with laws, administrative regulations and provisions of our Articles of Association;
- (v) the right to obtain relevant information in accordance with the provisions of our Articles of Association;
- (vi) in the event of our termination or liquidation, the right to participate in the distribution of our surplus assets in accordance with the number of shares held;
- (vii) for shareholders who disagree with the resolutions for the merger and separation of the Company made in a general meeting, the right to demand the Company to purchase their shares; and
- (viii) other rights conferred by laws, administrative regulations and our Articles of Association.

Voting Rights

Shareholders (including proxies), when voting at a shareholders' general meeting, may exercise such voting rights as are attached to the number of voting shares which they hold. Each Share represents one vote. Shares held by the Company do not have voting rights and these shares will not count as the total number of shares entitled to vote. Resolutions at shareholders' general meetings shall be divided into ordinary resolutions and special resolutions. An ordinary resolution must be passed by votes representing more than half of the voting rights represented by the shareholders (including proxies) present at the meeting. A special resolution must be passed by votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting.

Other than the obligations provided by the laws, administrative legislations and the listing rules of the stock exchange on which the Company's shares are listed, our Controlling Shareholder (as defined in the Articles) shall not exercise its voting rights to approve the following matters which will be prejudicial to the interests of all or some of the other shareholders.

- (i) to relieve a director or supervisor of his duty to act honestly in the best interests of the Company;
- (ii) to approve the expropriation by a Director or supervisor (for his own benefit or for the benefit of another person) of the Company's assets in any way, including (without limitation) opportunities which are beneficial to the Company; and
- (iii) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (without limitation) rights to distributions and voting rights (save pursuant to a restructuring which has been submitted for approval by the shareholders in a general meeting in accordance with these Articles of Association).

Sources of Shareholders' Rights

The rights and obligations of holders of H Shares and other provisions relating to shareholder protection are principally provided in the Articles of Association and the PRC Company Law. The Articles of Association incorporate mandatory provisions in accordance with the Mandatory Provisions for the Articles of Association of Companies Listed Overseas promulgated by the State Council Securities Commission and the State Restructuring Commission on August 27, 1994 (the "Mandatory Provisions"). We are further subject to management ordinances applicable to the listed companies in Hong Kong SAR and the United States, as our H Shares are listed on the Hong Kong Stock Exchange and the New York Stock Exchange (in the form of ADSs).

In addition, for so long as the H Shares are listed on the Hong Kong Stock Exchange, we are subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKSE Rules"), the Securities and Futures Ordinance of Hong Kong (the "SFO") and the Hong Kong Code on Takeovers and Mergers and Share Repurchases. The Listing Agreement between us and the Hong Kong Stock Exchange further provides that we may not permit amendments to certain sections of the Articles of Association subject to the Mandatory Provisions. These sections include provisions relating to (i) varying the rights of existing classes of shares; (ii) voting rights; (iii) the power to purchase our own shares; (iv) rights of minority shareholders; and (v) procedures upon liquidation. In addition, certain amendments to the Articles of Association require the approval and assent of relevant PRC authorities.

Mergers and Acquisitions

In the event of the merger or division of our Company, a plan must be presented by our Board of Directors and approved in accordance with the procedures stipulated in our Articles of Association. Shareholders who object to the plan of merger or division will have the right to demand us or the shareholders who consent to the plan of merger or division to acquire their shares at fair market price. A resolution proposing a merger or division by our company constitutes a special document, which will be available for inspection by our shareholders.

Redemption Provisions

In accordance with the procedures set out in the Articles of Association and upon obtaining approval from relevant government authorities, we may repurchase our issued Shares under the following circumstances:

- (i) canceling Shares to reduce our capital;
- (ii) merger with another company that holds Shares of our Company;
- (iii) granting employee incentive Shares;
- (iv) purchasing the shares of dissenting shareholders; and
- (v) other circumstances permitted by relevant laws and administrative regulations.

Apart from the above, the Company is not allowed to engage in trading of its own shares.

We may repurchase shares in one of the following ways, with the approval of the relevant government authorities:

- (i) by making a general offer to repurchase shares of all our shareholders on a pro rata basis;
- (ii) by repurchasing shares through a public dealing on a stock exchange;
- (iii) by repurchasing shares outside of the stock exchange by means of an off-market agreement; or
- (iv) by other means as authorized by the competent securities authorities under the State Council.

Variation of Rights

The rights attached to any class of shares may not be varied or abrogated except with the approval of a special resolution by all shareholders at a general meeting, along with a special resolution of the holders of the affected class of shares at a separate meeting in accordance with the Articles of Association.

Shareholders' Meetings and Notices

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Shareholders' general meetings shall be convened by the Board of Directors. Annual general meetings are held once every year and within six months from the end of the preceding financial year. The Board of Directors is required to convene an extraordinary general meeting within two months of the occurrence of any one of the following events:

- (i) where the number of Directors is less than the number stipulated in the Company Law or two-thirds of the number specified in our Articles of Association or is less than eight (8);
- (ii) where our unrecovered losses amount to one-third of the total amount of our share capital;
- (iii) where shareholder(s) singly or jointly holding 10% or more of our issued and outstanding voting shares request(s) in writing for the convening of an extraordinary general meeting. Within 10 days of receiving such proposal, the Board shall provide its written decision as to whether it agrees to convene such general meeting in accordance with the laws, administrative regulations and the Articles of Association.;
- (iv) whenever the Board of Directors deems necessary or the supervisory committee so requests;
- (v) other cases as provided in laws, administrative regulations and the Articles of Association; or
- (vi) whenever more than a half of the independent Directors so request.

When we convene a shareholders' general meeting, written notice of the meeting shall be given 45 days before the date of the meeting (when calculating the 45 day period, the date on which the meeting is held shall not be included) to notify all of the shareholders whose names appear in the share register of the matters to be considered and the date and place of the meeting, along with the matters to be resolved in the meeting. Shareholders who intend to attend the meeting shall deliver to us their written reply concerning their attendance at such meeting 20 days before the date of the meeting. When we convene an annual general meeting, a shareholder singly or shareholders jointly holding 5% or more of the voting shares of the Company may propose new motions in writing, and we shall include in the agenda those motions which are within the authority of the shareholders' general meeting.

When we convene a shareholders' general meeting, the Board of Directors, the supervisory committee and shareholder(s) individually and jointly holding more than 5% of our shares have the right to propose resolutions to the Company. Shareholder(s) individually and jointly holding more than 5% of our shares may propose special resolutions in writing to the convenor 20 days before the shareholders' general meeting is convened. The convenor shall issue a supplementary notice of the general meeting within two days after receiving the resolutions to announce the contents of the resolutions. Apart from the above, no amendment to the resolutions as set out in the notice of general meeting or proposal of new resolutions shall be made after the convenor has issued the notice of general meeting. The resolutions not set out in the notice of general meeting or that fail to comply with the Articles of Association shall be not voted and resolved in the shareholders' general meeting.

Limitations on Voting and Shareholding

Holders of H Shares and Domestic Shares, with minor exceptions, are entitled to the same economic and voting rights. Consistent with PRC law, the Articles of Association provide that the H Shares can only be traded by investors of Taiwan, Hong Kong, Macau and any country other than the PRC, while A Shares may be traded only by PRC investors and qualified foreign institutional investors. State-owned legal person shares can not be traded unless the approval from the relevant government authorities.

Ownership Threshold

There are no ownership thresholds above which shareholder ownership is required to be disclosed.

Changes in Registered Capital

Pursuant to the Article of Association, any increase or reduction in share capital must be resolved by a special resolution at a shareholders general meeting.

Recent Amendments to the Articles of Association

During the reporting period of this annual report, we made a number of amendments to our Articles of Association. At the second extraordinary general meeting for the year 2012 held on April 23, 2012, our shareholders approved amendments to our Articles of Association regarding the Board's responsibilities in corporate governance and the management of guarantee procedure.

C. Material Contracts

Financial Services Agreement with Yankuang Finance

Pursuant to approval granted at the twelfth meeting of the fifth session of the Board of Directors of the Company held on March 22, 2013, we entered into the Financial Services Agreement with Yankuang Finance on the same day, which sets forth the annual caps for such transactions in 2013. See "Item 7B. Related Party Transactions — Continuing Connected Transactions — Continuing Connected Transaction under the Financial Services Agreement."

The Provision of Special Labor and Services Agreement with Yankuang Group

Pursuant to the approval granted at the twentieth meeting of the fifth session of the Board of Directors of the Company held on 21 March 2014, we entered into the provision of special labor and services agreement with Yankuang Group on the same day, which sets forth the annual caps in 2014. See "Item 7B. Related Party Transactions — Continuing Connected Transactions — The Continuing Connected Transaction Agreement in 2014 and the Revision of the Existing Annual Cap for the Continuing Connected Transaction in 2014."

Financial Services Agreement with and Yankuang Finance

Pursuant to the approval granted at the twentieth meeting of the fifth session of the Board of Directors of the Company held on 21 March 2014, we entered into the financial services agreement with and Yankuang Finance on the same day, which sets forth the annual caps in 2014. See "Item 7B. Related Party Transactions — Continuing Connected Transactions — The Continuing Connected Transaction Agreement in 2014 and the Revision of the Existing Annual Cap for the Continuing Connected Transaction in 2014."

D. Exchange Controls

Our Articles of Association require that we pay dividends and other distributions to holders of Foreign-Invested Shares in accordance with relevant foreign exchange control regulations. If there is no applicable regulation, the exchange rate that we use to convert dividends and distributions to foreign currencies will be the average exchange rate of Renminbi to the relevant foreign currency announced by the Bank of China five business days prior to the announcement of the dividend or distribution.

The Renminbi currently is not a freely convertible currency. The SAFE, under the authority of the PBOC, controls the conversion of Renminbi into foreign currency. Under existing foreign exchange regulations, unless otherwise approved by the SAFE or exempted by relevant regulations, PRC enterprises must price and sell their goods and services in the PRC in Renminbi.

Since August 1, 2008, all foreign exchange income generated from current account transactions of PRC enterprises (including foreign-invested enterprises) may be retained by enterprises themselves or be sold to the financial institutions operating the foreign exchange settlement or sale business in accordance with relevant regulations. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares (for example foreign exchange income received by our Company from the sale of shares overseas) is also not required to be sold to financial institutions operating the foreign exchange settlement or sale business, but may be deposited in foreign exchange accounts at the financial institutions operating foreign exchange businesses.

PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items may, without the approval of SAFE, effect payment from their foreign exchange accounts at financial institutions operating foreign exchange businesses, with valid receipts and proof. Upon a board approval, foreign-invested and PRC enterprises that need foreign currency to distribute profits to their shareholders, such as our Company, may make distributions from their foreign exchange accounts or convert RMB into foreign currencies at foreign exchange businesses.

The conversion of foreign exchange with respect to capital account items, like direct investment and capital contribution, is subject to registration formalities at the foreign exchange administrative department of the State Council.

We have established a limited independent foreign currency account since 2001. The primary source of our foreign currency is revenues denominated in U.S. dollars from coal sales. We use foreign currency primarily to settle equipment and machinery purchases and pay cash dividends on our H Shares (in HK dollars). We have not experienced any shortage of foreign currency. In addition, we can exchange Renminbi for additional foreign currency from designated banks for current account transactions by presenting relevant documents to evidence foreign currency requirements in accordance with relevant regulations.

E. Taxation

The following summary of certain tax provisions does not address all of the tax considerations that may be relevant to each investor and is based on the tax laws, notices and treaties of the relevant jurisdictions as of the date of this annual report, all of which are subject to amendments or changes in interpretation, possibly with retroactive effect. This discussion does not deal with all possible tax consequences relating to an investment in the H Shares or ADSs. In particular, the tax consequences under state, local and other laws are not discussed. This discussion does not constitute legal or tax advice. Accordingly, potential investors are strongly urged to consult their own tax adviser to determine the tax consequences of their investment.

The People's Republic of China

The following discussion summarizes the material PRC tax provisions relating to the ownership and disposition of H Shares or ADSs held by investors as capital assets.

Taxation on Dividends

Individual investors. Under the Individual Income Tax Law of the PRC of 1993, as amended on June 30, 2011, and other applicable tax laws and regulations, dividends paid by Chinese companies to individuals are generally subject to a PRC withholding tax of 20%. Foreign persons are generally subject to a 20% withholding tax on the dividends received from Chinese companies, unless they are subject to tax relief under applicable taxation arrangement. The SAT issued the Notice on the Issues Concerning the Collection and Administration of Individual Income Tax Following the Repeal of Circular 45, under which both Hong Kong residents and Macau residents will generally be subject to a dividend withholding tax of 10% pursuant to the arrangement for the avoidance of double taxation signed between the PRC and Hong Kong.

Enterprises. According to the EIT Law and the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which are Overseas Non-resident Enterprises (Guoshuihan [2008] No. 897) promulgated on November 6, 2008, where a Chinese resident enterprise pays dividends for the year of 2008 or any year thereafter to its H shareholders that are overseas non-resident enterprises, it shall withhold the enterprise income tax thereon at the uniform rate of 10%. After receiving dividends, a non-resident enterprise shareholder may submit an application to the competent tax authority to claim any treatment under a relevant tax agreement (arrangement).

Tax Treaties

Non-PRC shareholders who are residents or citizens of countries that have entered into treaties to avoid double-taxation with China may be entitled to a reduction in the withholding tax imposed on the payment of dividends. China currently has such treaties with a number of countries, including:

- the United States;
- Australia;
- Canada;
- France;
- Germany;
- Japan;
- Malaysia;
- the Netherlands;
- Singapore; and
- the United Kingdom.

Under each one of these treaties, the withholding tax imposed by China's tax authorities is generally reduced. For example, under the treaty between China and the United States, China may tax dividends paid by us to an eligible U.S. holder up to a maximum of 10% of the gross amount of the dividend. For the purposes of this discussion, an eligible U.S. holder is a person who, by reason of domicile, residence, place or head office, place of incorporation or any other criterion of similar nature is subject to taxation in the United States.

Taxation on Capital Gains

According to the EIT Law, capital gains realized by foreign enterprises which have no establishment or residence in China or whose capital gains from China do not relate to their establishment or residence in China are generally subject to capital gains tax at the rate of 10%.

According to the Interim Measures for Administration of Withholding at Source of Income Tax of Non-resident Enterprises, which was promulgated by the SAT on January 9, 2009, when two non-resident enterprises enter into an equity assignment transaction to transfer the equity of a Chinese enterprise outside the territory of China, the assigning non-resident enterprise shall pay taxes to the competent tax authority in the place where the Chinese enterprise whose equity has been transferred is located. In addition, the Chinese enterprise whose equity is being assigned shall assist the tax authority in the collection of applicable taxes for the transaction.

With respect to individual holders of H Shares, the Provisions for Implementing the Individual Income Tax Law of China, as amended, provides that the levy of individual income tax on the gains realized on the sale of shares will be regulated and separate rules will be drafted by the financial division of the State Council and subject to the approval from the State Council. However, to date, no such implementing measures have been promulgated by the Ministry of Finance, and no individual income tax on gains realized on sales of shares has been levied. On June 20, 1994, February 9, 1996 and March 30, 1998, the Ministry of Finance and the SAT issued notices providing that gains realized by individuals were temporarily exempt from individual income tax. If such exemption becomes inapplicable or is not renewed, a non-PRC enterprise shareholder might be subject to a 20% tax on capital gains under the Individual Income Tax Law of the PRC and its amendments.

Additional PRC Tax Considerations

Under the Provisional Regulations of the PRC Concerning the Stamp Duty, Chinese stamp duty is not imposed on the transfer of shares, such as the H Shares or ADSs, of Chinese publicly traded companies by non-Chinese investors that take place outside of China.

United States Federal Income Taxation

Investors are strongly urged to consult their own tax advisors to determine the particular U.S. federal, state, local, treaty and foreign tax consequences related to purchasing, owning or disposing of the H Shares or ADSs.

The following summary describes the principal U.S. federal income tax consequences of purchasing, owning and disposing of the H Shares or ADSs. This summary only applies to U.S. holders, as defined below, who hold the H Shares or ADSs as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986 as amended (the "Code"). This discussion does not address all of the U.S. federal income tax consequences relating to the ownership and disposition of the H Shares or ADSs, and does not take into account U.S. holders who may be subject to special rules including:

- tax-exempt entities;
- banks, financial institutions, and insurance companies;
- real estate investment trusts, regulated investment companies and grantor trusts;
- dealers or traders in securities, commodities or currencies;
- U.S. holders liable for alternative minimum tax;
- U.S. holders that own, actually or constructively, 10% or more of our voting stock;
- persons that receive the H Shares or ADSs as compensation for services;
- U.S. holders that hold the H Shares or ADSs as part of a straddle or a hedging or a conversion transaction;
- "dual resident" corporations;
- persons that generally mark their securities to market for US federal income tax purposes;
- U.S. citizens or tax residents who are residents of the People's Republic of China;
- U.S. citizens or tax residents who are subject to Hong Kong profits tax;
- certain U.S. expatriates; or
- U.S. holders whose functional currency is not the U.S. dollar.

Moreover, this description does not address United States federal estate, gift or alternative minimum taxes, the U.S. federal unearned medicare contribution tax or any state or local tax consequences of the purchase, ownership and disposition of the H Shares or ADSs. Each U.S. holder should consult its tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning and disposing of H Shares and ADSs.

This discussion is based on the Code, its legislative history, final, temporary and proposed U.S. Treasury regulations promulgated thereunder, published rulings and court decisions as in effect on the date hereof, all of which are subject to change, or changes in interpretation, possibly with retroactive effect. In addition, this discussion is based in part upon representations of the depository and the assumption that each obligation in the deposit agreement and any related agreements will be performed according to its terms.

You are a "U.S. holder" if you are a beneficial owner of H Shares or ADSs and are:

- an individual citizen or resident of the United States for United States federal income tax purposes;
- a corporation, or other entity treated as a corporation for United States federal income tax purposes, created or organized under the laws of the United States or any political subdivision thereof;
- an estate the income of which is subject to United States federal income tax without regard to its source; or

- a trust:
 - subject to the primary supervision of a United States court and one or more U.S. person, (within the meaning of the Code) have the authority to control all substantial decision of the trust; or
 - that has elected to be treated as a United States person under applicable U.S. Treasury regulations.

If a partnership (including any entity treated as a partnership for United States federal tax purposes) holds the H Shares or ADSs, the tax treatment of the partnership and a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. If an investor is a partner in a partnership that holds H Shares or ADSs, such investor should consult its tax advisor.

In general, if you hold ADSs, you will be treated as the owner of the H Shares represented by the ADSs. Exchanges of H shares for ADSs, and ADSs for H shares, generally will not be subject to United States federal income tax.

INVESTORS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSIDERATIONS APPLICABLE TO THEM RELATING TO THE OWNERSHIP AND DISPOSITION OF THE H SHARES OR ADSs, INCLUDING THE APPLICABILITY OF U.S. FEDERAL, STATE AND LOCAL TAX LAWS OR NON-U.S. TAX LAWS, ANY CHANGES IN APPLICABLE TAX LAWS AND ANY PENDING OR PROPOSED LEGISLATION OR REGULATIONS.

Distributions on the H Shares or ADSs

Subject to the discussions below under “ — Passive Foreign Investment Company,” the gross amount of any distribution (without reduction for any PRC tax withheld) we make on the H Shares or ADSs will be includible in income as dividend income when the distribution is actually or constructively received by you. Because we do not calculate earnings and profits in accordance with U.S. tax principles, all distributions by us to U.S. holders will generally be treated as dividends. Any dividend will not be eligible for the dividends-received deduction allowed to certain U.S. corporations in respect of dividends received from U.S. corporations. The amount of any distribution of property other than cash will be the fair market value of such property on the date of such distribution.

The U.S. dollar amount of dividends received by certain non-corporate U.S. holders will be subject to taxation at a maximum rate of 20% if the dividends are “qualified dividends.” Dividends paid on H Shares or ADSs will be treated as qualified dividends if (a) certain holding period requirements are satisfied, (b) either (i) we are eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service, or IRS, has approved for the purposes of the qualified dividend rules, or (ii) the dividends are with respect to ADSs readily tradable on a U.S. securities market, and (c) provided that we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company, or PFIC. The Agreement Between the Government of the United States of America and the Government of the People’s Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income (the “Treaty”) has been approved for the purposes of the qualified dividend rules. We should be considered a qualified foreign corporation with respect to the ADSs because our ADSs are listed on the New York Stock Exchange. Relevant U.S. holders should consult their tax advisors regarding whether such dividends will qualify for the reduced tax rate provided by the “qualified dividend” rules.

If we make a distribution paid in HK dollars, you will be considered to receive the U.S. dollar value of the distribution determined at the spot HK dollar/U.S. dollar exchange rate on the date such distribution is received actually or constructively by you, regardless of whether you convert the distribution into U.S. dollars. Any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in gain income to the date you convert the distribution into U.S. dollars will be treated as U.S. source ordinary income or loss. If dividends received in HK dollars are converted into U.S. dollars on the day they are received, the U.S. holder generally will not be required to recognize foreign currency gain or loss in respect of the dividend income.

Dividends received by a U.S. holder generally will constitute income from sources outside the United States for U.S. foreign tax credit limitation purposes and will be categorized as “passive income” or, in the case of certain U.S. holders, as “general category income” for U.S. foreign tax credit purposes. We may be required to withhold PRC income tax on dividends paid to U.S. holders on the H Shares or ADSs. Subject to various limitations, any PRC tax withheld from distributions in accordance with the Treaty may be deductible or creditable against your U.S. federal income tax liability.

You may not be able to claim a foreign tax credit (and instead may qualify to claim a deduction) for non-U.S. taxes imposed on dividends paid on the H Shares or ADSs if you (i) have held the H Shares or ADSs for less than a specified minimum period during which you are not protected from risk of loss with respect to such shares, or (ii) are obligated to make payments related to the dividends (for example, pursuant to a short sale). The rules relating to the U.S. foreign tax credit are complex. U.S. holders should consult their own tax advisors regarding the effect of these rules in their particular circumstance.

Sale, Exchange or Other Disposition

Subject to the discussions below under “ — Passive Foreign Investment Company,” upon a sale, exchange or other disposition of the H Shares or ADSs, you will generally recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realized and your tax basis, determined in U.S. dollars, in such H Shares or ADSs. Any gain or loss will generally be treated as U.S. source gain or loss for foreign tax credit limitation purposes under the Code. Under the Treaty, if any PRC tax was to be imposed on any gain from the disposition of H Shares or ADSs, U.S. holders may be able to credit such taxes against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code since such gain generally would be “resourced” under Article 22(3) of the Treaty as foreign source income for U.S. foreign tax credit purposes. U.S. holders are urged to consult their tax advisors regarding the interaction of the foreign tax credit rules and Treaty “resourcing” rule.

With respect to the sale or exchange of H Shares or ADSs, the amount realized generally will be the U.S. dollar value of the payment received determined on (i) the date of receipt of payment in the case of a cash basis U.S. holder and (ii) the date of disposition in the case of an accrual basis U.S. holder. If H Shares or ADSs are traded on an “established securities market”, a cash basis taxpayer or, if it so elects, an accrual basis taxpayer, will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale. A U.S. holder will have a tax basis in the foreign currency received equal to the U.S. dollar amount realized. Any currency exchange gain or loss realized on a subsequent conversion of the foreign currency into U.S. dollars for a different amount generally will be treated as ordinary income or loss from sources within the United States. However, if such foreign currency is converted into U.S. dollars on the date received by the U.S. holder, a cash basis or electing accrual basis U.S. holder should not recognize any gain or loss on such conversion.

Foreign Investment Company

A non-U.S. corporation is a PFIC for any taxable year in which, after applying relevant look-through rules with respect to the income and assets of subsidiaries:

- 75% or more of its gross income consists of passive income, such as dividends, interest, rents, royalties, and gains from the sale of assets that give rise to such income; or
- 50% or more of the average quarterly value of its gross assets consists of assets that produce, or are held for the production of, passive income.

“Passive income” for this purpose includes, for example, dividends, interest, royalties, rents and gains from commodities and securities transactions. Passive income does not include rents and royalties derived from the active conduct of a trade or business. If the stock of a non-U.S. corporation is publicly traded for the taxable year, the asset test is applied using the fair market value of the assets for purposes of measuring such corporation’s assets. If we own at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of the other corporation’s assets and receiving our proportionate share of the other corporation’s income for purposes of the PFIC income and asset tests.

Based on the current and anticipated composition of our assets and income and current expectations regarding the price of the H Shares and ADSs, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to our 2013 taxable year and we do not intend to become or anticipate becoming a PFIC for any future taxable year. However, the determination of PFIC status is a factual determination that must be made annually at the close of each taxable year and therefore, there can be no certainty as to our status in this regard for the current or any future taxable years. Changes in the nature of our income or assets or a decrease in the trading price of the H Shares or ADSs may cause us to be considered a PFIC in the current or any subsequent year. If we were a PFIC in any year during a U.S. holder’s holding period for the H Shares or ADSs, we would ordinarily continue to be treated as a PFIC for each subsequent year during which the U.S. holder owned the shares.

If we were a PFIC in any taxable year that you held the H Shares or ADSs, you generally would be subject to special rules with respect to “excess distributions” made by us on the H Shares or ADSs and with respect to gain from your disposition of the H Shares or ADSs. An “excess distribution” generally is defined as the excess of the distributions you receive with respect to the H Shares or ADSs in any taxable year over 125% of the average annual distributions you have received from us during the shorter of the three preceding years, or your holding period for the H Shares or ADSs. Generally, you would be required to allocate any excess distribution or gain from the disposition of the H Shares or ADSs ratably over your holding period for the H Shares or ADSs. The portion of the excess distribution or gain allocated to a prior taxable year, other than a year prior to the first year in which we became a PFIC, would be taxed at the highest U.S. federal income tax rate on ordinary income in effect for such taxable year, and you would be subject to an interest charge on the resulting tax liability, determined as if the tax liability had been due with respect to such particular taxable years. The portion of the excess distribution or gain that is not allocated to prior taxable years, together with the portion allocated to the years prior to the first year in which we became a PFIC, would be included in your gross income for the taxable year of the excess distribution or disposition and taxed as ordinary income.

These adverse tax consequences may be mitigated if the U.S. holder is eligible and does elect to annually mark-to-market the H Shares or ADSs. If a U.S. holder makes a mark-to-market election, such holder will generally include as ordinary income the excess, if any, of the fair market value of the H Shares or ADSs at the end of each taxable year over their adjusted basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of the H Shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included in income as a result of the mark-to-market election). Any gain recognized on the sale or other disposition of the H Shares or ADSs will be treated as ordinary income. The mark-to-market election is available only for “marketable stock,” which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter on a qualified exchange or other market, as defined in the applicable Treasury regulations. ADSs should qualify as “marketable stock” because the ADSs are listed on the New York Stock Exchange.

A U.S. Holder’s adjusted tax basis in the H Shares or ADSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If a U.S. holder makes a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the H Shares or ADSs are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. U.S. Holders are urged to consult their tax advisors about the availability of the mark-to-market election, and whether making the election would be advisable in their particular circumstances.

Alternatively, a timely election to treat us as a qualified electing fund would avoid the foregoing rules with respect to excess distributions and dispositions. You should be aware, however, that if we become a PFIC, we do not intend to satisfy the record keeping requirements that would permit you to make a qualified electing fund election.

If we were regarded as a PFIC, a U.S. holder of H Shares or ADSs generally would be required to file an information return on IRS Form 8621 for any year in which the holder received a direct or indirect distribution with respect to the H Shares or ADSs, recognized gain on a direct or indirect disposition of the H Shares or ADSs, or made an election with respect to the H Shares or ADSs, reporting distributions received and gains realized with respect to the H Shares or ADSs. In addition, pursuant to recently enacted legislation, if we were regarded as a PFIC, a U.S. holder would be required to file an annual information return (also on IRS Form 8621) relating to the holder’s ownership of the shares or ADSs. This requirement would be in addition to other reporting requirements applicable to ownership in a PFIC.

U.S. holders should consult their tax advisers concerning the U.S. federal income tax consequences of holding the H Shares or ADSs if we were considered to be a PFIC.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to dividends in respect of the H Shares or ADSs or the proceeds of the sale, exchange, or redemption of the H Shares or ADSs paid within the United States, and in some cases, outside of the United States, other than to various exempt recipients, including corporations. In addition, you may, under some circumstances, be subject to “backup withholding” with respect to dividends paid on the H Shares or ADSs or the proceeds of any sale, exchange or transfer of the H Shares or ADSs, unless you:

- are a corporation or fall within various other exempt categories, and, when required, demonstrate this fact;
- provide a correct taxpayer identification number on a properly completed IRS Form W-9 or a substitute form, certifying that you are exempt from backup withholding and otherwise comply with applicable requirements of the backup withholding rules; or
- provide a properly completed IRS Form W-8BEN, certifying your status as a non U.S. holder.

Any amount withheld under the backup withholding rules generally will be creditable against your U.S. federal income tax liability provided that you furnish the required information to the IRS in a timely manner. Investors should consult their own tax advisors as to their qualifications for an exemption from backup withholding and the procedures for obtaining this exemption.

For taxable years beginning after March 18, 2010, legislation requires certain U.S. holders to report information relating to stock of a non-U.S. person owned by the U.S. holder, subject to certain exceptions (including an exception for stock held in custodial accounts maintained by a U.S. financial institution). U.S. holders are urged to consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the H Shares or ADSs.

Hong Kong Taxation

The following discussion summarizes the relevant Hong Kong tax rules relating to the ownership of H shares or ADSs held by you.

Dividends

Under current Hong Kong Inland Revenue Department practice, no profits tax is payable by the recipient in respect of dividends paid by us.

Taxation of Capital Gains

Gains derived from the sale of capital assets are specifically exempt from profits tax. Thus, no profits tax is imposed on capital gains arising from the sale of property (such as H shares) acquired and held as investment assets. However, whether or not there has been a sale of a capital asset depends upon the particular circumstances of a case. For example, if a person carries on a business in Hong Kong of trading and dealing in securities and derives trading gains from that business in Hong Kong, that person could be subject to profits tax on any assessable gains. Assessable gains include gains derived from purchases and sales of H shares effected on the Hong Kong Stock Exchange, as these are considered to be derived from Hong Kong from that person's business. Profits tax is currently charged at the rate of 16.5% for corporations and at the rate of 15% for individuals.

No profits tax liability will arise on capital or trading gains arising from the sale of ADSs where the purchase and sale is effected outside Hong Kong (e.g., on the NYSE).

Stamp Duty

Stamp duty is payable by each of the seller and the purchaser for every sold note and every bought note created for every sale and purchase of the H shares. Stamp duty is levied at the total rate of 0.2% of the higher of the consideration for the sale and purchase or the value of the H shares transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on an instrument of transfer of H shares. If one of the parties to a sale is a non-resident of Hong Kong and does not pay the required stamp duty, the amount of unpaid stamp duty will be assessed on the instrument of transfer (if any), and the transferee will be liable for payment of such unpaid amount.

If the withdrawal of H shares when ADSs are surrendered or the issuance of ADSs when H shares are deposited results in a change of beneficial ownership in the H shares under Hong Kong law, stamp duty at the rate cited above will apply. The issuance of ADSs for deposited H shares issued directly to the depository, or for the account of the depository, should not result in any stamp duty liability. Holders of the ADSs are not liable for stamp duty on transfers of ADSs outside of Hong Kong so long as the transfers do not result in a change of beneficial interest in the H shares under Hong Kong law.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

In accordance with the Exchange Act, we must file reports, including this annual report, and other information with the Commission. The reports and other information we have filed under the Exchange Act and the registration statement on Form F-1 and exhibits thereto we have previously filed with the Commission may be inspected and copied by the public at the public reference facilities maintained by the Commission at 100 F Street NE, Washington D.C. 20549, U.S.A. and will also be available for inspection and copying at the regional offices of the Commission located at Seven World Trade Center, 13th Floor, New York, New York 10048, U.S.A. and at Northwest Atrium Center, 500 Madison Street (Suite 1400), Chicago, Illinois 60661, U.S.A. Copies of such material may also be obtained from the Public Reference Section of the Commission at 100 F Street NE, Washington D.C. 20549, U.S.A. at prescribed rates. Our annual reports and other information filed with the Commission are also available at the Commission's website at www.sec.gov. Such reports and other information may also be inspected at the office of the New York Stock Exchange, 11 Wall Street, New York, New York 10005, U.S.A.

I. Subsidiaries

As of December 31, 2013, we owned the following significant subsidiaries:

Name of subsidiary	Country of incorporation/ registration	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by us		Proportion of voting power held	Principal activities
			Directly	Indirectly		
Moolarben Coal Mines Pty Limited	Australia	A\$1	—	100%	100%	Coal business development
White Mining (NSW) Pty Limited	Australia	A\$10	—	100%	100%	Coal mining and sales
Yancoal Australia Limited	Australia	A\$656,700,717	78%	—	78%	Investment holding
Yanzhou Coal Ordos Neng Hua Company Limited	PRC	RMB3,100,000,000	100%	—	100%	Coal resources exploration in Inner Mongolia and construction of 600,000 tonne methanol project
Yancoal Resources Limited	Australia	A\$446,410,000	—	100%	100%	Coal mining, sales and exploration
Austar Coal Mine Pty Limited	Australia	A\$64,000,000	—	100%	100%	Coal mining and sales
Syntech Resources P/L	Australia	A\$1,251,431	—	100%	100%	Coal mining and sales
Inner Mongolia Yize Mining Investment Co., Ltd (內蒙古伊澤礦業投資有限公司)	PRC	RMB136,260,500	—	100%	100%	Development of methanol project
Yanmei Heze Neng Hua Company Limited (兗煤菏澤能化有限公司)	PRC	RMB3,000,000,000	98.33%	—	98.33%	Coal mining and sales
Shandong Hua Ju Energy Company Limited (山東華聚能源股份有限公司)	PRC	RMB288,589,774	95.14%	—	95.14%	Electricity and heat supply
Yanzhou Coal Yulin Neng Hua Company Limited (兗州煤業榆林能化有限公司)	PRC	RMB1,400,000,000	100%	—	100%	Methanol and electricity power business
Inner Mongolia Haosheng Coal Mining Co., Ltd (內蒙古昊盛煤業有限公司)	PRC	RMB800,000,000	74.82%	—	74.82%	Coal wholesale management and others
Yancoal Technology Development Pty Ltd	Australia	A\$2	—	100%	100%	LTCC technical development and equipment rental
Gloucester Coal Ltd	Australia	A\$719,750,808	—	100%	100%	Coal resource exploration development
Gloucester (SPV) Pty Ltd	Australia	A\$2	—	100%	100%	Holdings company
Stratford Coal Marketing	Australia	A\$10	—	100%	100%	Coal sales
Stratford Coal Pty Ltd	Australia	A\$10	—	100%	100%	Coal mining
Duralie Coal Pty Ltd	Australia	A\$665	—	100%	100%	No business in Australia
Donaldson Coal Pty Ltd	Australia	A\$6,688,782	—	100%	100%	Coal mining and sales
Moolarben Coal Operation	Australia	A\$2	—	100%	100%	Management of coal operations
Newcastle Coal Company	Australia	A\$2,300,999	—	100%	100%	Coal mining and sales

For details of our shareholding in other direct and indirect subsidiaries, please see “Item 4 Information on the Company — C. Organizational Structure”.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Market risk represents the potential for loss due to adverse changes in the fair value of financial instruments. As a global concern, we are exposed to adverse developments in commodity prices, interest rates, foreign currency exchange rates, equity prices and inflation. These exposures may change over time as our business develops and could have a material impact on our financial results.

Commodity Price Risk

Price fluctuations may directly affect our operating and financial performance. We have historically experienced substantial price fluctuations and believe these fluctuations will continue. We primarily face risk relating to coal price fluctuations, and to a lesser extent methanol price fluctuations. For the years ended December 31, 2011, 2012 and 2013, the average selling price of our coal products in the PRC was RMB709.1, RMB604.3 and RMB523.5 per tonne, respectively. The periodic fluctuation in coal prices was caused by factors such as general economic conditions, supply and demand and the level of global inventories. The average selling price of our coal fluctuated in the past three years and it may continue to fluctuate as a result of pricing guidelines announced by the government authorities from time to time, temporary price controls, general economic conditions, supply and demand and the level of global inventories, which may, in turn, adversely affect our results of operations and financial condition.

We expect the production capacities of new domestic methanol facilities to increase, which may cause the supply of methanol to exceed demand. Methanol prices may decrease as a result of this overproduction, uncertain demand and an increase in imported methanol. However, methanol prices may also increase due to any increases in the prices of coal, natural gas, electricity and transportation, and the promotion of ethanol gasoline for motor vehicles by the PRC government.

Interest Rate Risk

We are exposed to interest rate risk caused by interest rate changes in relation to our bank borrowings and our other indebtedness, as well as our variable-rate bank balances, term deposits and restricted cash held with banks. Our interest rate risk primarily arises due to fluctuations in the PBOC benchmark interest rate in relation to our RMB-denominated borrowings and fluctuations in LIBOR in relation to our U.S. dollar-denominated borrowings. Upward fluctuations in interest rates increase the cost of new debt and the interest cost of outstanding variable rate liabilities. Interest rate fluctuations can also lead to significant fluctuations in the fair values of our debt obligations.

The Company monitors its interest rate exposure and has entered into contracts with three banks to hedge a proportion of borrowings issued at variable interest rates through the use of floating-to-fixed interest rate swap contracts. As of December 31, 2013, the outstanding notional amount of these interest rate swap contracts was approximately RMB609.7 million (US\$100.0 million). These interest rate swap contracts mature within four years from the date of the contract and have a hedge period of three months with fixed rates of approximately 2.75%, 2.42% and 2.41% and a floating rate of LIBOR + 0.75% for the three contracts, respectively. The noncurrent portion of the derivatives is not material and is included in the current portion.

We have prepared a sensitivity analysis to assess the impact of interest rate fluctuations on our 2013 operating results, assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all the variables were held constant, including the interest rate fluctuations of the PBOC rate and LIBOR discussed above. Based on this analysis, we estimate that an increase in interest rates of 1% would have decreased our reported net income attributable to our equity holders for 2013 by approximately RMB135.3 million.

Foreign Currency Exchange Rate Risk

We mainly face foreign currency exchange rate risks relating to RMB fluctuations and risks stemming from exchange rate fluctuations between the Australian dollar and U.S. dollar. China has adopted a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand with reference to a basket of currencies. Exchange rate fluctuations may adversely affect the value of our net assets, earnings and any declared dividends when translated or converted into U.S. dollars or Hong Kong dollars.

RMB fluctuations mainly affect our (i) income from coal exports, which must be converted into RMB since our coal exports are denominated in U.S. dollars; (ii) conversion of foreign currency deposits and loans; (iii) exposure to the foreign currency loans we granted to our foreign operations; and (iv) costs of imported equipment and fittings.

The sales and costs of each entity in our Company are generally denominated in the functional currency of the relevant entity, except for Yancoal Australia. Accordingly, we are not exposed to significant foreign currency risk attributable to operations. However, our results, including the results of Yancoal Australia have been significantly affected by volatility in exchange rates affecting the fair value of our foreign currency-denominated bank borrowings, giving rise to substantial exchange gains and losses. The table below sets forth the foreign currency-denominated assets and liabilities of the Company and its Subsidiaries that are in currencies other than the functional currency of the entity that carries such assets or liabilities on its balance sheet as of December 31, 2013.

	Liabilities		Assets	
	2013	2012	2013	2012
	(foreign currencies converted and denominated in RMB millions)			
United States Dollars (US\$)	30,840.4	18,294.7	5,278.9	2,267.9
Euro ("EUR")	—	1,083.9	12.6	0.1
Hong Kong Dollar (HK\$)	—	—	0.03	0.06
Notional amounts to sell US\$ foreign exchange contracts used for hedging	1,782.9	1,599.7	1,102.5	4,536.7
Notional amounts of buy EUR foreign exchange contracts used for hedging	—	—	167.3	165.7
Notional amounts of buy British pound foreign exchange contracts used for hedging	—	—	1.7	2.9

Except as disclosed in our financial statements and as described below, we do not have a foreign currency hedging policy. However, our management monitors our foreign exchange exposure and will consider hedging significant currency exposure if the need arises.

We have prepared a sensitivity analysis to assess the impact of exchange rate fluctuations on our operating results based on a 5% increase or decrease in the exchange rates for the U.S. dollar or Hong Kong dollar against the Renminbi. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts the translation of these monetary items as of the end of the indicated year for a 5% change in the exchange rates for the relevant currencies. The sensitivity analysis also assesses the impact of a 5% increase or decrease in the exchange rate for the Australian dollar against the U.S. dollar, which would affect loans to foreign operations within our Company that are denominated in a currency other than the functional currency of the lender or the borrower.

The sensitivity analysis represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. It includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates and also assumes all other risk variables remained constant. The sensitivity analysis includes loans to foreign operations within the Company where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower.

The following table sets forth the sensitivity analysis of the relevant foreign currencies of the periods indicated:

	<u>US\$⁽¹⁾</u>			
	<u>2013</u>	<u>2012</u>		
Increase (decrease) to profit and loss				
- if RMB weakens against respective foreign currency	30.8	218.2		
- if RMB strengthens against respective foreign currency	(30.8)	(218.2)		
	<u>USD⁽²⁾</u>		<u>Euro⁽²⁾</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	(RMB in millions)			
Increase (decrease) to profit and loss				
- if AUD weakens against respective foreign currency	76.2	(758.9)	—	—
- if AUD strengthens against respective foreign currency	(76.2)	758.9	—	—
Increase (decrease) to profit attributable to the equity holders of the Company				
- if AUD weakens against respective foreign currency	(1,039.5)	(538.2)	5.9	—
- if AUD strengthens against respective foreign currency	1,039.5	538.2	(5.9)	—

(1) Reflects primarily our exposure outstanding on bank deposits and loans denominated in U.S. dollars as of the year end.

(2) Reflects primarily the exposure outstanding on the bank borrowings and derivative financial instruments where the denomination of the loan is in a currency other than the functional currency of the borrower.

During the year ended December 31, 2013, our subsidiaries in Australia entered into forward foreign exchange contracts to sell or purchase specified amounts of foreign currencies in the future at stipulated exchange rates. The objective of entering into the forward foreign exchange contracts is to reduce the foreign exchange rate-related volatility of revenue streams and capital expenditures and thereby assist in our risk management. These contracts are to sell or purchase U.S. dollars with Australian dollars. The outstanding contracts to sell U.S. dollars hedge highly probable forecasted sales of coal. Cash flows and any impact to profit or loss arising from all the foreign exchange contracts are expected to occur within one year from the balance sheet date.

As of December 31, 2013, the outstanding notional amount to sell U.S. dollars and buy Australian dollars was approximately RMB1,783 million and RMB3,096 million, respectively, all maturing within one year with forward rates ranging from US\$1.00 = A\$0.91 to US\$1.00 = A\$1.01 and floor price and ceiling price of US\$1.00 = A\$0.83 and US\$1.00 = A\$0.9015, respectively.

As of December 31, 2013, the outstanding notional amount to sell Australian dollars and buy Euro was approximately RMB67 million, maturing within one year with forward rates ranging from A\$1.00 = €0.6721 to A\$1.00 = €0.7700.

As of December 31, 2013, the outstanding notional amount to sell Australian dollars and buy British Pounds was approximately RMB2 million, maturing within one year with forward rate at A\$1.00 = £0.5615.

As of December 31, 2013, the outstanding notional amount to sell United States dollars and buy Euro was approximately RMB100 million maturing within one year with a forward rate at US\$1.00 = €0.731.

Equity Price Risk

In addition to financial instruments, we are exposed to equity price risk because we hold investments in listed equity securities. We currently do not have any arrangements to hedge the price risk exposure of our investment in equity securities. We have conducted a sensitivity analysis and determined that our exposure to equity price risk stemming from our investment in listed equity securities is not significant.

Inflation Risk

The recent global economic slowdown and turmoil in the global financial markets that began in the second half of 2008 have had a negative impact on the PRC economy, including increases in the inflation rate as measured by the consumer price index. According to the National Bureau of Statistics of the PRC, the change in the Consumer Price Index in China was 5.4%, 2.6% and 2.6% in 2011, 2012 and 2013, respectively. Inflation generally results in an increase of fuel prices, which is a component of our cost of sales. An increase in the price of fuel could lead to a corresponding increase in the cost of our coal production and have a material adverse effect on our business and results of operations.

Liquidity Risk

We are exposed to liquidity risks related to meeting our financial obligations as they fall due. To mitigate this risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations. Our management also monitors the utilization of bank borrowings and ensures compliance with loan covenants to ensure that we are able to meet our short-term and long-term liquidity requirements.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

The following table summarizes the fees and charges that a holder of our ADSs may have to pay, directly or indirectly, in connection with the ownership of our American Depositary Receipts.

Persons depositing or withdrawing shares must pay:	For:
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	<ul style="list-style-type: none">• Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
\$0.02 (or less) per ADSs (or portion of ADSs)	<ul style="list-style-type: none">• Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates• Cash distribution
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	<ul style="list-style-type: none">• Distribution of securities to holders of deposited securities that are distributed by the depository to ADS registered holders
Registration or transfer fees	<ul style="list-style-type: none">• Transfer and registration of shares on our share register to or from the name of the depository or its agent when you deposit or withdraw shares
Expenses of the depository	<ul style="list-style-type: none">• Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)• Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depository or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	<ul style="list-style-type: none">• As necessary
Any charges incurred by the depository or its agents for servicing the deposited securities	<ul style="list-style-type: none">• As necessary

The Bank of New York Mellon, as depository, has agreed to waive certain standard fees related to the administration of our ADR program and investor relationship programs. From January 1, 2013 to December 31 2013, the total amount of the fees that were waived was US\$131,176.79.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

As of December 31, 2013, we were not in default, in arrears or otherwise delinquent in the payment of principal or interest of any indebtedness or dividends.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our general manager and chief financial officer, our management evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, as amended) as of December 31, 2013. Based on the evaluation described below, our general manager and chief financial officer concluded that, as of that date, our disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control framework was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (1992). Based on this assessment, management concluded that our internal control over financial reporting was effective to provide reasonable assurance that the desired control objectives were achieved as at December 31, 2013.

The effectiveness of our internal control over financial reporting as of December 31, 2013 has been audited by Grant Thornton, our independent registered public accounting firm, as stated in their report which is included herein.

Limitations on Effectiveness of Controls and Procedures

Our internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that accurately and fairly reflect the transactions and dispositions of a company’s assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (3) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not be able to prevent or detect misstatements on a timely basis, which may be a product of collusion, failure to abide by controls, error or fraud. In addition, projections of the internal control’s effectiveness to future periods are subject to the risk that the control may become inadequate because of changes in conditions, or that the degree of compliance with the internal control policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

During the period covered by this annual report, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our audit committee consists of Mr. CHENG Faguang, Mr. WANG Xianzheng, Mr. WANG Xiaojun, Mr. XUE Yonzhi and Mr. DONG Yunqing. Our Board of Directors has determined that Mr. CHENG Faguang meets the independence requirement of Section 303A.02 of the NYSE Listed Company Manual and qualifies as an audit committee financial expert as the term is defined in the rules and regulations established by the SEC.

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics that applies to our chairman, vice chairman, chief executive officer, chief financial officer, board secretary, chief engineer, controller and the managers of our finance and audit departments. Our code of ethics is posted on our website at www.yanzhoucoal.com.cn. No amendments to, or waivers from, our code of ethics have been made. A copy of our code of ethics is available to any shareholder, without charge, upon written request to the address on the cover of this annual report.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Upon approval at the 2012 Annual General Meeting held on May 15, 2013, Grant Thornton firms (i.e. Grant Thornton and Grant Thornton Hong Kong) and ShineWing Certified Public Accountants were appointed as our international and domestic auditors, respectively, for the year ended December 31, 2013. Grant Thornton Hong Kong and Grant Thornton audit the financial statements of the Company with respect to the listing of the H shares on the Hong Kong Stock Exchange and reporting requirements of the Hong Kong Stock Exchange and the listing of the ADSs on the NYSE and reporting requirements of the SEC and the NYSE, respectively. Grant Thornton is therefore the principal auditor for the purpose of this filing.

Audit Fees

Audit fees primarily consist of fees for the audits of the consolidated financial statements prepared under IFRS and PRC GAAP and the statutory financial statements of our subsidiaries for the relevant year, the review of interim consolidated financial statements and the audit of our internal control over financial reporting as required by the Sarbanes-Oxley Act. Service fees denominated in Australian dollars were incurred for the audit of Yancoal Australia’s financial statements and internal control.

The following table sets forth the aggregate audit fees of Grant Thornton firms, ShineWing Certified Public Accountants and ShineWing Hall Chadwicks for periods indicated:

	Audit Fees	
	(RMB)	(AUD)
2012	7,300,000	1,350,000
2013	7,800,000	1,350,000

Audit fees paid to Grant Thornton firms amounted to RMB3,900,000 and RMB3,650,000 during the years ended December 31, 2013 and 2012, respectively.

Audit-related Fees, Tax Fees, All Other Fees

We did not incur other audit-related fees, tax fees or other fees for professional service rendered by our principal accountants during the last two fiscal years.

Audit Committee Pre-Approval Policies and Procedures

The audit committee of our Board of Directors is responsible for, among other things, the recommendation or termination of external auditors subject to the requirements of applicable domestic and overseas listing rules and regulations. Before our principal accountants were engaged by the Company or our subsidiaries to render audit or non-audit services, their respective engagements were approved by our audit committee. All of the audit services provided by Grant Thornton (SEC principal auditor), Grant Thornton Hong Kong (Hong Kong H Share auditor) and ShineWing Certified Public Accountants (China domestic statutory auditor) in 2013 were pre-approved by our audit committee.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Our audit committee consists of four independent non-executive directors, Mr. CHENG Faguang, Mr. WANG Xianzheng, Mr. WANG Xiaojun, Mr. XUE Yonzhi and one employee director, Mr. DONG Yunqing. As a foreign private issuer, we rely on the exemption under Section 303A.06 of the NYSE Listed Company Manual, as well as exemptions for affiliated directors and employee directors as provided under Rule 10A-3 of the Exchange Act, to remain compliant with the audit committee standards set out in Section 303A.06 of the NYSE Listed Company Manual.

Our connected directors do not accept any consulting fees or other compensation from our Group or any subsidiary of our Group, directly or indirectly, except for serving as members of our Board and Audit Committee, which meets the independence requirements under Rule 10A-3(1)(ii)(A) of the Exchange Act.

The employee director qualifies for the exemption under Rule 10A-3(b)(1)(iv)(C) of the Exchange Act because he is not our executive officer and was elected to the Board of Directors of the Company pursuant to the *Advisory Opinion Regarding the Establishment of Sound Corporate Governance for Company Employee Directors and Employee Supervisors*, which was promulgated by the Shandong Economic and Trade Commission. Rule 10A-3(b)(1)(iv)(C) of the Exchange Act provides an exemption to the independence requirement and permits an employee director of a foreign private issuer who is a non-executive officer who is elected or named to the foreign private issuer's board of directors or audit committee pursuant to the issuer's governing law or documents, an employee collective bargaining or similar agreement or other home country legal or listing requirements.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

The NYSE imposes a series of corporate governance listing standards for companies listed on the NYSE in Section 303A of the NYSE Listed Company Manual. However, the NYSE allows foreign private issuers, subject to certain limitations and conditions, to follow "home country" practice in lieu of certain provisions of Section 303A. To qualify for this exemption, a foreign private issuer must disclose the significant manners in which its corporate governance practices differ from those generally required under NYSE listing standards.

As of the date of this annual report, 52.86% of the voting rights in the Company are held by our controlling shareholder, the Yankuang Group. We therefore are not required to comply with the majority of independent directors requirement of Section 303A.01 when forming our board of directors. Moreover, we are not required to form a nominating, corporate governance and compensation committee composed entirely of independent directors under the requirements of Sections 303A.04 and 303A.05.

We have established an audit committee pursuant to Section 303A.06 of the NYSE Listed Company Manual. We rely on the exemption under Section 303A.00 for foreign private issuers, as well as the exemption for employee directors provided under Rule 10A-3 of the Exchange Act to comply with the audit committee requirements set out in the NYSE Listed Company Manual.

As a foreign private issuer, we are subject to more than one set of corporate governance requirements, including those applicable in our home country. In the table below, we set out material differences between our corporate governance practices and the NYSE's corporate governance requirements:

	NYSE Listed Company Manual Requirements on Corporate Governance	Our Practice
Non-executive directors must meet at regularly scheduled executive sessions without management	Section 303A.03 requires non-executive directors of each listed company to meet at regularly scheduled executive sessions without management participation.	There is no identical corporate governance requirement in the PRC. We have established a reporting system to the Board to ensure that the Directors stay informed of our business and operations. We believe that convening board meetings on a regularly basis offers non-executive directors an effective forum to opine their views and engage in full and open discussions regarding our business affairs.
Corporate Governance Guidelines	<p>Section 303A.09 requires a listed company to adopt and disclose corporate governance guidelines. In addition, Section 303A.09 lists out matters that must be addressed in the guidelines:</p> <ul style="list-style-type: none"> • director qualification standards; • director responsibilities; • communications between directors and the management and independent advisors; • director compensation; • director orientation and continuing education; • management succession; and • annual performance evaluation of the board. 	<p>Although we have not adopted a separate set of corporate governance guidelines encompassing all the corporate governance matters required by the NYSE, we formulated the Rules of Procedures for the Shareholders' Meetings, Rules of Procedures for the Board Meetings, Rules of Procedures for the Supervisory Committee, Rules for the Work of the Independent Non-Executive Directors, Rules for Disclosure of Information, Rules for the Approval and the Disclosure of the Connected Transactions of the Company, and other corporate governance documentation in accordance with the regulations and requirements of listing in China.</p> <p>We believe that collectively, the foregoing rules and measures adequately address the corporate governance requirements of the NYSE and provide a comprehensive and detailed set of corporate governance requirements that promote the effective operation of the Company. This enables the promotion of the standard operation of the Company.</p>

Code of Business Conduct and Ethics	NYSE Listed Company Manual Requirements on Corporate Governance	Our Practice
	<p>Section 303A.10 requires a listed company to adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers from the code for directors or executive officers. The following topics must be addressed in a code of business conduct and ethics:</p> <ul style="list-style-type: none"> • conflicts of interest; • corporate opportunities; • confidentiality; • fair dealing; • protection and proper use of company assets; • compliance with laws, rules and regulations (including insider trading laws); and • encouraging the reporting of any illegal or unethical behavior. 	<p>We have adopted a code of ethics, which is published on our website, in compliance with PRC laws and regulations as well as the rules of relevant stock exchanges. Although our current code of ethics as adopted does not completely conform to the NYSE rules, we believe that the existing code of ethics adequately protects the interests of the Company and Shareholders.</p>

ITEM 16H. MINING SAFETY DISCLOSURE

As of the date of this annual report, the Company did not own or operate any mine in the United States. For details of the mining safety control of our coal mines in China and Australia, see “Item 4. Information on the Company — B. Business Overview — Coal Business — Safety Control.”

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide the financial statements and related information specified in Item 18 in lieu of Item 17.

ITEM 18. FINANCIAL STATEMENTS

Our consolidated financial statements are included at the end of this annual report on Form 20-F.

ITEM 19. EXHIBITS

Documents filed as exhibits to this annual report:

Exhibit Number	Description
1.1	Articles of Association as amended on May 15, 2013 (English Translation) ⁽¹⁾
4.1	Financial Services Agreement between Yankuang Group Financial Company and Yanzhou Coal Mining Company Limited dated March 22, 2013
4.2	Financial Services Agreement between Yankuang Group Financial Company and Yanzhou Coal Mining Company Limited dated March 21, 2014
4.3	Special Labour & Service Supply Agreement between Yankuang Group Company Limited and Yanzhou Coal Mining Company Limited dated March 21, 2014
8.1	List of subsidiaries of Yanzhou Coal Mining Company Limited
12.1	Certification of general manager pursuant to Rule 13a-14 or 15d-14 promulgated under the U.S. Securities Act of 1934
12.2	Certification of chief financial officer pursuant to Rule 13a-14 or 15d-14 promulgated under the U.S. Securities Act of 1934
13.1	Certification of general manager pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002
13.2	Certification of chief financial officer pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002

(1) Incorporated by reference to our announcement furnished to the Securities and Exchange Commission on Form 6-K filing on June 28, 2013.

SIGNATURES

The registrant hereby certifies that it meets all the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

YANZHOU COAL MINING COMPANY LIMITED
(Registrant)

Date: April 29, 2014

By: /S/ Yin Mingde

Name: **Yin Mingde**

Title: **General Manager**

YANZHOU COAL MINING COMPANY LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
AND REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
YANZHOU COAL MINING COMPANY LIMITED 兖州煤业股份有限公司**

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

We have audited the accompanying consolidated balance sheets of Yanzhou Coal Mining Company Limited and its subsidiaries (the "Group") as of December 31, 2013 and 2012, and the related consolidated income statements, statements of comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Yanzhou Coal Mining Company Limited and its subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group's internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control—Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated April 29, 2014 expressed an unqualified opinion thereon.

/s/ Grant Thornton

Beijing, People's Republic of China

April 29, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
YANZHOU COAL MINING COMPANY LIMITED 兖州煤业股份有限公司**

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

We have audited the internal control over financial reporting of Yanzhou Coal Mining Company Limited and its subsidiaries (the "Group") as of December 31, 2013, based on criteria established in *Internal Control — Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Group's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control — Integrated Framework* (1992) issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Group as of and for the year ended December 31, 2013, and our report dated April 29, 2014 expressed an unqualified opinion on those financial statements.

/s/ Grant Thornton

Beijing, People's Republic of China
April 29, 2014

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

	NOTES	Year ended December 31,		
		2013 RMB'000	2012 RMB'000 (restated)	2011 RMB'000 (restated)
GROSS SALES OF COAL	7	54,444,843	56,200,600	45,181,229
RAILWAY TRANSPORTATION SERVICE INCOME		457,898	464,068	476,852
GROSS SALES OF ELECTRICITY POWER		332,125	323,646	327,969
GROSS SALES OF METHANOL		1,155,742	1,117,952	1,059,323
GROSS SALES OF HEAT SUPPLY		11,218	39,918	20,467
TOTAL REVENUE		56,401,826	58,146,184	47,065,840
TRANSPORTATION COSTS OF COAL	7	(2,024,196)	(2,104,225)	(1,248,268)
COST OF SALES AND SERVICE PROVIDED	8	(42,511,838)	(42,148,988)	(25,986,735)
COST OF ELECTRICITY POWER		(320,515)	(330,803)	(362,472)
COST OF METHANOL		(850,788)	(911,203)	(930,239)
COST OF HEAT SUPPLY		(6,709)	(25,130)	(13,777)
GROSS PROFIT		10,687,780	12,625,835	18,524,349
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	9	(10,380,713)	(7,987,636)	(6,570,203)
SHARE OF PROFIT OF ASSOCIATES	27	233,897	141,986	68,939
SHARE OF LOSS OF JOINT VENTURES	30	(376,032)	(191,575)	—
OTHER INCOME	10	1,020,577	2,930,445	1,075,765
INTEREST EXPENSES	11	(1,765,777)	(1,448,679)	(839,305)
(LOSS) PROFIT BEFORE INCOME TAXES	13	(580,268)	6,070,376	12,259,545
INCOME TAXES	12	394,815	(36,189)	(3,466,948)
(LOSS) PROFIT FOR THE YEAR		<u>(185,453)</u>	<u>6,034,187</u>	<u>8,792,597</u>
Attributable to:				
Equity holders of the Company		777,368	6,065,570	8,745,092
Non-controlling interests		(962,821)	(31,383)	47,505
		<u>(185,453)</u>	<u>6,034,187</u>	<u>8,792,597</u>
EARNINGS PER SHARE, BASIC	16	<u>RMB 0.16</u>	<u>RMB 1.23</u>	<u>RMB 1.78</u>
EARNINGS PER ADS, BASIC	16	<u>RMB 1.58</u>	<u>RMB 12.33</u>	<u>RMB 17.78</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2013 RMB'000	2012 RMB'000 (restated)	2011 RMB'000 (restated)
(Loss) Profit for the year	(185,453)	6,034,187	8,792,597
Other comprehensive (loss) income (after income tax):			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sales investments:			
Change in fair value	5,283	(5,923)	(20,763)
Deferred taxes	(1,321)	1,481	5,190
	<u>3,962</u>	<u>(4,442)</u>	<u>(15,573)</u>
Cash flow hedges:			
Cash flow hedge amounts recognized in other comprehensive income	(1,265,664)	110,196	(213,459)
Reclassification adjustments for amounts transferred to income statement (included in selling, general and administrative expenses)	(39,729)	(26,501)	12,627
Deferred taxes	395,395	(28,641)	62,073
	<u>(909,998)</u>	<u>55,054</u>	<u>(138,759)</u>
Share of other comprehensive income of associates	—	90	—
Exchange difference arising on translation of foreign operations	(3,684,529)	297,721	(569,310)
Other comprehensive (loss) income for the year	<u>(4,590,565)</u>	<u>348,423</u>	<u>(723,642)</u>
Total comprehensive (loss) income for the year	<u>(4,776,018)</u>	<u>6,382,610</u>	<u>8,068,955</u>
Attributable to:			
Equity holders of the Company	(3,069,475)	6,413,993	8,021,450
Non-controlling interests	<u>(1,706,543)</u>	<u>(31,383)</u>	<u>47,505</u>
	<u>(4,776,018)</u>	<u>6,382,610</u>	<u>8,068,955</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	NOTES	At December 31,		At January 1,
		2013	2012	2012
		RMB'000	RMB'000 (restated)	RMB'000 (restated)
ASSETS				
CURRENT ASSETS				
Bank balances and cash	17	10,922,637	12,717,358	8,145,297
Term deposits	17	4,441,210	3,186,957	9,543,214
Restricted cash	17	111,349	190,090	21,076
Bills and accounts receivable	18	9,019,505	7,459,603	7,312,074
Royalty receivable	19	105,584	114,798	—
Inventories	20	1,589,220	1,565,531	1,391,247
Prepayments and other receivables	21	5,259,576	4,196,999	3,624,879
Prepaid lease payments	22	18,701	18,418	18,975
Prepayment for resources compensation fees		—	—	3,356
Derivative financial instruments	36	16,651	90,731	104,910
Tax recoverable		39,964	293,006	4,637
TOTAL CURRENT ASSETS		31,524,397	29,833,491	30,169,665
NON-CURRENT ASSETS				
Intangible assets	23	38,256,388	33,634,245	26,205,619
Prepaid lease payments	22	676,202	695,675	713,425
Prepayment for resources compensation fees		—	—	5,309
Property, plant and equipment	24	41,896,508	39,503,103	31,273,824
Goodwill	25	2,460,551	2,573,811	1,866,037
Investments in securities	26	211,559	207,076	372,800
Interests in associates	27	2,744,957	2,624,276	1,683,897
Interests in joint ventures	30	488,350	998,627	19,453
Restricted cash	17	35,102	—	387,066
Long term receivables	28	1,906,397	2,001,458	300,083
Royalty receivable	19	1,028,790	1,234,649	—
Deposits made on investments	29	121,926	3,253,381	2,557,807
Deferred tax assets	39	6,107,062	5,605,284	1,335,165
TOTAL NON-CURRENT ASSETS		95,933,792	92,331,585	66,720,485
TOTAL ASSETS		127,458,189	122,165,076	96,890,150
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Bills and accounts payable	32	2,716,675	6,811,760	2,240,844
Other payables and accrued expenses	33	8,385,134	9,013,797	7,344,815
Provision for land subsidence, restoration, rehabilitation and environmental costs	34	3,321,564	3,291,857	2,856,229
Amounts due to Parent Company and its subsidiary companies		44,737	93,712	352,625
Borrowings - due within one year	35	11,275,056	7,712,592	19,588,496
Long term payable and provision - due within one year	38	439,000	399,553	3,205
Derivative financial instruments	36	315,111	128,077	222,089
Contingent value rights shares liabilities	37	1,408,729	—	—
Tax payable		909,967	1,171,341	2,113,168
TOTAL CURRENT LIABILITIES		28,815,973	28,622,689	34,721,471
NON-CURRENT LIABILITIES				
Borrowings - due after one year	35	44,099,955	33,283,790	14,869,324
Deferred tax liability	39	8,468,421	7,563,948	3,816,873
Provision for land subsidence, restoration, rehabilitation and environmental costs	34	532,144	478,409	325,414
Contingent value rights shares liabilities	37	—	1,432,188	—
Long term payable and provision - due after one year	38	1,555,635	2,063,922	15,028
TOTAL NON-CURRENT LIABILITIES		54,656,155	44,822,257	19,026,639
TOTAL LIABILITIES		83,472,128	73,444,946	53,748,110
CAPITAL AND RESERVES				
Share capital	40	4,918,400	4,918,400	4,918,400
Reserves		35,460,278	40,611,634	37,533,080
Equity attributable to equity holders of the Company		40,378,678	45,530,034	42,451,480
Non-controlling interests	51	3,607,383	3,190,096	690,560
TOTAL EQUITY		43,986,061	48,720,130	43,142,040
TOTAL LIABILITIES AND EQUITY		127,458,189	122,165,076	96,890,150

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Future development fund RMB'000	Statutory common reserve fund RMB'000	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Cash flow hedge reserve RMB'000	Retained earnings RMB'000	Attributable to equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2011	4,918,400	2,981,002	3,660,624	3,870,420	192,478	87,523	30,488	21,590,951	37,331,886	106,565	37,438,451
Profit for the year (restated)	—	—	—	—	—	—	—	8,745,092	8,745,092	47,505	8,792,597
Other comprehensive income :											
- Fair value change of available-for-sale investments	—	—	—	—	—	(15,573)	—	—	(15,573)	—	(15,573)
- Cash flow hedge reserve recognized	—	—	—	—	(569,310)	—	(138,759)	—	(138,759)	—	(138,759)
- Exchange difference arising on translation of foreign operations	—	—	—	—	(569,310)	(15,573)	(138,759)	8,745,092	(569,310)	47,505	(569,310)
Total comprehensive income for the year (restated)	—	—	—	—	(569,310)	(15,573)	(138,759)	8,745,092	8,021,450	47,505	8,068,955
Transactions with owners											
- Appropriations to reserves	—	—	490,161	681,340	—	—	—	(1,171,501)	(2,901,856)	(440)	(2,902,296)
- Dividends	—	—	—	—	—	—	—	(2,901,856)	(2,901,856)	536,930	(2,365,366)
- Acquisition of a subsidiary (note 50)	—	—	—	—	—	—	—	(4,073,357)	(2,901,856)	536,490	(2,365,366)
Total transactions with owners	—	—	490,161	681,340	—	—	—	(4,073,357)	(2,901,856)	536,490	(2,365,366)
Balance at December 31, 2011 (restated)	4,918,400	2,981,002	4,150,785	4,551,760	(376,832)	71,950	(108,271)	26,262,686	42,451,480	690,560	43,142,040
Balance at January 1, 2012	4,918,400	2,981,002	4,150,785	4,551,760	(376,832)	71,950	(108,271)	26,445,696	42,634,490	690,560	43,325,050
Effect on changes in accounting policy (note 3)	—	—	—	—	—	—	—	(183,010)	(183,010)	—	(183,010)
Balance at January 1, 2012 (restated)	4,918,400	2,981,002	4,150,785	4,551,760	(376,832)	71,950	(108,271)	26,262,686	42,451,480	690,560	43,142,040
Profit for the year (restated)	—	—	—	—	—	—	—	6,065,570	6,065,570	(31,383)	6,034,187
Other comprehensive income :											
- Fair value change of available-for-sale investments	—	—	—	—	—	(4,442)	—	—	(4,442)	—	(4,442)
- Cash flow hedge reserve recognized	—	—	—	—	—	—	55,054	—	55,054	—	55,054
- Exchange difference arising on translation of foreign operations	—	—	—	—	297,721	—	—	—	297,721	—	297,721
- Share of other comprehensive income of associates	—	—	—	—	—	90	—	—	90	—	90
Total comprehensive income for the year (restated)	—	—	—	—	297,721	(4,352)	55,054	6,065,570	6,413,993	(31,383)	6,382,610
Transactions with owners											
- Appropriations to reserves	—	—	645,219	423,618	—	—	—	(1,068,837)	(2,803,488)	(47,095)	(2,850,583)
- Dividends	—	—	—	—	—	—	—	(2,803,488)	(2,803,488)	49,000	(2,754,488)
- Contribution from non-controlling interests	—	—	—	—	—	—	—	(430,971)	(430,971)	2,569,101	2,138,130
- Disposal of partial interests in Yancoal Australia	—	—	—	—	—	—	—	(100,980)	(100,980)	(40,087)	(141,067)
- Deferred Tax arising from the restructuring of Australian subsidiaries (restated)	—	—	—	—	—	—	—	(4,404,276)	(3,353,439)	2,530,919	(804,520)
Total transactions with owners (restated)	—	—	645,219	423,618	—	—	—	(4,404,276)	(3,353,439)	2,530,919	(804,520)
Balance at December 31, 2012 (restated)	4,918,400	2,981,002	4,796,004	4,975,378	(79,111)	67,598	(53,217)	27,923,980	45,530,034	3,190,096	48,720,130
Balance at January 1, 2013	4,918,400	2,981,002	4,796,004	4,975,378	(79,111)	67,598	(53,217)	28,220,302	45,826,356	3,264,842	49,091,198
Effect on changes in accounting policy	—	—	—	—	—	—	—	(296,322)	(296,322)	(74,746)	(371,068)
Balance at January 1, 2013 (restated)	4,918,400	2,981,002	4,796,004	4,975,378	(79,111)	67,598	(53,217)	27,923,980	45,530,034	3,190,096	48,720,130
Loss for the year	—	—	—	—	—	—	—	777,368	777,368	(962,821)	(185,453)
Other comprehensive loss:											
- Fair value change of available-for-sale investments	—	—	—	—	—	3,962	—	—	3,962	—	3,962
- Cash flow hedge reserve recognized	—	—	—	—	—	—	(697,568)	—	(697,568)	—	(697,568)
- Exchange difference arising on translation of foreign operations	—	—	—	—	(3,153,237)	—	—	—	(3,153,237)	(531,292)	(3,684,529)
Total comprehensive loss for the year	—	—	—	—	(3,153,237)	3,962	(697,568)	777,368	(3,069,475)	(1,706,543)	(4,776,018)
Transactions with owners											
- Acquisition of Hao Sheng (Note 43)	—	—	—	—	—	—	—	—	—	2,401,737	2,401,737
- Increase of the registered capital of Hao Sheng	—	—	—	—	—	—	—	—	—	75,540	75,540
- Stamp duty arising from the restructuring of Australian subsidiaries	—	—	—	—	—	—	—	(71,140)	(71,140)	—	(71,140)
- Set up of Rizhao	—	—	—	—	—	—	—	—	—	147,000	147,000
- Appropriations to and utilisation of reserves	—	—	(820,272)	535,945	—	—	—	284,327	(1,770,624)	(60,277)	(1,830,901)
- Dividends	—	—	—	—	—	—	—	(240,117)	(240,117)	(440,170)	(680,287)
- Acquisition of non-controlling interests (Note 50)	—	—	—	—	—	—	—	(1,797,554)	(2,081,881)	2,123,830	41,949
Total transactions with owners	—	—	(820,272)	535,945	—	—	—	(1,797,554)	(2,081,881)	2,123,830	41,949
Balance at December 31, 2013	4,918,400	2,981,002	3,975,732	5,511,323	(3,232,348)	71,560	(750,785)	26,903,794	40,378,678	3,607,383	43,986,061

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTES	Year ended December 31,		
		2013 RMB'000	2012 RMB'000 (restated)	2011 RMB'000 (restated)
OPERATING ACTIVITIES				
(Loss) Profit before income taxes		(580,268)	6,070,376	12,259,545
Adjustments for:				
Interest expenses		1,765,777	1,448,679	839,305
Interest income		(489,348)	(722,336)	(357,708)
Dividend income		(71,395)	(3,702)	(2,433)
Net unrealized foreign exchange losses (gain)		581,145	(1,359,747)	244,655
Depreciation of property, plant and equipment		3,124,953	2,819,404	2,266,017
Release of prepaid lease payments		18,728	18,363	19,018
Amortization of prepayment for resources compensation fees		—	—	3,355
Bargain purchase		—	(1,269,269)	—
Amortization of intangible assets		1,325,078	1,177,595	720,008
(Reversal) provision of impairment loss on accounts receivable and other receivables		(742)	6,452	(101)
Impairment loss on inventories		58,274	140,883	—
Impairment loss on property, plant and equipment		—	226,925	281,994
Impairment loss on intangibles assets		2,052,238	417,214	—
Impairment loss on goodwill		—	17,625	—
Share of loss of joint ventures		376,032	191,575	—
Share of profit of associates		(233,897)	(141,986)	(68,939)
Loss on fair value change of contingent value rights shares liabilities		241,223	79,423	—
(Gain) Loss on disposal of property, plant and equipment		(14,973)	(9,862)	108,627
Loss on disposal of intangible assets		4,400	—	—
Operating cash flows before movements in working capital		8,157,225	9,107,612	16,313,343
(Increase) decrease in bills and accounts receivable		(1,722,004)	(93,403)	2,800,237
(Increase) decrease in inventories		(264,844)	(58,993)	403,324
Movement in land subsidence, restoration, rehabilitation and environmental cost		170,486	484,739	556,706
Increase in prepayments and other current assets		(1,377,975)	(186,137)	(730,741)
(Decrease) increase in bills and accounts payable		(3,187,931)	246,081	537,775
(Decrease) increase in other payables and accrued expenses		(1,223,267)	412,693	531,298
Decrease in long-term payable and provision		(35,670)	(93,090)	(16,327)
Cash generated from operations		516,020	9,819,502	20,395,615
Income taxes paid		(1,755,881)	(2,684,720)	(2,155,602)
Interest paid		(1,624,380)	(1,296,338)	(608,601)
Interest received		478,572	645,840	343,431
Dividend received		71,395	3,702	2,433
Dividend received from associates		113,216	15,624	—
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(2,201,058)	6,503,610	17,977,276

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS—Continued

	NOTES	Year ended December 31,		
		2013 RMB'000	2012 RMB'000 (restated)	2011 RMB'000 (restated)
INVESTING ACTIVITIES				
(Increase) decrease in term deposits		(1,286,055)	6,356,257	(6,975,492)
Decrease in restricted cash		43,748	223,525	1,002,057
Purchase of property, plant and equipment		(10,221,406)	(6,230,426)	(8,619,515)
Increase in long term receivables		(245,779)	(349,217)	(300,083)
Increase in deposit made on investments		(4,000)	(695,574)	(394,128)
Proceeds on disposal of property, plant and equipment		80,236	226,876	57,956
Acquisition of Beisu and Yangcun	44	—	(816,011)	—
Acquisition of Gloucester	45	—	237,315	—
Investments in securities		(202)	—	(169,121)
Investments in associates		—	(810,000)	(540,000)
Acquisition of An Yuan Coal Mine	46	—	—	(355,000)
Acquisition of Hao Sheng	43	(802,089)	—	—
Acquisition of additional interests in joint operations	47	—	—	(1,494,767)
Acquisition of Syntech	48	—	—	(1,316,174)
Acquisition of Premier coal and Wesfarmers Char	49	—	—	(2,057,276)
Acquisition of Xintai	50	(680,287)	—	(2,751,557)
Acquisition of potash mineral exploration permits		—	—	(1,645,227)
Purchase of intangible assets		(388,536)	(1,330,117)	(52,648)
NET CASH USED IN INVESTING ACTIVITIES		<u>(13,504,370)</u>	<u>(3,187,372)</u>	<u>(25,610,975)</u>
FINANCING ACTIVITIES				
Dividends paid		(1,770,624)	(2,803,488)	(2,901,856)
Proceeds from bank borrowings		21,103,061	12,281,525	16,712,320
Repayment of bank borrowings		(10,000,905)	(17,338,107)	(4,367,079)
Repayment of other borrowings		(2,057,376)	(2,225,731)	—
Expenses arising from acquisition of Gloucester		—	(33,867)	—
Proceeds from issuance of guaranteed notes		5,997,500	11,262,900	—
Dividends paid to non-controlling interests of a subsidiary		(60,277)	(47,095)	(2,408)
Contribution from non-controlling interests		75,540	49,000	—
NET CASH FROM FINANCING ACTIVITIES		<u>13,286,919</u>	<u>1,145,137</u>	<u>9,440,977</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(2,418,509)</u>	<u>4,461,375</u>	<u>1,807,278</u>
CASH AND CASH EQUIVALENTS, AT JANUARY 1		<u>12,717,358</u>	<u>8,145,297</u>	<u>6,771,314</u>
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		<u>623,788</u>	<u>110,686</u>	<u>(433,295)</u>
CASH AND CASH EQUIVALENTS, AT DECEMBER 31, REPRESENTED BY BANK BALANCES AND CASH		<u><u>10,922,637</u></u>	<u><u>12,717,358</u></u>	<u><u>8,145,297</u></u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Organization and principal activities

Yanzhou Coal Mining Company Limited (the “Company”, together with its subsidiaries, the “Group”) is established as a joint stock company with limited liability in the People’s Republic of China (the “PRC”). In April 2001, the status of the Company was changed to that of a Sino-foreign joint stock limited company. The Company’s A shares are listed on the Shanghai Stock Exchange (“SSE”), its H shares are listed on The Stock Exchange of Hong Kong (the “SEHK”), and its American Depositary Shares (“ADS”, one ADS represents 10 H shares) are listed on the New York Stock Exchange, Inc. The address of the registered office and principal place of business of the Company is 298 Fushan South Road, Zoucheng, Shandong Province, PRC.

The Company operates eight coal mines, namely the Xinglongzhuang coal mine, Baodian coal mine, Nantun coal mine, Dongtan coal mine, Jining II coal mine (“Jining II”), Jining III coal mine (“Jining III”), Beisu coal mine (“Beisu”) and Yangcun coal mine (“Yangcun”) as well as a regional rail network that links the eight mines with the national rail network. The Company’s parent and ultimate holding company is Yankuang Group Corporation Limited (the “Parent Company”), a state-owned enterprise in the PRC.

The principal activities of the Company’s subsidiaries, associates, joint ventures and joint operations are set out in notes 60, 27, 30 and 31 respectively.

As at December 31, 2013, the Group had net current assets of RMB2,708,424,000 (2012: RMB1,210,802,000 (restated)) and total assets less current liabilities of RMB98,642,216,000 (2012: RMB93,542,387,000 (restated)).

Acquisitions and establishment of major subsidiaries

In 2006, the Company acquired 98% equity interest in Yankuang Shanxi Neng Hua Company Limited (“Shanxi Neng Hua”) and its subsidiaries (collectively referred as the “Shanxi Group”) from the Parent Company at cash consideration of RMB733,346,000. In 2007, the Company further acquired the remaining 2% equity interest in Shanxi Neng Hua from a subsidiary of the Parent Company at cash consideration of RMB14,965,000. The principal activities of Shanxi Group are to invest in heat and electricity, manufacture and sale of mining machinery and engine products, coal mining and the development of integrated coal technology.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

1. GENERAL—Continued

Acquisitions and establishment of major subsidiaries—continued

Shanxi Neng Hua is an investment holding company, which holds 81.31% equity interest in Shanxi Heshun Tianchi Energy Company Limited (“Shanxi Tianchi”) and approximately 99.85% equity interest in Shanxi Tianhao Chemicals Company Limited (“Shanxi Tianhao”). In 2010, Shanxi Neng Hua acquired approximately 0.04% equity interest of Shanxi Tianhao at cash consideration of RMB14,000. The principal activities of Shanxi Tianchi are to exploit and sale of coal from Tianchi Coal Mine, the principal asset of Shanxi Tianchi. Shanxi Tianchi has completed the construction of Tianchi Coal Mine and commenced production by the end of 2006. Shanxi Tianhao is established to engage in the production of methanol and other chemical products, coke production, exploration and sales. The construction of the methanol facilities by Shanxi Tianhao commenced in March 2006 and it has commenced production in 2008.

In 2004, the Company acquired 95.67% equity interest in Yanmei Heze Company Limited (“Heze”) from the Parent Company at cash consideration of RMB584,008,000. The principal activities of Heze are to exploit and sale of coal in Juye coal field. The equity interests held by the Company increased to 96.67% after the increase of the registered capital of Heze in 2007. The equity interests held by the Company increased to 98.33% after the increase of the registered capital of RMB1.5 billion in 2010.

The Company originally held 97% equity interest in Yanzhou Coal Yulin Power Chemical Co., Ltd. (“Yulin”). The Company acquired the remaining 3% equity interest and made further investment of RMB600,000,000 in Yulin in 2008.

In February 2009, the Company acquired a 74% equity interest in Shandong Hua Ju Energy Company Limited (“Hua Ju Energy”) from the Parent Company at a consideration of RMB593,243,000. Hua Ju Energy is a joint stock limited company established in the PRC with the principal business of the supply of electricity and heat by utilizing coal gangue and coal slurry produced from coal mining process. In July 2009, the Company entered into acquisition agreements with three shareholders of Hua Ju Energy, pursuant to which, the Company agreed to acquire 21.14% equity interest in Hua Ju Energy at a consideration of RMB173,007,000.

In 2009, the Company entered into a binding scheme implementation agreement with Felix Resources Limited (“Felix”), a corporation incorporated in Australia with shares listed on the Australian Securities Exchange (“ASX”), to acquire all the shares of Felix in cash of approximately AUD3,333 million. The principal activities of Felix are exploring and extracting coal resources, operating, identifying, acquiring and developing resource related projects that primarily focus on coal in Australia. This acquisition was completed in 2009. In 2011, Felix Resources Limited was renamed as Yancoal Resources Limited (“Yancoal Resources”).

In 2009, the Company invested RMB500 million to set up a wholly-owned subsidiary located in Inner Mongolia, Yanzhou Coal Ordos Neng Hua Company Limited (“Ordos”). Ordos is a limited liability company incorporated in the PRC with the objectives of production and sale of methanol and other chemical products. In 2011, the Company invested additional equity in the registered capital of Ordos of RMB2.6 billion. The Company also acquired Yiginhuoluo Qi Nalin Tao Hai Town An Yuan Coal Mine (“An Yuan Coal Mine”) at a consideration of RMB1,435,000,000.

In 2010, the Company acquired 100% equity interest of Inner Mongolia Yize Mining Investment Co., Ltd (“Yize”) and other two companies at a consideration of RMB190,095,000. The main purpose of this acquisition is to facilitate the business of methanol and other chemical products in Inner Mongolia Autonomous Region.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

1. GENERAL—Continued

Acquisitions and establishment of major subsidiaries—continued

In 2011, Ordos acquired 80% equity interest of Inner Mongolia Xintai Coal Mining Company Limited (“Xintai”) at a consideration of RMB2,801,557,000 from an independent third party. Xintai owns and operates Wenyu Coal Mine in Inner Mongolia. The principal activities of Xintai are coal production and coal sales. On September 30, 2013, Ordos acquired remaining 20% of non-controlling interests of Xintai with consideration of RMB680,287,000.

In 2011, the Company acquired 100% equity interests in Syntech Holdings Pty Ltd and Syntech Holdings II Pty Ltd (collectively “Syntech”) at a cash consideration of AUD208,480,000. The principal activities of Syntech include exploration, production, sorting and processing of coal. The acquisition was completed on August 1, 2012.

The Company entered into a sales and purchases agreement on September 27, 2011 to acquire 100% equity interests in both Wesfarmers Premier Coal Limited (“Premier Coal”) and Wesfarmers Char Pty Ltd (“Wesfarmers Char”) at a consideration of AUD313,533,000. The acquisition was completed on December 30, 2011. Premier Coal is mainly engaged in the exploration, production and processing of coal. Wesfarmers Char is mainly engaged in the research and development of the technology and procedures in relation to processing coal char from low rank coals.

In 2011, the Company invested USD2.8 million to set up a wholly-owned subsidiary, Yancoal International (Holding) Co., Limited (“Yancoal International”). Yancoal International was established in Hong Kong to act as a platform for overseas assets and business management. Yancoal International has four subsidiaries, namely Yancoal International Trading Co., Limited, Yancoal International Technology Development Co., Limited, Yancoal International Resources Development Co., Limited and Yancoal Luxembourg Energy Holding Co., Limited (“Yancoal Luxembourg”). Yancoal Luxembourg established a wholly-owned subsidiary, Yancoal Canada Resources Co., Ltd (“Yancoal Canada”) with USD290 million as investment. The Company acquired, at a total consideration of USD260 million, 19 potash mineral exploration permits in the Province of Saskatchewan, Canada through Yancoal Canada. The permit transfer registrations were completed on September 30, 2011.

On December 22, 2011 and March 5, 2012, the Company, Yancoal Australia Limited (“Yancoal Australia”) and Gloucester Coal Limited (“Gloucester”), a corporation incorporated in Australia whose shares are listed on the ASX, entered into the merger proposal deed in respect of a proposal for the merger of Yancoal Australia and Gloucester. Yancoal Australia acquired the entire issued share capital of Gloucester at a consideration of a combination of 218,727,665 ordinary shares of Yancoal Australia and 87,645,184 contingent value rights shares (“CVR shares”). Following the completion of the merger, Yancoal Australia is separately listed on the ASX, replacing the listing position of Gloucester. The merger was completed on June 27, 2012. The ordinary shares and CVR shares of Yancoal Australia was listed on the ASX on June 28, 2012. On June 22, 2012, according to the merger agreement, the equity interest in Syntech and Premier Coal held by Yancoal Australia has been transferred to Yancoal International.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

1. GENERAL—Continued

Acquisitions and establishment of major subsidiaries—continued

On April 23, 2012, the Company entered into an assets transfer agreement with the Parent Company and its subsidiary to purchase the target assets from the Parent Company and its subsidiary at a consideration of RMB824,142,000 to acquire all the assets and liabilities of Beisu and Yangcun and their equity investments in Zoucheng Yankuang Beisheng Industry & Trading Co., Ltd (“Beisheng Industry and Trade”), Shandong Shengyang Wood Co., Ltd (“Shengyang Wood”) and Jining Jiemei New Wall Materials Co., Ltd (“Jiemei Wall Materials”). Beisu and Yangcun mainly engaged in the production and exploration of PCI coal and thermal coal. The acquisition was completed on May 31, 2012.

In 2012, the Company entered into an agreement for investment in Shandong Coal Trading Centre Co., Limited (“Trading Centre”) with two third parties. The Company contribute RMB51,000,000 which represents 51% of the equity interest in Trading Centre. The principal activities of Trading Centre is to provide coal trading and relevant advisory services. Trading Centre has not yet commenced any business.

In 2010, the Company entered into a co-operative agreement with three independent third parties to acquire 51% equity interest of Inner Mongolia Hao Sheng Coal Mining Limited (“Hao Sheng”) and obtained the mining rights of the Shilawusu Coal Field (“the mining right”) in the name of Hao Sheng. From 2011 to 2013, the Company entered into agreements with contract parties to further acquire equity interest in Hao Sheng and increase Hao Sheng’s registered capital. Upon completion of these agreements during the period, the Company owns 74.82% equity interest in Hao Sheng with total consideration of RMB7,136,536,000. During the year, the Company made additional contribution of RMB224,460,000 to registered capital in proportion to its equity interest. As at December 31, 2013, Hao Sheng has not yet commenced any business.

In 2012, the Company entered into a cooperation agreement with two independent third parties to set up a company, Shandong Yanmei Rizhao Port Coal Storage and Blending Co., Ltd. (“Rizhao”), to act as a coal blending, storage and distribution base in Rizhao Port. Upon completion of registration procedures during the year, the Company contributed RMB153,000,000, which represents 51% equity interest of Rizhao.

2. BASIS OF PREPARATION

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. The consolidated financial statements were approved and authorized for issue by the Board of Directors on April 29, 2014.

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

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group had applied, for the first time, the following revised standards (“new IFRSs”) applicable to the Group issued by the International Accounting Standards Board (the “IASB”) and the International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB, which are effective for the Group’s financial year beginning on January 1, 2013.

IFRSs (Amendments)	Annual Improvements to IFRSs 2009-2011 Cycle
IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 10, IFRS 11 and IFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 13	Fair Value Measurement
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
IAS 19 (Revised)	Employee Benefits
IAS 28 (Revised)	Investments in Associates and Joint Ventures
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described above, the accounting policies adopted for the current year are consistent with those adopted for the Group’s financial statements for the year ended December 31, 2012.

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

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS—Continued

- **IFRS 11 Joint Arrangements**

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31-Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.

After the review and assessment made by the directors of the Company, the directors concluded that the Group's investment which was classified as jointly controlled entities under IAS 31 should be classified as joint ventures under IFRS 11 and will continue to apply the equity method.

- **IFRS 13 Fair Value Measurement**

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for certain exemptions. IFRS 13 requires the disclosures of fair values through a "fair value hierarchy". The hierarchy categorizes the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure fair value are categorized into different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

For disclosure relating the fair value, please refer to note 42.

- **IAS 1 (Amendments) Presentation of Items of Other Comprehensive Income**

The amendments to IAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis—the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS—Continued

- **IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine**

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine applies to waste removal costs incurred during the production phase of a surface mine (“production stripping costs”). Under the Interpretation, the costs from this waste removal activity (“stripping”) which provide improved access to ore are recognized as a non-current asset (“stripping activity asset”) when certain criteria are met, whereas the costs of stripping activities where the benefit is realised in the form of inventory produced are accounted for in accordance with IAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part. When the costs of the stripping activity asset and the inventory produced are not separately identifiable, production stripping costs are allocated between the inventory produced and the stripping activity asset by using an allocation basis that is based on a relevant production measure.

Prior to the effective of IFRIC 20, stripping costs of the Group and its joint ventures which comprises the accumulation of expenses incurred to enable access to the coal seams, and includes direct removal costs, machinery and plant running costs are deferred then charged to the consolidated income statement in subsequent periods on the basis of run-of-mine (“ROM”) coal tonnes mined. This is calculated by multiplying the ROM coal tonnes mined during the year by the weighted average cost to remove a bank cubic metre (“BCM”) of waste by the stripping ratio (ratio of waste removed in BCMs to ROM coal tonnes mined). The stripping ratio of the Company’s Australian subsidiaries is based on the JORC reserves of each mine.

The requirements in IFRIC 20 differs from the Group and its joint ventures’ previous policies in that only waste stripping costs which provide improved access to ore can be capitalized when certain criteria are met, and the capitalization and amortization of waste stripping costs is undertaken at the level of individual deposits or components thereof rather than on a whole-for-mine basis. In addition, specific transitional rules are provided to deal with any opening deferred stripping balances recognised under the previous accounting policies.

As a result of the adoption of the IFRIC 20, any previously recognised asset that resulted from stripping activity undertaken during the production phase (predecessor stripping asset) is reclassified as part of the existing asset to which the stripping activity related, to the extent that there remains an identifiable component of the orebody with which the predecessor stripping asset can be associated. Such balances are then amortised over the remaining expected useful life of the identified component of the orebody to which each predecessor stripping asset balance relates. If there is no identifiable component of the orebody to which the predecessor asset relates, it has been written off through opening retained earnings at the beginning of the earliest period presented. IFRIC 20 has been applied by Group and its joint ventures prospectively to production stripping costs incurred on or after the beginning of the earliest period presented.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS—Continued

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine—continued

The effects of the application of IFRIC 20 on the consolidated balance sheet at January 1, 2012 and December 31, 2012 are as follows:

	<u>Assets</u>		<u>Liabilities</u>	<u>Equity</u>	
	<u>Overburden in advance</u>	<u>Interests in joint ventures</u>	<u>Deferred tax liabilities</u>	<u>Reserves</u>	<u>Non-controlling interests</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At January 1, 2012 as previously reported	261,441	19,453	(3,895,304)	(37,716,090)	(690,560)
Adjustment of IFRIC 20	(261,441)	—	78,431	183,010	—
At January 1, 2012 as restated	—	19,453	(3,816,873)	(37,533,080)	(690,560)
At December 31, 2012 as previously reported	448,889	1,086,985	(7,730,127)	(40,907,956)	(3,264,842)
Adjustment of IFRIC 20	(448,889)	(88,358)	166,179	296,322	74,746
At December 31, 2012 as restated	—	998,627	(7,563,948)	(40,611,634)	(3,190,096)

IFRIC 20 had no material impact on the consolidated balance sheet as at January 1, 2011.

The effects of IFRIC 20 on the consolidated income statement for the year ended December 31, 2012 and for the year ended December 31, 2011 are as follows:

	<u>Increase in cost of sales and service provided</u>	<u>Increase in share of loss of joint ventures</u>	<u>Decrease in income taxes</u>	<u>Decrease in profit for the year</u>	<u>Decrease in earnings per share, basic</u>	<u>Decrease in earnings per ADS, basic</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
For the year ended December 31, 2011	261,441	—	(78,431)	183,010	0.04	0.37
For the year ended December 31, 2012	187,448	88,358	(87,748)	188,058	0.03	0.31

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS—Continued

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

Amendments to IFRSs	<i>Annual Improvements to IFRSs 2010-2012 Cycle²</i>
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2011-2013 Cycle²</i>
IFRS 9	<i>Financial Instruments³</i>
Amendments to IFRS 9 and IFRS 7	<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures³</i>
Amendments to IFRS 10 IFRS 12 and IAS 27	<i>Investment Entities¹</i>
Amendments to IAS 19	<i>Defined Benefit Plans: Employee Contributions²</i>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities¹</i>
Amendments to IAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets¹</i>
Amendments to IAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting¹</i>
IFRIC – Int 21	<i>Levies¹</i>

¹ Effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.

² Effective for annual periods beginning on or after July 1, 2014, except as disclosed below. Early application is permitted.

³ Available for application—the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.

Annual Improvements to IFRSs 2010-2012 Cycle

The *Annual Improvements to IFRSs 2010-2012 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of ‘vesting condition’ and ‘market condition’; and (ii) add definitions for ‘performance condition’ and ‘service condition’ which were previously included within the definition of ‘vesting condition’. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after July 1, 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have ‘similar economic characteristics’; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS—Continued

Annual Improvements to IFRSs 2010-2012 Cycle—continued

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to IFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle

The *Annual Improvements to IFRSs 2011-2013 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of IAS 40; and
- (b) the transaction meets the definition of a business combination under IFRS 3.

The directors do not anticipate that the application of the amendments included in the *Annual Improvements to IFRSs 2011-2013 Cycle* will have a material effect on the Group's consolidated financial statements.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS—Continued

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of IFRS 9 in the future may have a material impact on the amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in equity securities that are currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in other comprehensive income. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS—Continued

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to IAS 19 will have a material impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the Company do not anticipate that the application of these amendments to IAS 32 will have a material impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS—Continued

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to IAS 36 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to IAS 39 will have material effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

IFRIC – Int 21 Levies

IFRIC – Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of IFRIC – Int 21 will not have any material impact on the Group's consolidated financial statements as the Group does not have any levy arrangements.

The directors considered that except for the abovementioned standards or interpretations, the application of other standards or interpretations will have no material impact to the Group's financial statements.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are stated at fair value. The accounting policies are set out below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date on which control is transferred to the group or up to the date that control ceases, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group ceases to have control of the entity, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Business combination

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

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. SIGNIFICANT ACCOUNTING POLICIES—Continued

Business combination—continued

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Subsequent adjustments to the consideration are recognized against the cost of acquisition within the measurement period which does not exceed one year from the acquisition date. Subsequent accounting for changes in fair values of the contingent consideration that do not qualify as measurement period adjustments is included in the income statement or within equity for contingent consideration classified as an asset/liability and equity respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. The Group applies the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets to account for all its acquisitions.

Combinations of businesses under common control are accounted for using the acquisition method, which is consistent with the accounting treatment for all other acquisitions of businesses. The principles and details of this accounting treatment are set out above.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost and adjusted for post-acquisition changes in the Group's share of net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. SIGNIFICANT ACCOUNTING POLICIES—Continued

Interests in associates—continued

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in associates. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment and the reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Joint arrangements

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligation for its liabilities. A joint operation is an arrangement in which the Group has joint control, whereby the Group has rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint ventures are accounted for using the equity method and the details of equity method of accounting have been set out in the accounting policy for interests in associates. When a group entity transacts with a jointly controlled entity of the Group, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

When Group entity undertakes its activities under joint operations, the Group as a joint operator recognises its direct right to, and its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under appropriate headings.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

Sales of goods (including coal and methanol) are recognized upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Service income such as coal railway transportation and electricity and heat supply is recognized when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

Dividend income from investments is recognized when the shareholders' rights to receive payments have been established.

Intangible assets (other than goodwill)

Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognized only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortized on a straight line basis over its useful life. Expenditure incurred on projects to develop new products is capitalized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. SIGNIFICANT ACCOUNTING POLICIES—Continued

Intangible assets (other than goodwill)—continued

Intangible assets acquired in a business combination—continued

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(i) Mining reserves

Mining reserves represent the portion of total proven and probable reserves in the mine of a mining right. Mining reserves are amortized over the life of the mine on a unit of production basis of the estimated total proven and probable reserves or the Australia Joint Ore Reserves Committee (“JORC”) reserves for the Group’s subsidiaries in Australia. Changes in the annual amortization rate resulting from changes in the remaining reserves are applied on a prospective basis from the commencement of the next financial year.

(ii) Mining resources

Mining resources represent the fair value of economically recoverable reserves (excluding the portion of total proven and probable reserves of a mining right i.e. does not include the above mining reserves) of a mining right (Details are set out in the accounting policy of exploration and evaluation expenditure). When production commences, the mining resources for the relevant areas of interest are amortized over the life of the area according to the rate of depletion of the economically recoverable reserves.

Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each separately identifiable area of interest which is at individual mine level. These costs are only carried forward where the right of tenure for the area of interest is current and to the extent that they are expected to be recouped through successful development and commercial exploitation, or alternatively, sale of the area, or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

The carrying amount of exploration and evaluation assets is assessed for impairment when facts or circumstances suggest the carrying amount of the assets may exceed their recoverable amount.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated costs in relation to an abandoned area are written-off in full in the period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortized over the life of the area according to the rate of depletion of the economically recoverable reserves.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. SIGNIFICANT ACCOUNTING POLICIES—Continued

Exploration and evaluation expenditure—continued

Capitalized exploration and evaluation expenditure considered to be tangible is recorded as a component of property, plant and equipment. Otherwise, it is recorded as an intangible asset.

Exploration and evaluation expenditure acquired in a business combination are recognized at their fair value at the acquisition date (the fair value of potential economically recoverable reserves at the acquisition date which is shown as “Mining resources”)

Prepaid lease payments

Prepaid lease payments represent land use rights under operating lease arrangement and are stated at cost less accumulated amortization and accumulated impairment losses.

Property, plant and equipment

Property, plant and equipment, other than construction in progress and freehold land, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost of items of property, plant and equipment, other than construction in progress and freehold land, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method or unit of production method.

Construction in progress represents property, plant and equipment under construction for production or for its own use purposes. Construction in progress is carried at cost less any impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation commences when the assets are ready for their intended use.

Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized immediately in the consolidated income statement.

Impairment other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets and intangible assets with finite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset (determined at the higher of its fair value less costs to sell and its value in use) is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with an indefinite useful life will be tested for impairment annually.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment loss is recognized as an expense immediately.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. SIGNIFICANT ACCOUNTING POLICIES—Continued

Impairment other than goodwill—continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as an income immediately.

For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit) to which the mining activity (mining complex level) is attributed. Management monitors and manages operations at the mining complex level to identify cash-generating streams.

Goodwill

Goodwill arising on acquisitions prior to January 1, 2005 (transition to new IFRS)

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before January 1, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

The Group has discontinued amortization from January 1, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after January 1, 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after January 1, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Goodwill is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment is recognized immediately in the consolidated income statement and is not subsequently reversed.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. SIGNIFICANT ACCOUNTING POLICIES—Continued

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and other financial institution and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the preparation of consolidated cash flow statement, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Inventories

Inventories of coal and methanol are stated at the lower of cost and net realizable value. Cost, which comprises direct materials and, where applicable, direct labour and overheads that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realizable value represents the estimated selling price less all further costs to completion and costs to be incurred in selling, marketing and distribution.

Inventories of auxiliary materials, spare parts and small tools expected to be used in production are stated at weighted average cost less allowance, if necessary, for obsolescence.

Overburden in advance

Overburden in advance comprises mining stripping (waste removal) costs both during the development and production phase of the Group's operations.

When stripping costs are included in the development phase of a mine before the production phase commences (development stripping). Such expenditure is capitalised as part of the cost of constructing the mine if it can be demonstrated that it is probable that future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved. The stripping assets subsequently amortised over its useful life using a units of production method, in accordance with the policy applicable to mine properties. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Waste development costs incurred in the production phase creates two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and the benefit is improved access to ore to be mined in the future, the costs are recognised as a stripping activity asset in mine properties.

If the costs of the inventory produced and the stripping asset are not separately identifiable, the allocation is undertaken based on waste-to-ore stripping ratio for the particular ore component concerned. If mining of waste in a period occurs in excess of the expected life-of-component average waste-to-ore strip ratio, the excess is recognised as part of the stripping asset. Where mining occurs at or below the expected life-of-component stripping ratio in a period, the entire production stripping cost is allocated to the cost of the ore inventory produced.

Amortisation is provided on the units-of-production method over the life of the identified component of orebody. The units-of-production method results in an 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.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. SIGNIFICANT ACCOUNTING POLICIES—Continued

Overburden in advance—continued

The assumptions used by management to estimate saleable coal production, run-of-mine (ROM) coal tonnes mined, and the weighted average cost to remove a bank cubic metre (BCM) of waste include a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Estimating the quantity and/or grade of reserves requires a determination of the size, shape and depth of ore bodies or fields by analyzing geological data such as drilling samples. Changes in reported reserves may affect overburden removal costs since the costs may change due to changes in stripping ratios or the units of production basis of depreciation. Any changes in estimates are reflected on a prospective basis.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. SIGNIFICANT ACCOUNTING POLICIES—Continued

Taxation—continued

The Company's wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the tax consolidated group recognizes its own deferred tax assets and liabilities, except where the deferred tax assets relate to unused tax losses and credits, in which case the Australian subsidiaries recognizes the assets. Australian subsidiaries have entered into a tax sharing agreement whereby each company of Australian subsidiaries contributes to the income tax payable in proportion to their contribution to the profit before tax of the tax consolidated group. The tax consolidated group has also entered into a tax funding agreement whereby each entity in Australian subsidiaries group can recognize their balance of the current tax assets and liabilities through inter-entity accounts.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. SIGNIFICANT ACCOUNTING POLICIES—Continued

Land subsidence, restoration, rehabilitation and environmental costs

One consequence of coal mining is land subsidence caused by the resettlement of the land above the underground mining sites. Depending on the circumstances, the Group may relocate inhabitants from the land above the underground mining sites prior to mining those sites or the Group may compensate the inhabitants for losses or damages from land subsidence after the underground sites have been mined. The Group may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the underground sites have been mined.

An estimate of such costs is recognized in the period in which the obligation is identified and is charged as an expense in proportion to the coal extracted. At each balance sheet date, the Group adjusts the estimated costs in accordance with the actual land subsidence status. The provision is also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the undepreciated capitalised cost of any related assets, in which case the capitalised cost is reduced to nil and remaining adjustment is recognized in the income statement. Changes to the capitalised cost result in an adjustment to future depreciation and financial charges.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present values of the minimum lease payments of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as an obligation under finance leases.

Each lease payment is allocated between liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The finance lease liabilities are included in current and non-current borrowings. The finance charges are expensed in the income statement over the lease periods so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The assets accounted for as finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. SIGNIFICANT ACCOUNTING POLICIES—Continued

Provisions and contingent liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e., the currency of the primary environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. SIGNIFICANT ACCOUNTING POLICIES—Continued

Foreign currencies—continued

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

Government grants

Government grants are recognized as income over the periods necessary to match them with the related costs. If the grants do not relate to any specific expenditure incurred by the Group, they are reported separately as other income. If the grants subsidize an expense incurred by the Group, they are deducted in reporting the related expense. Grants relating to depreciable assets are presented as a deduction from the cost of the relevant asset.

Annual leave, sick leave and long service leave

Benefits accruing to employees in respect of wages and salaries, annual leave and sick leave are included in trade and other payables. Related on-costs are also included in trade and other payables as other creditors. Long service leave is provided for when it is probable that settlement will be required and it is capable of being measured reliably.

Employee benefits expected to be settled within 12 months are measured using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the balance sheet date.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as expenses when the employees render the services entitling them to the contributions.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. SIGNIFICANT ACCOUNTING POLICIES—Continued

Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of financial assets are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including bank balances and cash, term deposits, restricted cash, bills and accounts receivable, other current assets and long-term receivables) are subsequently measured at amortized cost using the effective interest method, less any identified impairment loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss included financial assets held for trading and financial assets designated as fair value through profit or loss upon initial recognition. Financial assets are classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term or on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Royalty receivable is remeasured based on sales volume, price changes, foreign currency exchange rates and expected future cash flows at each balance sheet date. The gain or loss arising from the change in fair value of royalty receivable is recognized in profit or loss. Royalty receivable is reduced by cash receipts and decreases with time. Since the contract is long term, the unwinding discount (to reflect time value of money) is recognized in interest income.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. SIGNIFICANT ACCOUNTING POLICIES—Continued

Financial instruments—continued

Financial assets—continued

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized initially in other comprehensive income and accumulated in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in profit or loss (see accounting policy on impairment loss on financial assets below).

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade and bills receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. SIGNIFICANT ACCOUNTING POLICIES—Continued

Financial instruments—continued

Financial assets—continued

Impairment of financial assets—Continued

For available-for-sale equity investments carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables and other receivables, where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade and bills receivables and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized initially in other comprehensive income and accumulated in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities

The Group's financial liabilities including bills and accounts payables, other payables, amounts due to Parent Company and its subsidiary companies, finance lease liabilities, guaranteed notes and bank and other borrowings which are initially recognised at fair value and subsequently measured at amortized cost, using the effective interest method and financial liabilities at fair value through profit or loss.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. SIGNIFICANT ACCOUNTING POLICIES—Continued

Financial instruments—Continued

Financial liabilities and equity—continued

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at initial recognition as at fair value through profit and loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets or, the financial assets has been transferred, although the company has neither transferred nor retained substantially all the risk and rewards of ownership of the financial assets, but the Company give up control of the financial assets.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (i) hedges of the fair value of recognized assets or liabilities (fair value hedge); and (ii) hedges of highly probable forecast transactions (cash flow hedge).

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. SIGNIFICANT ACCOUNTING POLICIES—Continued

Financial instruments—continued

Financial liabilities and equity—continued

Accounting for derivative financial instruments and hedging activities—continued

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 36. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized initially in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss. Amounts accumulated in equity are recognized in the profit and loss as the underlying hedged items are recognized.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss.

(ii) Derivatives that do not qualify for hedge accounting and those not designated as hedging instruments

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting and those not designated as hedges are recognized immediately in the profit or loss.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. SIGNIFICANT ACCOUNTING POLICIES—Continued

Related Parties

(a) A person, or a close member of that person's family, is related to the group if that person:

- (1) has control or joint control over the group;
- (2) has significant influence over the group; or
- (3) is a member of the key management personnel of the group or the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(b) An entity is related to the group if any of the following conditions applies:

- (1) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (3) Both entities are joint ventures of the same third party;
- (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (5) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group;
- (6) The entity is controlled or jointly controlled by a person identified in (a); or
- (7) A person identified in (a)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

5. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Depreciation of property, plant and equipment

The cost of mining structures is depreciated using the unit of production method based on the estimated production volume for which the structure was designed. The management exercises their judgment in estimating the useful lives of the depreciable assets and the production volume of the mine. The estimated coal production volumes are updated at regular intervals and have taken into account recent production and technical information about each mine. These changes are considered a change in estimate for accounting purposes and are reflected on a prospective basis in related depreciation rates. Estimates of the production volume are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information.

Amortization of assets

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

Provision for land subsidence, restoration, rehabilitation and environmental costs

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

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

5. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY—Continued

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at December 31, 2013, the carrying amount of goodwill is RMB2,460,551,000 (2012: RMB2,573,811,000). During the year ended December 31, 2013, no impairment loss on goodwill (2012: RMB17,625,000) was recognised by the Group and details are set out in note 25.

Cash flow projections during the budget period for each of the above units are based on the budgeted revenue and expected gross margins during the budget period and the raw materials price inflation during the budget period. Expected cash inflows/outflows have been determined based on past performance and management's expectations for the market development.

Estimated impairment of property, plant and equipment

When there is an impairment indicator, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. In estimating the future cash flows, the management have taken into account the recent production and technical advancement. As prices and cost levels change from year to year, the estimate of the future cash flow also changes. Notwithstanding the management has used all the available information to make their impairment assessment, inherent uncertainty exists on conditions of the mine and of the environment and actual written off may be higher than the amount estimated. As at December 31, 2013, the carrying amounts of property, plant and equipment is approximately RMB41,896,508,000 (2012: RMB39,503,103,000). During the year ended December 31, 2013, no property, plant and equipment was written off as expenses (2012: nil; 2011: nil). In addition, during the year ended December 31, 2013, no impairment loss on property, plant and equipment (2012: RMB226,925,000; 2011: RMB281,994,000) was recognized by the Group and the details of impairment are set out in note 24.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

5. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY—Continued

Estimated impairment of property, plant and equipment—continued

Most of the coal sales by Premier and Wesfarmers Char are governed by a contract signed with an independent power station. The remaining coal sales are to independent third parties which are sold at market prices. The contract with the power station was a required condition in order for the government to grant the mining rights to Premier and Wesfarmers Char. The sales price under the contract is below market price and Premier and Wesfarmers Char are unable to negotiate to revise the terms of the existing contract, including the sale price of coal. Given the current level of market price of coal and rising costs, the Company also expected that the power station may purchase more coal from Premier and Wesfarmers Char, which will drive down the Company's overall average sales prices. In 2012, a combined assessment of Premier and Wesfarmers Char, being a cash-generating unit, was performed, and hence in 2012, the Company recorded impairment on intangible assets (mining reserves and mining resources) of RMB417,214,000, property, plant and equipment (mining structures) of RMB226,925,000 and goodwill of RMB17,625,000 as selling, general and administrative expenses in its statement of comprehensive income as set out in Note 9 to the financial statements. The Company used the value-in-use method to assess the impairment and the key assumptions included the future market price of the coal, sales volume, and mining costs. The changes in these key assumptions that were applied in the impairment analysis were a decrease of the average coal price from AUD76 per tonne to AUD24 per tonne, a decrease in total sales volume from 141 million tonne to 58 million tonne, an increase in average nominal operating cost from AUD48 per tonne to AUD62 per tonne and an increase in capital expenditure from AUD460 million to AUD584 million. During the year, no provision for impairment losses were made for Premier and Wesfarmers Char by the Group.

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

Acquisitions

In 2013, the Group acquired a subsidiary and business as set out in note 43. The Group determined whether the acquisition are to be accounted for as acquisition of business or as acquisition of assets by reference to a number of factors including (i) whether the acquiree has relevant input, process or output; (ii) whether the acquiree has planned principal activities or is pursuing a plan to produce output and will be able to obtain access to customers.

In addition, the management also made judgement to determine if the Group has taken control over the subsidiaries or assets acquired as from time to time, the registration of transfer of certain operating licences may not be changed immediately upon the payment of consideration.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

6. SEGMENT INFORMATION

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

Gross revenue disclosed below is same as the turnover.

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

Principal activities are as follows:

Mining	-	Underground and open-cut mining, preparation and sales of coal and potash mineral exploration
Coal railway transportation	-	Provision of railway transportation services
Methanol, electricity and heat supply	-	Production and sales of methanol and electricity and related heat supply services

The accounting policies of the reportable segments are same as the Group’s accounting policies described in note 4. Segment results represents the results of each segment without allocation of corporate expenses and directors’ emoluments, 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.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

6. SEGMENT INFORMATION—Continued

Segment information about these businesses is presented below:

INCOME STATEMENT

	For the year ended December 31, 2013				
	Mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Eliminations RMB'000	Consolidated RMB'000
GROSS REVENUE					
External	54,444,843	457,898	1,499,085	—	56,401,826
Inter-segment	456,117	43,337	292,994	(792,448)	—
Total	<u>54,900,960</u>	<u>501,235</u>	<u>1,792,079</u>	<u>(792,448)</u>	<u>56,401,826</u>

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

	For the year ended December 31, 2013				
	Mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Eliminations RMB'000	Consolidated RMB'000
RESULT					
Segment results	<u>1,844,605</u>	<u>22,720</u>	<u>403,702</u>	<u>—</u>	<u>2,271,027</u>
Unallocated corporate expenses					(1,504,126)
Unallocated corporate income					71,395
Interest income					489,348
Share of (loss) profit of associates	(330,158)	—	564,055		233,897
Share of loss of joint ventures	(376,032)	—	—		(376,032)
Interest expenses					<u>(1,765,777)</u>
Loss before income taxes					(580,268)
Income taxes					<u>394,815</u>
Loss for the year					<u>(185,453)</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

6. SEGMENT INFORMATION—Continued

BALANCE SHEET

	At December 31, 2013			
	Mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Consolidated RMB'000
ASSETS				
Segment assets	102,090,643	363,874	5,682,418	108,136,935
Interests in associates	1,561,859	—	1,183,098	2,744,957
Interests in joint ventures	488,350	—	—	488,350
Unallocated corporate assets				16,087,947
				<u>127,458,189</u>
LIABILITIES				
Segment liabilities	31,275,948	170,879	3,735,244	35,182,071
Unallocated corporate liabilities				48,290,057
				<u>83,472,128</u>

OTHER INFORMATION

	For the year ended December 31, 2013				
	Mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Corporate RMB'000	Consolidated RMB'000
Capital additions (note 1)	18,709,633	22,285	1,519,220	36	20,251,174
Amortization of intangible assets	1,323,031	—	2,047	—	1,325,078
Release of prepaid lease payments	10,020	5,372	3,336	—	18,728
Impairment loss on intangible assets	2,052,238	—	—	—	2,052,238
Write-off on inventories	58,274	—	—	—	58,274
Depreciation of property, plant and equipment	2,612,359	68,098	442,392	2,104	3,124,953
Impairment losses (reversed) charged on accounts receivable and other receivables	(3,799)	—	2,683	374	(742)

Note 1: Capital additions include those arising from the acquisition of Hao Sheng during the year.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

6. SEGMENT INFORMATION—Continued

Segment information about these businesses is presented below:

INCOME STATEMENT

	For the year ended December 31, 2012				
	Mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Eliminations RMB'000	Consolidated RMB'000
GROSS REVENUE					
External	56,200,600	464,068	1,481,516	—	58,146,184
Inter-segment	219,230	32,560	284,425	(536,215)	—
Total	<u>56,419,830</u>	<u>496,628</u>	<u>1,765,941</u>	<u>(536,215)</u>	<u>58,146,184</u>

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

	For the year ended December 31, 2012				
	Mining RMB'000 (restated)	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Eliminations RMB'000	Consolidated RMB'000 (restated)
RESULT					
Segment results	<u>6,980,578</u>	<u>(52,848)</u>	<u>91,420</u>	<u>—</u>	<u>7,019,150</u>
Unallocated corporate expenses					(2,159,979)
Unallocated corporate income					1,987,137
Interest income					722,336
Share of profit of associates	33,552	—	108,434	—	141,986
Share of loss of joint ventures	(191,575)	—	—	—	(191,575)
Interest expenses					(1,448,679)
Profit before income taxes					6,070,376
Income taxes					(36,189)
Profit for the year					<u>6,034,187</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

6. SEGMENT INFORMATION—Continued

BALANCE SHEET

	At December 31, 2012			
	Mining	Coal railway	Methanol,	Consolidated
	RMB'000 (restated)	transportation RMB'000	electricity and heat supply RMB'000	RMB'000 (restated)
ASSETS				
Segment assets	98,354,842	558,152	5,300,584	104,213,578
Interests in associates	192,081	—	2,432,195	2,624,276
Interests in joint ventures	998,627	—	—	998,627
Unallocated corporate assets				14,328,595
				<u>122,165,076</u>
LIABILITIES				
Segment liabilities	30,657,045	66,649	4,326,014	35,049,708
Unallocated corporate liabilities				38,395,238
				<u>73,444,946</u>

OTHER INFORMATION

	For the year ended December 31, 2012				
	Mining	Coal railway	Methanol,	Corporate	Consolidated
	RMB'000	transportation RMB'000	electricity and heat supply RMB'000	RMB'000	RMB'000
Capital additions (note 1)	19,170,069	33,835	1,605,265	70	20,809,239
Investments in associates	3,927	—	810,000	—	813,927
Amortization of intangible assets	1,175,548	—	2,047	—	1,177,595
Release of prepaid lease payments	9,778	5,372	3,213	—	18,363
Impairment loss on property, plant and equipment	226,925	—	—	—	226,925
Impairment loss on intangible assets	417,214	—	—	—	417,214
Write-off on inventories	140,883	—	—	—	140,883
Impairment loss on goodwill	17,625	—	—	—	17,625
Depreciation of property, plant and equipment	2,293,828	78,668	443,746	3,162	2,819,404
Impairment losses charged on (reversed) accounts receivable and other receivables	7,270	—	(818)	—	6,452

Note 1: Capital additions include those arising from the acquisition of assets under the asset transfer agreement with the Parent Company and its subsidiary and the acquisition of Gloucester during the year.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

6. SEGMENT INFORMATION—Continued

Segment information about these businesses is presented below:

INCOME STATEMENT

	For the year ended December 31, 2011					Consolidated RMB'000
	Mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Unallocated RMB'000	Eliminations RMB'000	
GROSS REVENUE						
External	45,181,229	476,852	1,407,759	—	—	47,065,840
Inter-segment	287,280	51,705	256,364	—	(595,349)	—
Total	<u>45,468,509</u>	<u>528,557</u>	<u>1,664,123</u>	<u>—</u>	<u>(595,349)</u>	<u>47,065,840</u>

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

	For the year ended December 31, 2011					Consolidated RMB'000 (restated)
	Mining RMB'000 (restated)	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Eliminations RMB'000		
RESULT						
Segment results	<u>13,215,040</u>	<u>479</u>	<u>(365,011)</u>	<u>—</u>		12,850,508
Unallocated corporate expenses						(699,291)
Unallocated corporate income						520,986
Interest income						357,708
Share of profit of associates	43,124	—	25,815	—		68,939
Interest expenses						(839,305)
Profit before income taxes						12,259,545
Income taxes						(3,466,948)
Profit for the year						<u>8,792,597</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

6. SEGMENT INFORMATION—Continued

BALANCE SHEET

	At December 31, 2011			
	Mining RMB'000 (restated)	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Consolidated RMB'000 (restated)
ASSETS				
Segment assets	80,149,706	604,824	4,474,098	85,228,628
Interests in associates	170,226	—	1,513,671	1,683,897
Interests in joint ventures	19,453	—	—	19,453
Unallocated corporate assets				9,958,172
				<u>96,890,150</u>
LIABILITIES				
Segment liabilities	22,948,089	72,476	2,857,624	25,878,189
Unallocated corporate liabilities				27,869,921
				<u>53,748,110</u>

OTHER INFORMATION

	For the year ended December 31, 2011					
	Mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Unallocated RMB'000	Corporate RMB'000	Consolidated RMB'000
Capital additions (note 1)	22,736,499	40,890	555,250	—	3,790	23,336,429
Investments in associates	540,000	—	—	—	—	540,000
Amortization of intangible assets	717,709	252	2,047	—	—	720,008
Release of prepaid lease payments	10,432	5,372	3,214	—	—	19,018
Impairment loss on property, plant and equipment	—	—	281,994	—	—	281,994
Depreciation of property, plant and equipment	1,711,257	73,885	477,872	—	3,003	2,266,017
Impairment losses (reversed) charged on accounts receivable and other receivables	(789)	—	688	—	—	(101)

Note 1: Capital additions include those arising from the acquisition of additional interests in joint operations and subsidiaries during the year.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

6. SEGMENT INFORMATION—Continued

GEOGRAPHICAL INFORMATION

The following table sets out the geographical information. The geographical location of sales to external customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interests in associates and joint ventures.

The geographical information of revenue are as follows:

	Revenue from external customers		
	For the year ended December 31,		
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
The PRC (place of domicile)	47,299,887	48,518,837	38,301,175
Australia	2,130,591	2,297,615	255,206
Others	6,971,348	7,329,732	8,509,459
Total	<u>56,401,826</u>	<u>58,146,184</u>	<u>47,065,840</u>

The geographical information of specified non-current assets are as follows:

	Specified non-current assets		
	At December 31,		
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
		(restated)	
The PRC (place of domicile)	52,741,341	36,991,705	31,130,104
Australia	32,090,208	41,205,313	28,986,924
Canada	1,691,407	1,832,719	1,645,227
Total non-current assets	<u>86,522,956</u>	<u>80,029,737</u>	<u>61,762,255</u>

For the year ended December 31, 2013, the revenue from mining segment amounted to RMB54,444,843,000 (2012: RMB56,200,600,000; 2011: RMB45,181,229,000) which including sales to the Group's largest customer located in the PRC of approximately RMB3,243,219,000 (2012: RMB3,651,630,000; 2011: RMB3,854,540,000). As at December 31, 2013, accounts receivable from this customer accounted for approximately 10.29% (2012: 0%; 2011: 0%) of the Group's total accounts receivable.

7. SALES OF COAL AND TRANSPORTATION COSTS OF COAL

	Year ended December 31,		
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Coal sold in the PRC	45,342,904	46,573,253	36,416,565
Coal sold outside the PRC	9,101,939	9,627,347	8,764,664
Total coal sold	<u>54,444,843</u>	<u>56,200,600</u>	<u>45,181,229</u>
Transportation costs for coal sold in the PRC	444,306	281,816	311,708
Transportation costs for coal sold outside the PRC	1,579,890	1,822,409	936,560
Total transportation costs	<u>2,024,196</u>	<u>2,104,225</u>	<u>1,248,268</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

8. COST OF SALES AND SERVICE PROVIDED

	Year ended December 31,		
	2013	2012	2011
	RMB'000	RMB'000 (restated)	RMB'000 (restated)
Materials	3,022,210	3,162,130	2,541,192
Wages and employee benefits	6,724,456	7,282,018	5,846,108
Electricity	764,353	699,648	520,890
Depreciation	2,404,252	2,057,092	1,398,711
Land subsidence, restoration, rehabilitation and environmental costs	1,440,621	1,781,267	1,720,740
Environmental management expenses	128,784	129,235	—
Annual fee and amortization of mining rights (note 23)	1,304,972	1,305,410	848,615
Transportation costs	15,965	80,093	73,560
Cost of traded coal	22,834,366	21,522,897	9,548,869
Business tax and surcharges	541,676	599,784	579,782
Others	3,330,183	3,529,414	2,908,268
	<u>42,511,838</u>	<u>42,148,988</u>	<u>25,986,735</u>

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,		
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Wages and employee benefits	1,888,932	1,749,759	1,703,713
Additional medical insurance	5,141	80,855	78,285
Staff training costs	4,558	7,630	53,682
Depreciation	417,204	343,133	230,542
Distribution charges	1,448,114	1,292,216	1,078,107
Resource compensation fees (note)	209,493	248,377	263,238
Repairs and maintenance	354,071	693,380	609,211
Research and development	45,110	62,406	119,234
Freight charges	41,185	34,800	29,246
Impairment loss on property, plant and equipment	—	226,925	281,994
Loss on disposal of property, plant and equipment	—	—	108,627
Provision for bad debt	23,931	10,627	1,195
Impairment loss on intangible assets	2,052,238	417,214	—
Impairment loss on goodwill	—	17,625	—
Impairment loss on inventories	58,274	140,883	—
Legal and professional fees	129,496	269,155	94,148
Social welfare and insurance	51,255	207,150	173,349
Utilities relating to administrative buildings	80,042	139,942	175,209
Environmental protection	5,552	46,022	83,690
Travelling, entertainment and promotion	102,670	169,062	188,087
Exchange loss, net	1,686,001	—	—
Coal price adjustment fund	424,017	403,632	367,038
Bonus payments	17,154	11,050	6,409
Other sundry taxes	352,601	397,853	253,583
Others	983,674	1,017,940	671,616
	<u>10,380,713</u>	<u>7,987,636</u>	<u>6,570,203</u>

Note: In accordance with the relevant regulations, the Group pays resource compensation fees (effectively a government levy) to the Ministry of Geology and Mineral Resources at the rate of 1% on the sales value of raw coal.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

10. OTHER INCOME

	Year ended December 31,		
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Dividend income	71,395	3,702	2,433
Gain on sales of auxiliary materials	37,658	32,300	20,751
Government grants	169,957	72,867	29,431
Interest income	489,348	722,336	357,708
Exchange gain, net	—	714,166	518,553
Bargain purchase (note 45)	—	1,269,269	—
Gain on disposals of property, plant and equipment	14,973	9,862	—
Others	237,246	105,943	146,889
	<u>1,020,577</u>	<u>2,930,445</u>	<u>1,075,765</u>

The above dividend income is from listed investments.

11. INTEREST EXPENSES

	Year ended December 31,		
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Interest expenses on:			
- bank and other borrowings wholly repayable within 5 years	1,565,693	1,453,459	804,700
- bank and other borrowings not wholly repayable within 5 years	418,606	88,550	9,675
- bills receivable discounted without recourse	9,341	2,367	24,930
	<u>1,993,640</u>	<u>1,544,376</u>	<u>839,305</u>
Less: interest expenses capitalized into construction in progress	(227,863)	(95,697)	—
	<u>1,765,777</u>	<u>1,448,679</u>	<u>839,305</u>

12. INCOME TAXES

	Year ended December 31,		
	2013	2012	2011
	RMB'000	RMB'000 (restated)	RMB'000 (restated)
Income taxes:			
Current taxes	1,991,862	1,328,624	3,176,627
Under provision in prior years	(286,292)	142,957	20,174
	<u>1,705,570</u>	<u>1,471,581</u>	<u>3,196,801</u>
Deferred taxes (note 39)			
Australian Minerals Resources Rent Tax	141,182	(1,550,277)	—
Others	(2,241,567)	114,885	270,147
	<u>(394,815)</u>	<u>36,189</u>	<u>3,466,948</u>

Except An Yuan Coal Mine and Xintai, the Company and its subsidiaries in the PRC are subject to a standard income tax rate of 25% on its taxable income (2012: 25%; 2011: 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

12. INCOME TAXES—Continued

Note: The Australian Minerals Resources Rent Tax (“MRRT”) legislation was enacted on 19 March 2012 and effective from 1 July 2012. According to the relevant provisions of the MRRT tax laws, subsidiaries in Australia are required to determine the starting base allowance on the balance sheet. Book value or market value approach can be selected in calculating the starting base and subsequently amortize within the prescribed useful life. Market value approach was selected for mines in Australia. Under the market value approach, base value is determined based on market value of the coal mines on 1 May 2010 and amortize based on the shorter of the life of mining project, mining rights and mining production.

During 2013, the Australian Government released an exposure draft legislation which proposed to repeal the MRRT legislation. At December 31, 2013, the Australian Government had not passed the repeal legislation.

The total charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	Year ended December 31,		
	2013 RMB'000	2012 RMB'000 (restated)	2011 RMB'000 (restated)
Standard income tax rate in the PRC	25%	25%	25%
Standard income tax rate applied to income before income taxes	(145,067)	1,517,594	3,064,886
Reconciling items:			
Effect of (income) expense exempt from taxation	(83,106)	(668,039)	33,520
Deemed interest income from subsidiaries subject to tax	210,978	142,361	63,058
Tax effect of tax losses not recognized	210,460	202,744	217,791
(Over) Under provision in prior years	(286,293)	142,957	20,174
MRRT	96,223	(1,085,194)	—
Utilization of unrecognized tax losses in prior years	(62,637)	(20,700)	(83,336)
Effect of tax rate differences in other taxation jurisdictions	(383,370)	17,768	151,227
Others	47,997	(213,302)	(372)
Income taxes	<u>(394,815)</u>	<u>36,189</u>	<u>3,466,948</u>
Effective income tax rate	<u>68%</u>	<u>0.6%</u>	<u>28%</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

13. (LOSS) PROFIT BEFORE INCOME TAXES

	Year ended December 31,		
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
(Loss) Profit before income taxes has been arrived at after charging:			
Amortization of intangible assets	1,325,078	1,177,595	720,008
Depreciation of property, plant and equipment			
- under finance leases	32,129	8,180	—
- self-owned	3,092,824	2,811,224	2,266,017
Total depreciation and amortization	4,450,031	3,996,999	2,986,025
Release of prepaid lease payments	18,728	18,363	19,018
Impairment loss recognised in respect of:			
- Property, plant and equipment	—	226,925	281,994
- Intangible assets	2,052,238	417,214	—
- Goodwill	—	17,625	—
- Inventories	58,274	140,883	—
Auditors' remuneration	23,771	19,916	18,112
Staff costs, including directors' and supervisors' emoluments	9,811,721	10,022,134	8,222,047
Retirement benefit scheme contributions (included in staff costs above)	2,153,433	3,657,504	1,699,443
Cost of inventories	26,437,983	25,425,263	12,723,350
Research and development costs	45,110	62,406	119,234
Operating lease charges in respect of leased premises and crediting:	65,043	72,400	31,960
(Gain) Loss on disposal of property, plant and equipment	(14,973)	(9,862)	108,627
Exchange loss (gains), net	1,686,001	(714,166)	(518,553)
(Reversal) Provision of impairment loss on accounts receivable and other receivables	(742)	6,452	(101)

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

14. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and supervisors' emoluments

Details of the directors' and supervisors' emoluments are as follows:

	For the year ended December 31, 2013			
	Fees RMB'000	Salaries, allowance and other benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Independent non-executive directors				
Wang Xiaojun	130	—	—	130
Wang Xianzheng	130	—	—	130
Cheng Faguang	130	—	—	130
Xue Youzhi	130	—	—	130
	<u>520</u>	<u>—</u>	<u>—</u>	<u>520</u>
Executive directors				
Li Xiyong	—	—	—	—
Zhang Xinwen	—	—	—	—
Wang Xin	—	—	—	—
Zhang Yingmin	—	512	100	612
Li Weimin	—	—	—	—
Shi Xuerang	—	—	—	—
Wu Yuxiang	—	468	91	559
Zhang Baocai	—	469	92	561
Dong Yunqing	—	470	92	562
	<u>—</u>	<u>1,919</u>	<u>375</u>	<u>2,294</u>
Supervisors				
Song Guo	—	—	—	—
Zhang Shengdong	—	—	—	—
Zhou Shoucheng	—	—	—	—
Zhen Ailan	—	—	—	—
Wei Huanmin	—	470	92	562
Xu Bentai	—	461	90	551
	<u>—</u>	<u>931</u>	<u>182</u>	<u>1,113</u>
Other management team				
Liu Chun	—	490	96	586
He Ye	—	417	81	498
Tian Fengze	—	486	95	581
Shi Chengzhong	—	481	94	575
Ni Xinghua	—	497	97	594
Lai Cunliang	—	766	—	766
	<u>—</u>	<u>3,137</u>	<u>463</u>	<u>3,600</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

14. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS—Continued

(a) Directors' and supervisors' emoluments—continued

Details of the directors' and supervisors' emoluments are as follows:

	For the year ended December 31, 2012			
	Fees RMB'000	Salaries, allowance and other benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<u>Independent non-executive directors</u>				
Wang Xiaojun	130	—	—	130
Wang Xianzheng	130	—	—	130
Cheng Faguang	130	—	—	130
Xue Youzhi	130	—	—	130
	<u>520</u>	<u>—</u>	<u>—</u>	<u>520</u>
<u>Executive directors</u>				
Wang Xin	—	—	—	—
Zhang Yingmin	—	728	146	874
Li Weimin	—	—	—	—
Shi Xuerang	—	—	—	—
Wu Yuxiang	—	505	101	606
Zhang Baocai	—	517	103	620
Dong Yunqing	—	520	104	624
	<u>—</u>	<u>2,270</u>	<u>454</u>	<u>2,724</u>
<u>Supervisors</u>				
Song Guo	—	—	—	—
Zhang Shengdong	—	—	—	—
Zhou Shoucheng	—	—	—	—
Zhen Ailan	—	—	—	—
Wei Huanmin	—	516	103	619
Xu Bentai	—	506	101	607
	<u>—</u>	<u>1,022</u>	<u>204</u>	<u>1,226</u>
<u>Other management team</u>				
Liu Chun	—	564	113	677
He Ye	—	720	144	864
Tian Fengze	—	529	106	635
Shi Chengzhong	—	543	109	652
Ni Xinghua	—	553	111	664
Lai Cunliang	—	690	—	690
	<u>—</u>	<u>3,599</u>	<u>583</u>	<u>4,182</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

14. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS—Continued

(a) Directors' and supervisors' emoluments—continued

Details of the directors' and supervisors' emoluments are as follows:

	For the year ended December 31, 2011			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				
Pu Hongjiu	49	—	—	49
Di Xigui	49	—	—	49
Li Weian	49	—	—	49
Wang Junyan	49	—	—	49
Wang Xiaojun	72	—	—	72
Wang Xianzheng	72	—	—	72
Cheng Faguang	72	—	—	72
Xue Youzhi	72	—	—	72
	<u>484</u>	<u>—</u>	<u>—</u>	<u>484</u>
Executive directors				
Wang Xin	—	—	—	—
Zhang Yingmin	—	169	34	203
Li Weimin	—	—	—	—
Shi Xuerang	—	—	—	—
Chen Changchun	—	—	—	—
Wu Yuxiang	—	381	76	457
Wang Xinkun	—	329	66	395
Zhang Baocai	—	390	78	468
Dong Yunqing	—	396	79	475
	<u>—</u>	<u>1,665</u>	<u>333</u>	<u>1,998</u>
Supervisors				
Song Guo	—	—	—	—
Zhang Shengdong	—	—	—	—
Zhou Shoucheng	—	—	—	—
Zhen Ailan	—	—	—	—
Wei Huanmin	—	390	78	468
Xu Bentai	—	430	86	516
	<u>—</u>	<u>820</u>	<u>164</u>	<u>984</u>
Other management team				
Jin Tai	—	169	34	203
Liu Chun	—	13	3	16
He Ye	—	169	34	203
Tian Fengze	—	428	86	514
Shi Chengzhong	—	462	92	554
Ni Xinghua	—	438	88	526
Lai Cunliang	—	700	—	700
	<u>—</u>	<u>2,379</u>	<u>337</u>	<u>2,716</u>

No directors waived any of their emoluments in each of the year ended December 31, 2013, 2012 and 2011.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

14. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS—Continued

(b) Employees' emoluments

The five highest paid individuals in the Group included no director for the year ended December 31, 2013 (2012: nil; 2011: nil). The emoluments of the five highest paid individuals (2012: five; 2011: five) were stated as follows:

	Year ended December 31,		
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Salaries, allowance and other benefits in kind	19,496	18,877	19,282
Retirement benefit scheme contributions	453	538	74
Discretionary bonuses	2,820	5,827	1,725
	<u>22,769</u>	<u>25,242</u>	<u>21,081</u>

Their emoluments were within the following bands:

	Year ended December 31,		
	2013	2012	2011
	No. of employees	No. of employees	No. of employees
Nil to HK\$1,000,000	—	—	—
HK\$1,000,001 to HK\$1,500,000	—	—	—
HK\$2,500,001 to HK\$3,000,000	1	—	—
HK\$3,500,001 to HK\$4,000,000	1	2	1
HK\$4,000,001 to HK\$4,500,000	—	—	2
HK\$4,500,001 to HK\$5,000,000	1	1	—
HK\$5,000,001 to HK\$5,500,000	—	—	1
HK\$5,500,001 to HK\$6,000,000	—	1	—
HK\$6,000,001 to HK\$6,500,000	1	—	—
HK\$8,000,001 to HK\$8,500,000	—	—	1
HK\$11,000,001 to HK\$11,500,000	1	—	—
HK\$12,000,001 to HK\$12,500,000	—	1	—
	<u>—</u>	<u>1</u>	<u>—</u>

15. DIVIDEND RECOGNIZED AS DISTRIBUTION DURING THE YEAR

	Year ended December 31,		
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
2012 final dividend, RMB0.36 per share (2012: 2011 final dividend, RMB0.570 per share; 2011: 2010 final dividend RMB0.590 per share)	1,770,624	2,803,488	2,901,856
	<u>1,770,624</u>	<u>2,803,488</u>	<u>2,901,856</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

15. DIVIDENDS RECOGNIZED AS DISTRIBUTION DURING THE YEAR—Continued

In the annual general meeting held on May 20, 2011, a final dividend of RMB0.590 per share in respect of the year ended December 31, 2010 was approved by the shareholders and paid to the shareholders of the Company.

In the annual general meeting held on June 22, 2012, a final dividend in of RMB0.570 per share in respect of the year ended December 31, 2011 was approved by the shareholders and paid to the shareholders of the Company.

In the annual general meeting held on May 15, 2013, a final dividend of RMB0.360 per share in respect of the year ended December 31, 2012 was approved by the shareholders and paid to the shareholders of the Company.

The board of directors proposes to declare a final dividend of approximately RMB98,368,000 calculated based on a total number of 4,918,400,000 shares issued at RMB1 each, at RMB0.02, in respect of the year ended December 31, 2013. The declaration and payment of the final dividend needs to be approved by the shareholders of the Company by way of an ordinary resolution in accordance with the requirements of the Company's Articles of Association. A shareholders' general meeting will be held for the purpose of considering and, if thought fit, approving this ordinary resolution.

16. EARNINGS PER SHARE AND PER ADS

The calculation of the earnings per share attributable to the equity holders of the Company for the years ended December 31, 2013, 2012 and 2011 is based on the profit attributable to the equity holders of the Company for the year of RMB777,368,000, RMB6,065,570,000 (restated) and RMB8,745,092,000 (restated) and on the 4,918,400,000 shares in issue, during each of the three years.

The earnings per ADS have been calculated based on the profit for the relevant periods and on one ADS, being equivalent to 10 H shares.

No diluted earnings per share has been presented as there are no dilutive potential shares in issue during the years ended December 31, 2013, 2012 and 2011.

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

Bank balances carry interest at market rates which ranged from 0.35% to 3.10% (2012: from 0.35% to 3.35%) per annum.

At the balance sheet date, the restricted cash of the PRC subsidiaries represents the deposits paid for safety work as required by the State Administrative of work safety and bank acceptance bill deposit which carry interest at market rates of 0.01%-0.6% (2012: 0.01%-5.75%) the remaining portion represents deposits placed as guarantee for the future payment of land subsidence as required by the Australian government, which carry interest at average rate of 1.13% (2012: 2.58%).

Term deposits was pledged to certain banks as security for loans and banking facilities granted to the Group, which carry fixed interest rate ranging from 0.5%-4.75% (2012: 2.60%-4.75%).

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

18. BILLS AND ACCOUNTS RECEIVABLE

	At December 31,	
	2013	2012
	RMB'000	RMB'000
Accounts receivable	1,469,676	928,935
Less: Impairment loss	(8,289)	(2,532)
	1,461,387	926,403
Bills receivable	7,558,118	6,533,200
Total bills and accounts receivable, net	<u>9,019,505</u>	<u>7,459,603</u>

Bills receivable represents unconditional orders in writing issued by or negotiated from customers of the Group for completed sale orders which entitle the Group to collect a sum of money from banks or other parties. The bills are non-interest bearing and have a maturity of six months.

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

The following is an aged analysis of bills and accounts receivable based on the invoice dates at the balance sheet dates:

	At December 31,	
	2013	2012
	RMB'000	RMB'000
1 - 90 days	8,685,054	3,423,025
91 - 180 days	316,681	3,954,398
181 - 365 days	4,689	80,812
Over 1 year	13,081	1,368
	<u>9,019,505</u>	<u>7,459,603</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year.

There are no significant trade receivables which are past due but not yet impaired on both balance sheet dates. The Group does not hold any collateral over these balances. The average age of these receivables is 49 days (2012: 96 days). The management closely monitors the credit quality of accounts receivable and consider the balance that are neither past due nor impaired are of good credit quality.

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

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

18. BILLS AND ACCOUNTS RECEIVABLE—Continued

An analysis of the impairment loss on bills and accounts receivable for 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000
Balance at January 1	2,532	4,143
Provided for the year	21,351	5
Reversal	(15,594)	(1,616)
Balance at December 31	<u>8,289</u>	<u>2,532</u>

Included in the allowance for doubtful debts is an allowance of RMB8,289,000 (2012: RMB2,532,000) for individually impaired trade receivables, which are mainly due from corporate customers in the PRC and considered irrecoverable by the management after consideration on the credit quality of those individual customers, the ongoing relationship with the Group and the aging of these receivables. The impairment recognized represents the difference between the carrying amount of these trade receivables and the present value of the amounts. The Group does not hold any collateral over these balances.

19. ROYALTY RECEIVABLE

	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000
As at January 1	1,349,447	—
Acquisition of Gloucester	—	1,290,015
Cash received	(78,801)	(27,924)
Unwinding discount	126,949	72,353
Exchange re-alignment	(229,059)	38,596
Change in fair value	(34,162)	(23,593)
As at December 31	<u>1,134,374</u>	<u>1,349,447</u>
Current portion	105,584	114,798
Non-current portion	<u>1,028,790</u>	<u>1,234,649</u>
	<u>1,134,374</u>	<u>1,349,447</u>

A right to receive a royalty of 4% of Free on Board trimmed sales from Middlemount mine operated by Middlemount Joint Venture was acquired as part of the acquisition of Gloucester. This financial assets has been determined to have a finite life being the life of the Middlemount and is measured at fair value basis.

The royalty receivable is measured based on management expectations of the future cash flows with the re-measurement recorded in the income statement at each balance sheet date. The amount expected to be received in the next 12 month will be disclosed as current receivable and the discounted expected future cash flow beyond 12 months will be disclosed as a non-current receivable. Unwinding discount is included in interest income (note 10). Change in fair value is included in selling, general and administrative expenses (note 9).

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

20. INVENTORIES

	At December 31,	
	2013	2012
	RMB'000	RMB'000
COST		
Methanol	23,039	9,470
Auxiliary materials, spare parts and small tools	495,293	507,605
Coal products	1,070,888	1,048,456
	<u>1,589,220</u>	<u>1,565,531</u>

21. PREPAYMENTS AND OTHER RECEIVABLES

	At December 31,	
	2013	2012
	RMB'000	RMB'000 (restated)
Advances to suppliers (i)	1,181,271	692,043
Deposit for environment protection	719,817	813,212
Prepaid relocation costs of inhabitants	2,192,952	1,877,911
Others (i)	1,165,536	813,833
	<u>5,259,576</u>	<u>4,196,999</u>

(i) Included in the above balances as of December 31, 2013 is an impairment loss of RMB18,312,000 (2012: RMB25,292,000).

The Group has provided fully for all receivables over 3 years because historical experience is such that receivables that are past due beyond 3 years are generally not recoverable. Receivable will be written off, if aged over 4 years and considered irrecoverable by the management after considering the credit quality of the individual party and the nature of the amount overdue. During the year ended December 31, 2013, RMB481,000 was written off against prepayments and other receivables (2012: Nil).

22. PREPAID LEASE PAYMENTS

	At December 31,	
	2013	2012
	RMB'000	RMB'000
Current portion	18,701	18,418
Non-current portion	676,202	695,675
	<u>694,903</u>	<u>714,093</u>

The amounts represent prepaid lease payments for land use rights which are situated in the PRC and have a term of 45 to 50 years from the date of grant of land use rights certificates.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

23. INTANGIBLE ASSETS

	Mining reserves RMB'000	Mining resources RMB'000	Potash mineral exploration permit RMB'000	Technology RMB'000	Water Licenses RMB'000	Others RMB'000	Total RMB'000
COST							
At January 1, 2012	21,133,216	4,241,228	1,645,227	160,233	132,254	22,830	27,334,988
Exchange re-alignment	75,849	29,593	55,797	3,175	153	22,600	187,167
Acquisition of Beisu and Yangcun (note 44)	464,600	—	—	—	—	—	464,600
Acquisition of Gloucester (note 45)	3,028,962	2,589,405	—	—	—	933	5,619,300
Additions for the year	1,871,472	792,402	—	—	—	103,646	2,767,520
Reclassification	—	35,798	(35,798)	—	—	—	—
Transfer	2,388,671	(2,388,671)	—	—	—	—	—
At December 31, 2012 and at January 1, 2013	28,962,770	5,299,755	1,665,226	163,408	132,407	150,009	36,373,575
Exchange re-alignment	(3,554,938)	(863,376)	(162,965)	(27,655)	(1,327)	(19,481)	(4,629,742)
Acquisition of Hao Sheng (note 43)	12,089,682	—	—	—	—	—	12,089,682
Additions for the year	9,566	21,997	—	—	—	688	32,251
Disposals	—	—	—	—	—	(18,075)	(18,075)
Reclassification	30,296	4,114	(34,410)	—	—	—	—
At December 31, 2013	<u>37,537,376</u>	<u>4,462,490</u>	<u>1,467,851</u>	<u>135,753</u>	<u>131,080</u>	<u>113,141</u>	<u>43,847,691</u>
AMORTIZATION							
At January 1, 2012	1,115,339	—	—	—	—	14,030	1,129,369
Exchange re-alignment	12,824	1,425	—	—	—	903	15,152
Provided for the year	1,161,176	—	—	—	—	16,419	1,177,595
Impairment loss	255,231	161,983	—	—	—	—	417,214
At December 31, 2012 and at January 1, 2013	2,544,570	163,408	—	—	—	31,352	2,739,330
Exchange re-alignment	(479,201)	(27,655)	—	—	(58)	(4,754)	(511,668)
Provided for the year	1,304,972	—	—	—	311	19,795	1,325,078
Impairment loss	2,052,238	—	—	—	—	—	2,052,238
Eliminated on disposals	—	—	—	—	—	(13,675)	(13,675)
At December 31, 2013	<u>5,422,579</u>	<u>135,753</u>	<u>—</u>	<u>—</u>	<u>253</u>	<u>32,718</u>	<u>5,591,303</u>
CARRYING VALUE							
At December 31, 2013	<u>32,114,797</u>	<u>4,326,737</u>	<u>1,467,851</u>	<u>135,753</u>	<u>130,827</u>	<u>80,423</u>	<u>38,256,388</u>
At December 31, 2012	<u>26,418,200</u>	<u>5,136,347</u>	<u>1,665,226</u>	<u>163,408</u>	<u>132,407</u>	<u>118,657</u>	<u>33,634,245</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

23. INTANGIBLE ASSETS—Continued

The Parent Company and the Company have entered into a mining rights agreement pursuant to which the Company has agreed to pay to the Parent Company, effective from September 25, 1997, an annual fee of RMB12,980,000 as compensation for the Parent Company's agreement to give up the mining rights associated with the Xinglongzhuang coal mine, Baodian coal mine, Nantun coal mine, Dongtan coal mine and Jining II. The annual fee is subject to change after a ten-year period. Compensation fee of RMB5 per tonne of raw coal mined (2012: RMB145,235,000) for the year has been preliminary agreed and the revised compensation fees are to be settled with the government authority directly.

In 2012, the government authority finalized its assessment on the mining compensation fee and the Company is required to pay RMB2,476,780,000 for acquiring the aforesaid mining right, net off of the compensation fees paid and hence, RMB1,778,832,000 is recognised in mining reserves.

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

The potash mineral exploration permit is reclassified to mining resources or mining reserves according to its progress of exploration. Technology has not yet reached the stage of commercial application and therefore is not amortized.

Water licenses are amortized over the life of mine. If the mining activities of the relevant locations have not yet been started and the connections to water sources have not been completed, no amortization will be provided.

Other intangible assets mainly represent computer software which is amortized on a straight line basis of 2.5 to 5 years over the useful life.

Amortization expense of the mining rights for the year of RMB1,304,972,000 (2012: RMB1,161,176,000) has been included in cost of sales and service provided. Amortization expense of other intangible assets for the year of RMB20,106,000 (2012: RMB16,419,000) has been included in selling, general and administrative expenses.

At December 31, 2013, intangible assets with a carrying amount of approximately RMB10,426,786,000 (2012: RMB1,960,908,000) have been pledged to secure the Group's borrowings (note 35).

Given the continuing decrease in coal price during the period, management performed impairment test for the Group's intangible assets and concluded that the recoverable amount of cash generating units, Moolarben Coal Mine and Stradford Coal Mine were below its carrying amount. RMB2,052,238,000 impairment loss has been recognized accordingly. The recoverable amounts of the aforesaid cash generating units have been determined based on value in use, which has been calculated using a discounted cash flow model with an assumption of post-tax discount rate of 11% (2012:11%).

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

24. PROPERTY, PLANT AND EQUIPMENT

	Freehold land in Australia RMB'000	Buildings RMB'000	Harbor works and crafts RMB'000	Railway structures RMB'000	Mining structures RMB'000	Plant, machinery and equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST									
At January 1, 2012	381,358	4,288,563	253,678	1,548,963	6,379,487	22,430,957	426,061	9,827,161	45,536,228
Exchange re-alignment	28,421	9,727	—	—	68,921	195,142	—	60,527	362,738
Acquisition of Beisu and Yangcun (note 44)	—	87,902	—	39,841	1,875	147,387	3,116	5,394	285,515
Acquisition of Gloucester (note 45)	681,230	11,749	—	—	1,100,283	1,580,100	—	351,124	3,724,486
Additions	54,053	66,109	—	34,515	373,801	649,199	318	5,981,503	7,159,498
Transfers	10,496	215,186	—	106,086	101,012	1,543,579	40,708	(2,017,067)	—
Reclassification	—	—	—	—	(136,413)	136,413	—	—	—
Disposals	—	(25,473)	—	(35,563)	(31,228)	(1,051,496)	(13,766)	—	(1,157,526)
At December 31, 2012 and January 1, 2013	1,155,558	4,653,763	253,678	1,693,842	7,857,738	25,631,281	456,437	14,208,642	55,910,939
Exchange re-alignment	(207,634)	(101,418)	—	—	(597,550)	(1,813,341)	—	(393,772)	(3,113,715)
Acquisition of Hao Sheng (note 43)	—	—	—	—	—	390	1,533	300,282	302,205
Additions	6,166	348	—	569	96,174	282,593	1,118	7,440,068	7,827,036
Transfers	127,168	153,430	—	224,452	1,501,975	2,921,184	33,357	(4,961,566)	—
Reclassification	(2,786)	2,501	—	—	40,250	(39,965)	—	—	—
Disposals	—	(18,566)	—	(4,096)	(8,215)	(1,214,653)	(19,078)	—	(1,264,608)
At December 31, 2013	1,078,472	4,690,058	253,678	1,914,767	8,890,372	25,767,489	473,367	16,593,654	59,661,857
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At January 1, 2012	—	1,805,096	88,988	880,562	2,271,577	8,930,550	285,631	—	14,262,404
Exchange re-alignment	—	721	—	—	8,026	30,868	—	—	39,615
Provided for the year	—	146,857	—	163,323	335,878	2,134,734	38,612	—	2,819,404
Impairment loss	—	—	—	—	226,925	—	—	—	226,925
Eliminated on disposals	—	(4,762)	—	(6,565)	(5,564)	(916,065)	(7,556)	—	(940,512)
At December 31, 2012 and January 1, 2013	—	1,947,912	88,988	1,037,320	2,836,842	10,180,087	316,687	—	16,407,836
Exchange re-alignment	—	(12,049)	—	—	(136,142)	(419,904)	—	—	(568,095)
Provided for the year	—	179,219	—	160,032	426,565	2,315,487	43,650	—	3,124,953
Eliminated on disposals	—	(6,623)	—	(3,257)	(8,103)	(1,162,398)	(18,964)	—	(1,199,345)
At December 31, 2013	—	2,108,459	88,988	1,194,095	3,119,162	10,913,272	341,373	—	17,765,349
CARRYING VALUE									
At December 31, 2013	1,078,472	2,581,599	164,690	720,672	5,771,210	14,854,217	131,994	16,593,654	41,896,508
At December 31, 2012	1,155,558	2,705,851	164,690	656,522	5,020,896	15,451,194	139,750	14,208,642	39,503,103

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

24. PROPERTY, PLANT AND EQUIPMENT—Continued

The following estimated useful lives are used for the depreciation of property, plant and equipment, other than construction in progress and freehold land:

Buildings	10 to 30 years
Harbor works and crafts	40 years
Railway structures	15 to 25 years
Plant, machinery and equipment	2.5 to 25 years
Transportation equipment	6 to 18 years

Transportation equipment includes vessels which are depreciated over the estimated useful lives of 18 years.

The mining structures include the main and auxiliary mine shafts and underground tunnels. Depreciation is provided to write off the cost of the mining structures using the units of production method based on the estimated production volume for which the structure was designed and the contractual period of the relevant mining rights.

During the year ended December 31, 2013, the directors conducted a review of the Group's mining assets and determined that no assets were impaired due to physical damage and technical obsolescence (2012: nil).

At December 31, 2013, property, plant and equipment with carrying amount of approximately RMB7,197,336,000 (2012: RMB5,546,226,000) have been pledged to secure bank borrowings of the Group (note 35).

At December 31, 2013, the carrying amount of property, plant and equipment held under finance leases of the group was RMB266,655,000 (2012: RMB225,871,000).

The Group assessed the recoverable amount of property, plant and equipment and no impairment loss was recognized (2012: RMB226,925,000) (included in selling, general and administrative expenses) for the year ended December 31, 2013.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

25. GOODWILL

	<u>2013</u> RMB'000	<u>2012</u> RMB'000
COST		
At January 1	2,573,811	1,866,037
Acquisition of Beisu and Yangcun (note 44)	—	712,214
Exchange re-alignment	(113,260)	13,185
Impairment loss	—	(17,625)
At December 31	<u>2,460,551</u>	<u>2,573,811</u>

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	<u>At December 31,</u>	
	<u>2013</u> RMB'000	<u>2012</u> RMB'000
Mining		
- Jining II	10,106	10,106
- Shandong Yanmei Shipping Co., Ltd	10,046	10,046
- Heze	35,645	35,645
- Shanxi Group	145,613	145,613
- Yancoal Resources	532,227	640,650
- Syntech	23,744	28,581
- Premier Coal and Wesfarmers Char	14,614	17,625
- Xintai	653,837	653,837
- Beisu and Yangcun	712,214	712,214
Coal Railway Transportation		
- Railway Assets	97,240	97,240
Electricity and heat supply		
- Hua Ju Energy	239,879	239,879
Impairment loss	<u>(14,614)</u>	<u>(17,625)</u>
	<u>2,460,551</u>	<u>2,573,811</u>

The recoverable amount of the Cash Generating Units is assessed by management at the operating segment level. Business performance is reviewed by management on a mine by mine basis and each mine is considered to be a separate cash generating unit.

The recoverable amounts of goodwill from each of the above cash generating units have been determined on the basis of value in use calculations. Value in use has been determined using a discounted cash flow model. The recoverable amounts are based on certain key assumptions on discount rates, growth rates, selling prices, foreign currency exchange rates, mining reserves and mining resources and direct cost.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

25. GOODWILL—Continued

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

The cash flow model was based on financial budgets approved by management covering a 5-year period with an assumption of post-tax discount rate of 8-11% (2012: 8-11%). It represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset. Externally verifiable data received by the Group validates this assumption. The recoverable amount is also dependent on the life of mines (12 to 35 years). This is calculated based on the Group's annual coal production forecast for each mine and mining reserves and mining resources. The cash flows beyond the 5-year period are extrapolated using a zero percent growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of each of the above units to exceed the recoverable amount of each of the above units. During the year ended 31 December 2013, the Group's management determines that the discounted recoverable cash flows of above cash-generating unit is greater than the carrying amount and no impairment loss recognized on goodwill (2012: RMB17,625,000).

26. INVESTMENTS IN SECURITIES

The investments in securities represent available-for-sale equity investments:

	At December 31,	
	2013	2012
	RMB'000	RMB'000
Equity securities listed on the SSE		
- Stated at fair value	172,855	167,572
Unlisted equity securities	38,704	39,504
	211,559	207,076

The investments in equity securities listed on the SSE of the Company included Shanghai Shenergy Company Limited and Jiangsu Lianyungang Port Corporation Limited, stated at the fair value as at December 31, 2013 of RMB166,074,000 (2012: RMB161,328,000) and RMB6,781,000 (2012: RMB6,244,000) respectively.

The investments in equity securities listed on the SSE are carried at fair value determined according to the quoted market prices in active market.

The unlisted equity securities are stated at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

27. INTERESTS IN ASSOCIATES

	At December 31,	
	2013	2012
	RMB'000	RMB'000
Cost of investments in associates	2,378,927	2,378,927
Share of post-acquisition profit and other comprehensive income, net of dividends	366,030	245,349
	2,744,957	2,624,276

Information of major associates is as follows:

Name of associate	Place of establishment and operation	Class of shares held	Principal activity	At December 31,	
				2013	2012
				Interest held	Interest held
Huadian Zouxian Power Generation Company Limited ("Huadian Zouxian")	PRC	Registered Capital	Electricity generation business (i)	30%	30%
Yankuang Group Finance Company Limited	PRC	Registered Capital	Financial services	25%	25%
Shaanxi Future Energy Chemical Corp. Ltd ("Shaanxi Chemical")	PRC	Registered Capital	Production and sales of chemical products, oil and coal (ii)	25%	25%
Shengyang Wood	PRC	Registered Capital	Artificial board, CCF processing	39.77%	39.77%
Jiemei Wall Material	PRC	Registered Capital	Coal refuse baked brick	20%	20%
Newcastle Coal Infrastructure Group Pty Ltd	Australia	Registered Capital	Coal terminal	27%	27%

All of the above associates have been accounted for using equity method in the consolidated financial statements. Except for Newcastle Coal Infrastructure Group Pty Ltd, all associates are held by the Company directly.

- (i) Huadian Zouxian is an important strategic partner of the Group
(ii) Shaanxi Chemical is an important strategic partner to develop future energy business of the Group.

All of the associates are private companies whose quoted market price is not available.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

27. INTERESTS IN ASSOCIATES—Continued

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

	At December 31,	
	2013 RMB'000	2012 RMB'000
Total assets	25,593,037	24,751,952
Total liabilities	(16,194,589)	(15,289,724)
Net assets	9,398,448	9,462,228
Revenue	5,480,789	5,030,530
Profit for the year	331,683	496,690
Other comprehensive income	—	300
Proportion of the Group's ownership interest (%)	20% - 39.77%	20% - 39.77%
Group's share of associates' net assets	2,744,957	2,624,276
Group's share of profit of associates for the year	233,897	141,986
Group's share of other comprehensive income of associates for the year	—	90

Summarized financial information in respect of the Group's material associate is set out below:

	Huadian Zouxian		Shaanxi Chemical	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Current assets	326,884	300,183	708,914	2,396,469
Non-current assets	5,509,545	5,664,328	7,554,936	3,341,053
Current liabilities	(858,612)	(724,996)	(1,767,850)	(304,522)
Non-current liabilities	(1,034,156)	(1,632,200)	(1,096,000)	(33,000)
Revenue	4,630,997	4,399,486	—	—
Profit for the year	661,647	361,446	—	—
Other comprehensive income for the year	—	—	—	—
Total comprehensive income for the year	661,647	361,446	—	—
Dividends received from the associate during the year	97,591	—	—	—

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate in respect of Huadian Zouxian and Shaanxi Chemical recognized in the consolidated financial statements:

	Huadian Zouxian		Shaanxi Chemical	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Net assets of the associate's attributable to owners	3,943,661	3,607,315	5,400,000	5,400,000
Proportion of the Group's ownership interest (%)	30%	30%	25%	25%
Carrying amount of the Group's interest in the associate	1,183,098	1,082,195	1,350,000	1,350,000

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

27. INTERESTS IN ASSOCIATES—Continued

Aggregate information of associates that are not individually material:

	At December 31,	
	2013	2012
	RMB'000	RMB'000
The Group's share of profit and total comprehensive income	35,403	33,552
Aggregate carrying amount of the Group's interests in these associates	211,859	192,081

28. LONG TERM RECEIVABLES

	At December 31,	
	2013	2012
	RMB'000	RMB'000
Loan to a joint venture (i)	1,587,001	1,682,983
Others (ii)	319,396	318,475
	1,906,397	2,001,458

- (i) Loan to a joint venture represented a loan to Middlemount Joint Venture of AUD292,260,000 (2012: AUD257,483,000). The loan is unsecured and due on December 24, 2015 with normal commercial interest rate.
- (ii) Other long term receivables represented an investment in preference shares of a company (AUD15,300,000) with cumulative dividends and investment in the long term bonds of a company (AUD31,500,000) with floating interest rate.

29. DEPOSITS MADE ON INVESTMENTS

	At December 31,	
	2013	2012
	RMB'000	RMB'000
Shaanxi Coal Mine Operating Company (i)	117,926	117,926
Inner Mongolia Hao Sheng Coal Mining Limited (note 43)	—	2,982,455
Shangdong Yanmei Rizhao Port Coal Storage and Blending Co., Ltd.	—	153,000
Sheng Di Finlay Coal Processing Technology (Tianjin) Co., Ltd (ii)	3,000	—
Ordos Naryn River Mining Development Co., Ltd (iii)	1,000	—
	121,926	3,253,381

- (i) During 2006, the Company entered into a co-operative agreement with two independent third parties to establish a company for acquiring a coal mine in Shaanxi province for operations. The Company will have to invest approximately RMB196,800,000 in order to obtain 41% equity interest. As at December 31, 2013, the Company made a deposit of RMB117,926,000 (2012: RMB117,926,000) in relation to this acquisition. As at December 31, 2013, the relevant registration procedures to establish the new company are still in progress, and the establishment has not yet been completed.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

29. DEPOSITS MADE ON INVESTMENTS—Continued

- (ii) During the year, the Company entered into a co-operative agreement with Tianjin Finlay Coal Processing Technology Co., Ltd to set up a company, Sheng Di Finlay Coal Processing Engineering Technology (Tianjin) Co., Ltd, which provide the consultancy services for deep processing technology of coal and managing services for coal processing factory. The company agreed to contribute RMB12,000,000, representing 50% of its equity interest. During the year, the company made a deposit of RMB3,000,000. As at December 31, 2013, the registration procedures of such company have not yet completed.
- (iii) During the year, the Company entered into a cooperation agreement with five independent third parties to set up a company, Ordos Naryn River Mining Development Co., Ltd. The Company agreed to contribute RMB5,000,000, representing 10% of its equity interest. At December 31, 2013, the Company have contributed RMB1,000,000. The registration procedures of this company have not yet completed.

30. INTERESTS IN JOINT VENTURES

	At December 31,	
	2013	2012
	RMB'000	RMB'000 (restated)
Share of net assets	488,350	998,627

Information on major joint ventures is as follows:

Name of joint venture	Place of establishment and operation	Class of shares held	Principal activity	At December 31,			
				2013		2012	
				Voting power	Interest held	Voting power	Interest Held
Australian Coal Processing Holdings Pty Ltd (i)	Australia	Ordinary shares	Investment holding	50%	90%	50%	90%
Ashton Coal Mines Limited (ii)	Australia	Ordinary shares	Real estate holder & sales company	50%	90%	50%	90%
Middlemount Joint Venture (iii)	Australia	Ordinary shares	Coal mining and sales (iv)	50%	49.9997%	50%	49.9997%

All of the above joint ventures are accounted for using equity method in the consolidated financial statements. All of the joint ventures are private companies whose quoted market price is not available.

- (i) The Company, through a subsidiary, held 90% equity interest of the Australian Coal Processing Holding Pty Ltd. Under the shareholders agreement between the subsidiary and the remaining one shareholder, all major financial and operating policy decisions require a vote by directors who together represent shareholders holding 100% of the shares or a vote by shareholders who together hold 100% of the shares. Therefore decisions must be passed unanimously by directors or shareholders and the subsidiary's voting power is 50%.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

30. INTERESTS IN JOINT VENTURES—Continued

- (ii) The Company held 90% equity interest of Ashton Coal Mines Limited. Under the shareholders agreement between the subsidiary and the remaining one shareholder, all major financial and operating policy decisions require a unanimous resolution of the shareholders. Therefore, decisions must be passed unanimously by shareholders and the subsidiary's voting power is 50%.
- (iii) The Company, through Gloucester, held 49.9997% equity interest in Middlemount Joint Venture and decision must be passed unanimously by shareholders.
- (iv) Middlemount Joint Venture is an important strategic partner to develop the business in Australia.

The above Joint Ventures are indirectly held by the Company. Middlemount Joint Venture constituted a material impact to the joint ventures. Summarized financial information in respect of the Middlemount Joint Venture is set out below:

	Middlemount Joint Venture	
	At December 31,	
	2013	2012
	RMB'000	RMB'000
Current portion:		
Cash and cash equivalents	10,176	17,779
Other current assets	364,775	416,731
Total current assets	<u>374,951</u>	<u>434,510</u>
Other current liabilities	(798,838)	(608,324)
Total current liabilities	<u>(798,838)</u>	<u>(608,324)</u>
Non-current portion:		
Non-current assets	6,726,490	8,319,623
Non-current financial liabilities	(3,623,115)	(3,936,889)
Other non-current liabilities	(1,735,742)	(2,251,337)
Total non-current liabilities	<u>(5,358,857)</u>	<u>(6,188,226)</u>
Proportion of the Group's ownership interest (%)	<u>49.9997%</u>	<u>49.9997%</u>

	Middlemount Joint	
	Venture At December 31,	
	2013	2012
	RMB'000	RMB'000
Revenue	2,065,736	699,533
Depreciation and amortisation	(303,960)	(146,040)
Interest income	826	1,463
Interest expenses	(251,906)	(116,848)
Other expenses	<u>(2,262,764)</u>	<u>(821,260)</u>
Loss for the year	(752,068)	(383,152)
Other comprehensive loss	—	—
Total comprehensive loss	<u>(752,068)</u>	<u>(383,152)</u>
Proportion of the Group's ownership interest	49.9997%	49.9997%
The Group's share of loss	(376,032)	(191,575)
The Group's share of total comprehensive loss	—	—
Dividends receive from joint ventures	<u>—</u>	<u>—</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

30. INTERESTS IN JOINT VENTURES—Continued

Aggregate information of joint ventures that are not individually material:

	For the year ended December 31,	
	2013 RMB'000	2012 RMB'000
Revenue	737,104	1,058,540
Profit for the year	—	—
Total comprehensive income	—	—
Share of net assets	<u>766</u>	<u>927</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

31. INTERESTS IN JOINT OPERATIONS

Information on major joint operations is as follows:

<u>Name of joint operation</u>	<u>Place of establishment and operation</u>	<u>Principal activity</u>	<u>At December 31,</u>	
			<u>2013</u>	<u>2012</u>
			<u>Interest held</u>	<u>Interest held</u>
Boonal joint operation	Australia	Provision of a coal haul road and train load out facilities	50%	50%
Athena joint operation	Australia	Coal exploration	51%	51%
Ashton joint operation	Australia	Development and operation of open-cut and underground coal mines	90%	90%
Moolarben joint operation	Australia	Development and operation of open-cut and underground coal mines	80%	80%

The above joint operations are established and operated as unincorporated businesses and are held indirectly by the Company.

The financial information in respect of the Group's joint operations is set out below:

	<u>At December 31,</u>	
	<u>2013</u>	<u>2012</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Total assets	20,159,195	21,879,311
Total liabilities	(17,076,324)	(20,592,065)
Net assets	3,082,871	1,287,246
Revenue	5,774,959	6,085,954
Expenses	(8,271,727)	(9,282,244)
Loss for the year	(2,496,768)	(3,196,290)
Other comprehensive income	—	—

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

32. BILLS AND ACCOUNTS PAYABLE

	<u>At December 31,</u>	
	<u>2013</u>	<u>2012</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Accounts payable	2,400,314	2,906,612
Bills payable	316,361	3,905,148
	<u>2,716,675</u>	<u>6,811,760</u>

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

	<u>At December 31,</u>	
	<u>2013</u>	<u>2012</u>
	<u>RMB'000</u>	<u>RMB'000</u>
1 - 90 days	2,351,811	6,384,206
91 - 180 days	92,946	224,505
181 - 365 days	128,749	68,640
Over 1 year	143,169	134,409
	<u>2,716,675</u>	<u>6,811,760</u>

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

33. OTHER PAYABLES AND ACCRUED EXPENSES

	<u>At December 31,</u>	
	<u>2013</u>	<u>2012</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Customers' deposits	852,247	1,368,734
Accrued wages	1,054,527	1,084,200
Other taxes payable	280,082	204,082
Payables in respect of purchases of property, plant and equipment and construction materials	1,268,415	3,662,785
Accrued freight charges	2,259	9,434
Accrued repairs and maintenance	19,246	51,221
Staff welfare payable	242,735	187,631
Withholding tax payable	669	7,251
Deposits received from employees	13,985	24,736
Coal price adjustment fund	—	51,995
Accrued land subsidence, restoration, rehabilitation and environmental costs	56,758	1,446
Interest payable	540,902	395,778
Payable on acquisition of Hao Sheng's equity	2,519,313	—
Others	1,533,996	1,964,504
	<u>8,385,134</u>	<u>9,013,797</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	<u>2013</u>	<u>2012</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Balance at January 1	3,770,266	3,181,643
Exchange re-alignment	(100,572)	24,248
Acquisition of Beisu and Yangcun (note 44)	—	20
Acquisition of Gloucester (note 45)	—	100,145
Additional provision in the year	1,390,619	1,450,557
Utilization of provision	(1,206,605)	(986,347)
Balance at December 31	<u>3,853,708</u>	<u>3,770,266</u>
Presented as:		
Current portion	3,321,564	3,291,857
Non-current portion	532,144	478,409
	<u>3,853,708</u>	<u>3,770,266</u>

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

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

35. BORROWINGS

	At December 31,	
	2013	2012
	RMB'000	RMB'000
Current liabilities		
Bank borrowings		
- Unsecured borrowings (i)	4,604,554	5,024,476
- Secured borrowings (ii)	629,733	657,876
Loans pledged by machineries (iii)	—	2,000,000
Finance lease liabilities (iv)	42,852	30,240
Guaranteed note (v)	5,997,917	—
	<u>11,275,056</u>	<u>7,712,592</u>
Non-current liabilities		
Bank borrowings		
- Unsecured borrowings (i)	12,499,105	3,875,665
- Secured borrowings (ii)	18,520,543	17,967,840
Loans pledged by machineries (iii)	1,800,000	—
Finance lease liabilities (iv)	224,640	202,450
Guaranteed notes (v)	11,055,667	11,237,835
	<u>44,099,955</u>	<u>33,283,790</u>
Total borrowings	<u><u>55,375,011</u></u>	<u><u>40,996,382</u></u>

(i) Unsecured borrowings are repayable as follows:

	At December 31,	
	2013	2012
	RMB'000	RMB'000
Within one year	4,604,554	5,024,476
More than one year, but not exceeding two years	2,809,925	256,000
More than two years, but not more than five years	9,679,180	3,619,665
More than five years	10,000	—
Total	<u><u>17,103,659</u></u>	<u><u>8,900,141</u></u>

At December 31, 2013, short-term borrowings amount to RMB3,512,612,000 (2012: RMB3,110,432,000). Three new short-term borrowings of RMB2,362,612,000 (EUR130,000,000, USD208,000,000) are dominated in foreign currency with fixed interest rates at a range from 2.98%-3.47% (2012: three-month LIBOR plus a margin of 2%, approximately 2.31%). The remaining short term borrowings carried interest at 5.10%-6.00% per annum (2012: 5.40%-6.56% per annum). Long-term borrowings amounting to RMB8,900,064,000 (2012: RMB4,403,887,000) with RMB1,069,942,000 payable within one year. Long-term borrowing of RMB6,138,167,000 carried interest at a range from 5.54%-6.40% per annum while the remaining RMB2,751,897,000 carried interest at three-month LIBOR plus a margin 1.2%-2.4% per annum (2012: 5.80% per annum). And there is RMB10,000,000 long term borrowing subject to the interest rate will be adjusted in accordance with the benchmark lending rate published by the People's Bank of China ("PBOC"). The interest rate is 6.55% during the year. Long-term borrowings are guaranteed by the Parent Company.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

35. BORROWINGS—Continued

(i) Unsecured borrowings are repayable as follows:—continued

The loan of Shanxi Tianchi was a loan which was acquired before the acquisition of Shanxi Tianchi with the amount of RMB88,000,000 (2012: RMB110,000,000) carried interest at 6.55% (2012: 6.4%) per annum and is subject to adjustment based on the interest rate stipulated by PBOC with RMB22,000,000 payable within one year. This loan is repayable by 20 installments over a period of 10 years, with the first installment due in May 2008. The loan is guaranteed by the Parent Company.

The short-term borrowings of Yancoal International amounting to RMB4,602,983,000 (USD755,000,000) (2012: Nil), the borrowings carried interest at three-month LIBOR plus a margin of 1.8% to 3.5% (2012: Nil). The loan will be fully repayable at maturity.

(ii) Secured borrowings are repayable as follows:

	At December 31,	
	2013	2012
	RMB'000	RMB'000
Within one year	629,733	657,876
More than one year, but not exceeding two years	—	685,521
More than two years, but not more than five years	1,892,834	1,105,228
More than five years	16,627,709	16,177,091
Total	19,150,276	18,625,716

At December 31, 2013, loans obtained by the Group for the purpose of settling the consideration in respect of acquisition of Yancoal Resources amounting to RMB17,230,375,000 (USD2,839,310,000) (2012: RMB18,503,917,000). The borrowings of RMB5,825,767,000 (USD960,000,000) (2012: RMB12,148,554,000) carried interest at three-month LIBOR plus a margin of 0.75% (approximately 0.99%) (2012: approximately 1.6%). The borrowings of RMB303,425,000 (USD50,000,000) (2012: RMB283,256,000) carried interest at three-months LIBOR plus a margin of 0.8% (approximately 1.04%) (2012: approximately 1.11%). The borrowings of RMB11,101,183,000 (USD1,829,310,000) (2012: RMB6,072,107,000) carried interest at three-month LIBOR plus 2.8% (approximately 3.04%) (2012: approximately 3.11%).

Other borrowings arose from the acquisition of Gloucester, amounting to RMB90,901,000 (USD14,979,000) (2012: RMB121,799,000) carried interest at 5.68%. The borrowings together with loans pledged by machineries are guaranteed by the Company, counter-guaranteed by the Parent Company and secured by the Group's term deposits (note 17), property, plant and equipment (note 24), intangible assets (note 23) and other assets in Yancoal Resources.

Moreover, a new borrowings of RMB1,829,000,000 (USD300,000,000) obtained by Yancoal International. The borrowings carried interest at three-month LIBOR plus 1.55% (approximately 1.79%) and guaranteed by the Parent company's stand by letter of credits.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

35. BORROWINGS—Continued

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

	At December 31,	
	2013 RMB'000	2012 RMB'000
Minimum lease payments		
Within one year	187,200	2,048,167
More than one year, but not exceeding two years	187,200	—
More than two years, but not exceeding five years	1,761,600	—
More than five years	610,770	—
	<u>2,746,770</u>	<u>2,048,167</u>
Less: Future finance charges	(946,770)	(48,167)
Present value of lease payments	<u>1,800,000</u>	<u>2,000,000</u>
	At December 31,	
	2013 RMB'000	2012 RMB'000
Present value of minimum lease payments		
Within one year	—	2,000,000
More than one year, but not exceeding two years	—	—
More than two years, but not exceeding five years	1,200,000	—
More than five years	600,000	—
	<u>1,800,000</u>	<u>2,000,000</u>
Less: Amounts due within one year and included in current liabilities	—	(2,000,000)
Amounts due after one year and included in non-current liabilities	<u>1,800,000</u>	<u>—</u>

At December 31, 2013, a loan of RMB1,800,000,000 (2012: RMB2,000,000,000) carried interest at around 10.4% (2012: 6.56%) per annum is pledged by machineries of the Group. The interest rate will be adjusted in accordance with the benchmark of 3 to 5 years lending rate published by the People's Bank of China ("PBOC") plus 4%.

(iv) Finance lease liabilities are repayable as follows:

	At December 31,	
	2013 RMB'000	2012 RMB'000
Minimum payments		
Within one year	57,617	44,829
More than one year, but not exceeding two years	58,732	44,832
More than two years, but not exceeding five years	176,377	148,641
More than five years	22,741	27,090
	<u>315,467</u>	<u>265,392</u>
Less: Future finance charges	(47,975)	(32,702)
Present value of lease payments	<u>267,492</u>	<u>232,690</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

35. BORROWINGS—Continued

(iv) Finance lease liabilities are repayable as follows:—continued

	At December 31,	
	2013	2012
	RMB'000	RMB'000
Present value of minimum payments		
Within one year	42,852	30,240
More than one year, but not exceeding two years	53,266	46,943
More than two years, but not exceeding five years	159,798	140,829
More than five years	11,576	14,678
	<u>267,492</u>	<u>232,690</u>
Less: Amounts due within one year and included in current liabilities	<u>(42,852)</u>	<u>(30,240)</u>
Amounts due after one year and included in non-current liabilities	<u>224,640</u>	<u>202,450</u>

Finance lease liabilities of RMB267,492,000 (AUD49,261,000) (2012: RMB232,690,000) was obtained from the acquisition of Gloucester in 2012, which carried interest at 5.16% (2012: 7.74%) per annum.

(v) Guaranteed notes are detailed as follows:

	At December 31,	
	2013	2012
	RMB'000	RMB'000
Guaranteed notes denominated in RMB repayable within one year	5,997,917	—
Guaranteed notes denominated in USD repayable within two to five years	2,743,500	2,828,176
Guaranteed notes denominated in RMB repayable within two to five years	993,200	990,600
Guaranteed notes denominated in USD repayable after five years	3,353,167	3,456,659
Guaranteed notes denominated in RMB repayable over five years	3,965,800	3,962,400
	<u>17,053,584</u>	<u>11,237,835</u>

The above USD guaranteed notes were issued by a subsidiary of the Company on May 16, 2012. Guaranteed notes with par value of USD450,000,000 and USD550,000,000 will mature in 2017 and 2022 and with interest rate of 4.461% and 5.730% per annum respectively. The notes are unconditionally secured by the Company and the respective security is non-cancellable. For the year ended December 31, 2013, there was no redemption on the notes.

In 2012, with the approval from China Securities Regulatory Commission, the Company is allowed to issue RMB notes in the PRC, RMB notes with par value of RMB300,167,000 and RMB4,699,833,000 was issued to the public and institutional investors. An unconditional and irrevocable corporate guarantee was provided by the Parent Company on the RMB notes. At December 31, 2013, RMB notes of RMB4,959,000,000 (2012: RMB4,953,000,000) include notes of RMB3,965,800,000 (2012: RMB3,962,400,000) with a maturity period of ten years and interest rate of 4.95% per annum and notes of RMB993,200,000 (2012: RMB990,600,000) with a maturity period of five years and interest rate of 4.20% per annum. For the year ended December 31, 2013, there was no redemption on the notes.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

35. BORROWINGS—Continued

During the year, with the approval from China Securities Regulatory Commission, the Company is allowed to issue RMB notes in the PRC with par value of RMB5,000,000,000. At December 31, 2013, RMB note of RMB4,997,917,000 had a maturity period of 1 year and interest rate of 6% per annum. Moreover, the Company issued RMB notes in the PRC with par value of RMB1,000,000,000. At December 31, 2013, RMB note of RMB1,000,000,000 had a maturity period of 90 days and interest rate of 6.8% per annum. For the year ended December 31, 2013, there was no redemption on the notes.

36. DERIVATIVE FINANCIAL INSTRUMENTS

	At December 31,	
	2013	2012
	RMB'000	RMB'000
Derivatives used for cash flow hedging:		
Current assets		
- Forward foreign exchange contracts	13,062	76,640
- Collar Option	3,589	14,091
	16,651	90,731
Current liabilities		
- Forward foreign exchange contracts	181,358	13,656
- Collar Option	90,221	—
- Interest rate swap contracts	43,532	114,421
	315,111	128,077

During the year ended December 31, 2013, the Group's subsidiaries in Australia entered into forward foreign exchange contracts to sell or purchase specified amounts of foreign currencies in the future at stipulated exchange rates. The objective of entering into the forward foreign exchange contracts is to reduce the foreign exchange rate related volatility of revenue stream and capital expenditure and thereby assist in risk management for the Group. The outstanding sell United States dollars contracts are hedging highly probable forecasted sales of coal. Cash flows and any impact to profit or loss arising from all the foreign exchange contracts are expected to occur within one year from the balance sheet date.

As at December 31, 2013, the outstanding notional amount to sell United States dollars (sell United States dollars and buy Australian dollars) was approximately RMB1,783,000,000 (2012: RMB5,390,000,000) and RMB3,096,000,000 (2012: RMB746,000,000), all maturing within one year (2012: one year) with forward rates ranging from 0.91 to 1.01 (2012: ranging from 0.9755 to 1.0013 respectively) and floor price and ceiling price of 0.83 and 0.9015 (2012: 0.934 and 1.055).

As at December 31, 2013, the outstanding notional amount to buy Euro ("EUR") (sell Australian dollars buy EUR) was approximately RMB67,000,000 (2012: RMB51,000,000), maturing within one year (2012: one year) with forward rates ranging from 0.6721 to 0.7700 (2012: 0.9993).

As at December 31, 2013, the outstanding notional amount to buy British Pound (sell Australian dollars buy British Pound) was approximately RMB2,000,000 (2012: RMB3,000,000), maturing within one year with forward rate at 0.5615 (2012: 0.99948).

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

36. DERIVATIVE FINANCIAL INSTRUMENTS—Continued

As at December 31, 2013, the outstanding notional amount to buy EUR (sell United States dollars buy EUR) was approximately RMB100,000,000 (2012: RMB114,000,000) maturing within one year with forward rate at 0.731 (2012: 1.00013 to 1.00031).

The Company also entered into contracts with three banks to hedge a proportion of borrowings issued at variable interest rates through the use of floating-to-fixed interest rate swap contracts. As at December 31, 2013, the outstanding notional amount was approximately RMB6,097,000,000 (USD1,000,000,000) (2012: RMB6,285,000,000), contract period of four years (2012: four years) at a hedge period of 3 months (2012: 3 months) with fixed rate of approximately 2.75%, 2.42% and 2.41% (2012: approximately 2.75%, 2.42% and 2.41% respectively) and floating rate as LIBOR + 0.75% (2012: LIBOR + 0.75%). The non-current portion of the derivatives is not material and is included in current portion. Cash flows and any impact to profit or loss arising from the above use of floating-to-fixed interest rate swap contracts are expected to occur within each hedge period of 3 months over the contract period.

For the year ended December 31, 2013, the ineffective hedging portion of the changes in fair values of the forward foreign exchange contracts of approximately RMB39,700,000 (2012: RMB20,400,000) was recognized as selling, general and administrative expenses in the consolidated income statement. The effective hedging portion was recognized as current portion of derivatives financial instruments in the consolidated balance sheet.

The fair values of the forward foreign exchange contracts are estimated based on the discounted cash flows between the contract forward rate and spot forward rate. The fair values of the interest rate swap contracts are estimated based on the discounted cash flows between the contract floating rate and the contract fixed rate.

In addition, the Australian subsidiaries' USD bank loan repayments in a six-month period are designated to hedge the forecast USD sales during the same period.

37. CONTINGENT VALUE RIGHTS SHARES LIABILITIES

	<u>2013</u>	<u>2012</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Balance at January 1	1,432,188	—
Acquisition of Gloucester	—	1,312,913
Change in fair value recognised in consolidated income statement	241,223	79,423
Exchange re-alignment	<u>(264,682)</u>	<u>39,852</u>
Balance at December 31	<u>1,408,729</u>	<u>1,432,188</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

37. CONTINGENT VALUE RIGHTS SHARES LIABILITIES—Continued

In 2012, Yanzhou Coal Australia issued 87,645,184 contingent value rights shares as consideration for the acquisition of Gloucester. The purpose of the issuance of CVR shares is to protect the original shareholders of Gloucester from the fluctuation of the share price of the Yancoal Australia after the merger. If the weighted average price of the last 3 months in the next 18 months after the acquisition is lower than AUD6.96 per share, the CVR shares will be redeemed by cash (or shares of Yancoal Australia held by the Company at the discretion of Yancoal Australia) at guaranteed price of AUD6.96 per share. The redemption price will not exceed AUD3 per share. The holders of the CVR shares do not have the power to vote at the shareholders meeting (unless required by the listing rules of the ASX). Also, the holders of the CVR shares are not entitled to any dividend, right to allot the new and bonus shares that are distributed or issued by Yancoal Australia. The Company are committed to the obligations related to the issuance of the CVR shares by Yancoal Australia. At November 21, 2013, the Company passed the resolution to instruct Yancoal Australia to settle the CVR shares by cash.

The CVR shares are listed on the ASX and its fair value are based on market price.

38. LONG-TERM PAYABLE

	At December 31,	
	2013 RMB'000	2012 RMB'000
Current liabilities		
- Deferred payment for acquisition of interests in Minerva (i)	2,715	3,268
- Mining right compensation fee payable (ii)	436,285	396,285
	<u>439,000</u>	<u>399,553</u>
Non-current liabilities		
- Deferred payment for acquisition of interests in Minerva (i)	4,610	8,088
- Mining right compensation fee payable (ii)	1,188,854	1,585,139
- Others (iii)	362,171	470,695
	<u>1,555,635</u>	<u>2,063,922</u>
Total	<u>1,994,635</u>	<u>2,463,475</u>

- (i) The carrying value of the deferred payment for acquisition of interests in Minerva is based on cash flows discounted using a rate of 7.5%.
- (ii) Mining right compensation fee payable is provided in accordance with the Chinese government legislation on mining right compensation fee. The amount RMB1,585,139,000 is payable by the Company by installment from 2013 to 2016. The remaining part amounting to RMB40,000,000 is used for Ordos to purchase Zhuanlongwan's mining right.
- (iii) Others mainly comprised of provision for marketing service fee of RMB29,054,000 and provision for forecasted excessive supply for port and rail contracts of RMB270,171,000, both arising from the acquisition of Gloucester.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

39. DEFERRED TAXATION

	Available- for-sale investment RMB'000	Accelerated tax depreciation RMB'000	Fair value adjustment on mining rights (mining reserves) RMB'000	Temporary differences on income and expenses recognized RMB'000	Tax losses RMB'000	Cash flow hedge reserve RMB'000	Total RMB'000
Balance at January 1, 2012	(23,615)	(231,407)	(2,183,756)	(154,817)	—	33,456	(2,560,139)
Effect on changes in accounting policy	—	—	—	78,431	—	—	78,431
Balance at January 1, 2012 (restated)	(23,615)	(231,407)	(2,183,756)	(76,386)	—	33,456	(2,481,708)
Exchange re-alignment	—	(2,253)	(90,646)	191,400	16,160	—	114,661
Acquisition of Beisu and Yangcun (note 44)	—	—	(47,375)	4,109	—	—	(43,266)
Acquisition of Gloucester (note 45)	—	—	(1,851,996)	778,477	258,003	—	(815,516)
Charge (credit) to other comprehensive income	1,481	—	—	—	—	(28,641)	(27,160)
Deferred tax arising from the restructuring of Australian subsidiaries	—	—	—	(141,067)	—	—	(141,067)
Charge (credit) to the consolidated income statement (note 12) (restated)	—	(9,227)	538,989	41,045	864,585	—	1,435,392
Balance at January 1, 2013 (restated)	(22,134)	(242,887)	(3,634,784)	797,578	1,138,748	4,815	(1,958,664)
Exchange re-alignment	—	84,982	567,795	(111,226)	(362,384)	(53,900)	125,267
Acquisition of Hao Sheng (note 43)	—	—	(3,022,421)	—	—	—	(3,022,421)
Charge (credit) to other comprehensive income	(1,321)	—	—	—	—	395,395	394,074
Charge (credit) to the consolidated income statement (note 12)	—	(364,114)	665,772	209,418	1,589,309	—	2,100,385
Balance at December 31, 2013	<u>(23,455)</u>	<u>(522,019)</u>	<u>(5,423,638)</u>	<u>895,770</u>	<u>2,365,673</u>	<u>346,310</u>	<u>(2,361,359)</u>

The temporary differences on income and expenses recognized mainly arose from unpaid provision of salaries and wages, provisions of compensation fees for mining rights and land subsidence, restoration, rehabilitation and environmental costs and also included payments on certain expenses such as exploration costs and certain income in Australia.

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At December 31,	
	2013 RMB'000	2012 RMB'000 (restated)
Deferred tax assets	6,107,062	5,605,284
Deferred tax liabilities	(8,468,421)	(7,563,948)
	<u>(2,361,359)</u>	<u>(1,958,664)</u>

At the balance sheet date, the Group has unused tax losses of RMB17,491 million (2012: RMB5,930 million) contributed by the subsidiaries available for offset against future profits. RMB2,366 million deferred tax asset has been recognized (2012: RMB1,138 million) for such tax losses. No deferred tax asset has been recognized in respect of the RMB9,605 million (2012: RMB2,134 million) due to the unpredictability of future profit streams. Included in unrecognized tax losses are losses of RMB357 million that will expire in 2014, losses of RMB517 million that will expire in 2015, loss of RMB282 million that will expire in 2016 and losses of RMB680 million that will expire in 2017 (2012: losses of RMB298 million that will expire in 2013, losses of RMB357 million that will expire in 2014, losses of RMB517 million that will expire in 2015 and losses of RMB282 million that will expire in 2016). Other losses may be carried forward indefinitely.

By reference to financial budgets, management believes that there will be sufficient future profits for the realization of deferred tax assets which have been recognized in respect of tax losses.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

40. SHAREHOLDERS' EQUITY

Share capital

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

	<u>Domestic invested shares A shares</u>	<u>Foreign invested shares H shares (including H shares represented by ADS)</u>	<u>Total</u>
Number of shares			
At January 1, 2012, January 1, 2013 and December 31, 2013	<u>2,960,000,000</u>	<u>1,958,400,000</u>	<u>4,918,400,000</u>
	<u>Domestic invested shares A shares RMB'000</u>	<u>Foreign invested shares H shares (including H shares represented by ADS) RMB'000</u>	<u>Total RMB'000</u>
Registered, issued and fully paid			
At January 1, 2012, January 1, 2013 and December 31, 2013	<u>2,960,000</u>	<u>1,958,400</u>	<u>4,918,400</u>

Each share has a par value of RMB1.

The Company has completed the implementation of the share reform plan on April 3, 2006 and 2,600,000,000 the non-tradable legal person shares held by the Parent Company become tradable shares. The Parent Company guaranteed that it would not trade these shares in the market within 48 months from that day. On September, 2013, all the commitment made by the Parent Company as part of the share reform plan was fulfilled. The application for the right of shares trading in the market was approved by local legislation, and hence those shares held by the Parent Company are tradable in the market.

Reserves

Future Development Fund

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

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

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

40. SHAREHOLDERS' EQUITY—Continued

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

In accordance with the regulations of the State Administration of Work Safety, the Company has a commitment to incur RMB8 (Shanxi Tianchi: RMB50, Xintai and Ordos: increased from RMB7 to RMB15 from February 1, 2012 onwards) for each tonne of raw coal mined from May 1, 2004 which will be used for enhancement of safety production environment and improvement of facilities (“Work Safety Cost”). From February 1, 2012 onwards, the work safety cost increased to RMB15 per tonne. In prior years, the work safety expenditures are recognized only when acquiring the fixed assets or incurring other work safety expenditures. The Company, Heze, Shanxi Tianchi, Xintai and Ordos make appropriation to the future development fund in respect of unutilized Work Safety Cost from 2008 onwards.

In accordance with the regulations of the State Administration of Work Safety, the Company's subsidiaries, Hua Ju Energy, Shanxi Tianhao and Yulin, have a commitment to incur Work Safety Cost at the rate of: 4% of the sales income for the year below RMB10 million; 2% of the actual sales income for the year between RMB10 million and RMB100 million (included); 0.5% of the actual sales income for the year between RMB100 million and RMB1 billion (included); 0.2% of the actual sales income for the year above RMB1 billion. The unutilized Work Safety Cost at December 31, 2013 was RMB1,298,554,000 (2012: RMB1,019,799,000).

Statutory Common Reserve Fund

The Company and its subsidiaries in the PRC have to set aside 10% of its profit for the statutory common reserve fund (except where the fund has reached 50% of its registered capital). The statutory common reserve fund can be used for the following purposes:

- to make good losses of the previous years; or
- to convert into capital, provided such conversion is approved by a resolution at a shareholders' general meeting and the balance of the statutory common reserve fund does not fall below 25% of the registered capital.

Retained earnings

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

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

The Company's distributable reserve as at December 31, 2013 is the retained earnings computed under IFRS which amounted to approximately RMB26,492,774,000 (At December 31, 2012: RMB23,482,750,000 (restated)).

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

41. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 35 and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings, and amounted to RMB95,753,689,000 (2012: RMB86,526,416,000 (restated)) as at December 31, 2013.

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.

42. FINANCIAL INSTRUMENTS

42a. Categories of financial instruments

	At December 31,	
	2013	2012
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	28,163,818	27,145,339
Available-for-sale financial assets	211,559	207,076
Derivative financial instruments	16,651	90,731
Royalty receivable (financial assets at fair value through profit or loss)	1,134,374	1,349,447
Financial liabilities		
Amortized cost	67,021,023	57,348,667
Derivative financial instruments	315,111	128,077
Contingent value rights shares liabilities (financial liabilities at fair value through profit or loss)	<u>1,408,729</u>	<u>1,432,188</u>

42b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale equity instruments, bills and accounts receivable, royalty receivable, other current assets such as other receivables, bank balances and cash, term deposits, restricted cash, long term receivables, derivative financial instruments, bills and accounts payable, other payables, bank and other borrowings, amount due to Parent Company and its subsidiary companies, contingent value rights shares liabilities, finance lease liabilities and guaranteed notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no significant change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

YANZHOU COAL MINING COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

42. FINANCIAL INSTRUMENTS—Continued

42b. Financial risk management objectives and policies—continued

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

At December 31, 2013 and 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the failure to perform their obligations in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group maintains its cash and cash equivalents with reputable banks and Yankuang Group Finance Group Company Limited (see note 27). Therefore, the directors consider that the credit risk for such is minimal.

The Group generally grants the customers with long-relationship credit terms not exceeding 180 days, depending on the situations of the individual customers. For small to medium sized new customers, the Group generally requires them to pay for the products before delivery.

Most of the Group's domestic sales are sales to electric power plants, metallurgical companies, construction material producers and railway companies. The Group generally has established long-term and stable relationships with these companies. The Group also sells its coal to provincial and city fuel trading companies.

As the Group's PRC operation does not currently have direct export rights, all of its export sales must be made through National Coal Corporation, Shanxi Coal Corporation or Minmetals Trading. The qualities, prices and final customer destinations of the Group's export sales are determined by the Group, National Coal Corporation, Shanxi Coal Corporation or Minmetals Trading.

For the years ended December 31, 2013, 2012 and 2011, net sales to the Group's five largest customers accounted for approximately 16.5%, 19.4% and, 19.4% respectively, of the Group's total revenue. Net sales to the Group's largest customer accounted for 5.8%, 6.3%, and 8.5% of the Group's net revenue for the years ended December 31, 2013, 2012 and 2011 respectively. The Group's largest customer was Huadian Power International Corporation Limited ("Huadian") for the years ended December 31, 2013, 2012 and 2011.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

42. FINANCIAL INSTRUMENTS—Continued

42b. Financial risk management objectives and policies—continued

Credit risk—continued

Details of the accounts receivable from the five customers with the largest receivable balances at December 31, 2013 and 2012 are as follows:

	Percentage of accounts receivable	
	At December 31,	
	2013	2012
Five largest receivable balances	28.45%	28.86%

The management considers the strong financial background and good creditability of these customers, and there is no significant uncovered credit risk.

The table below shows the credit limit and balance of 5 major counterparties at the balance sheet date:

Counterparty	Location	31.12.2013		31.12.2012	
		Credit limit	Carrying amount	Credit limit	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000
Company A	China	Not applicable	151,266	Not applicable	72,000
Company B	China	Not applicable	76,100	Not applicable	—
Company C	Japan	Not applicable	73,369	Not applicable	—
Company D	Singapore	Not applicable	60,007	Not applicable	—
Company E	Hong Kong	Not applicable	57,331	Not applicable	—
Company F	Japan	Not applicable	—	Not applicable	54,513
Company G	Australia	Not applicable	—	Not applicable	50,477
Company H	Japan	Not applicable	—	Not applicable	49,156
Company I	Japan	Not applicable	—	Not applicable	41,971
			418,073		268,117

The Group's geographical concentration of credit risk is mainly in East Asia (excluding the PRC) and Australia. As at December 31, 2013 and 2012, over 51% and 57% of the Group's total trade receivables were from Australia and from East Asia (excluding the PRC) respectively.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

42. FINANCIAL INSTRUMENTS—Continued

42b. Financial risk management objectives and policies—continued

Market risk

(i) Currency risk

The Group's sales are denominated mainly in the functional currency of the relevant group entity making the sale, whilst costs are mainly denominated in the group entity's functional currency. Accordingly, there is no significant exposure to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities in currencies other than the functional currencies of the relevant group entities at the balance sheet date are as follows:

	Liabilities		Assets	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
United States Dollar ("USD")	30,840,426	18,294,655	5,278,923	2,267,878
Euro ("EUR")	—	1,083,858	12,564	141
Hong Kong Dollar ("HKD")	—	—	31	58
Notional amounts of sell USD foreign exchange contracts used for hedging	1,782,864	1,599,728	1,102,516	4,536,734
Notional amount of buy EUR foreign exchange contracts used for hedging	—	—	167,339	165,711
Notional amount of buy British pound ("GBP") foreign exchange contracts used for hedging	—	—	1,730	2,919

The sales of the Group's subsidiaries in Australia are mainly export sales and some of their fixed assets are imported from overseas. Their foreign exchange hedging policy is disclosed in note 36. The Group's operations in the PRC do not adopt any foreign exchange hedging policy.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

42. FINANCIAL INSTRUMENTS—Continued

42b. Financial risk management objectives and policies—continued

Market risk—continued

(i) Currency risk—continued

Sensitivity analysis

The Group is mainly exposed to the fluctuation against the currency of United States Dollar.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against relevant foreign currencies. 5% represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates and also assumes all other risk variables remained constant. The sensitivity analysis includes loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower.

	USD Impact (note i)			
	2013	2012		
	RMB'000	RMB'000		
Increase (Decrease) to profit or loss				
- if RMB weakens against respective foreign currency	(30,799)	218,169		
- if RMB strengthens against respective foreign currency	<u>30,799</u>	<u>(218,169)</u>		

	USD Impact (note ii)		EUR Impact (note ii)	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Increase (Decrease) to profit or loss				
- if AUD weakens against respective foreign currency	76,244	(758,859)	—	—
- if AUD strengthens against respective foreign currency	(76,244)	758,859	—	—
Increase (Decrease) to shareholders' equity				
- if AUD weakens against respective foreign currency	(1,039,514)	(538,200)	5,889	—
- if AUD strengthens against respective foreign currency	<u>1,039,514</u>	<u>538,200</u>	<u>(5,889)</u>	<u>—</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

42. FINANCIAL INSTRUMENTS—Continued

42b. Financial risk management objectives and policies—continued

Market risk—continued

(i) Currency risk—continued

Notes:

- (i) This is mainly attributable to the exposure of the Group's outstanding bank deposit and loans denominated in USD.
- (ii) This is mainly attributable to the exposure of the Group's outstanding foreign currency bank borrowings and derivative financial instruments denominated in a currency other than the functional currency of the borrower.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, term deposits, restricted cash (note 17) and variable rate borrowings (note 35).

The interest rate hedging policy of the Group is disclosed in note 36.

The Group's exposures to interest rate risk on financial assets and financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the PBOC arising from the Group's RMB borrowings and the LIBOR arising from the Group's foreign currencies borrowings.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

42. FINANCIAL INSTRUMENTS—Continued

42b. Financial risk management objectives and policies—continued

Market risk—continued

(ii) Interest rate risk—continued

Sensitivity Analysis

The following table details the Group's sensitivity to a change of 100 basis points in the interest rate, assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all the variables were held constant. It includes the interest rate fluctuation of the abovementioned PBOC rate and LIBOR.

	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000
Increase (Decrease) to profit and loss		
-If increases by 100 basis points	(135,259)	(176,676)
-If decreases by 100 basis points	135,259	176,676
Increase (Decrease) to shareholders' equity		
-If increases by 100 basis points	(114,905)	(153,106)
-If decreases by 100 basis points	<u>114,905</u>	<u>153,106</u>

(iii) Other price risk

In addition to the above risks relating to financial instruments, the Group is exposed to equity price risk through investment in listed equity securities and also to price risk in non financial instruments such as steel and metals (the Group's major raw materials). The Group currently does not have any arrangement to hedge the price risk exposure of its investment in equity securities and its purchase of raw materials. The Group's exposure to equity price risk through investment in listed equity securities and also the result of the sensitivity analysis is not significant.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

42. FINANCIAL INSTRUMENTS—Continued

42b. Financial risk management objectives and policies—continued

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate %	Less than 3 months RMB'000	3-6 months RMB'000	6 months to 1 year RMB'000	1-5 years RMB'000	5+ years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 12.31 RMB'000
2013								
Non-derivative financial liabilities								
Bills and accounts payables	N/A	2,716,675	—	—	—	—	2,716,675	2,716,675
Other payables	N/A	7,252,136	—	—	—	—	7,252,136	7,252,136
Amount due to Parent Company and its subsidiary companies	N/A	44,737	—	—	—	—	44,737	44,737
USD Guaranteed note	4.46%-5.73%	78,628	78,628	157,257	3,808,470	4,024,577	8,147,560	6,096,667
RMB Guaranteed note	4.42%-6.80%	1,267,000	—	5,537,792	1,969,000	4,990,000	13,763,792	10,956,917
Loan pledged by machineries	10.40%	46,800	46,800	93,600	1,948,800	610,770	2,746,770	1,800,000
Finance lease liabilities	3.00%-5.60%	14,404	14,404	28,809	235,109	22,741	315,467	267,492
Bank borrowings - variable rate	1.00%-7.05%	368,587	1,529,536	4,069,209	15,102,407	18,924,915	39,994,654	36,253,935
Long-term payable	6.22%-8.9%	1,300	—	520,776	1,565,620	—	2,087,696	1,632,464
Contingent value rights shares liabilities	N/A	1,427,766	—	—	—	—	1,427,766	1,408,729
		<u>13,218,033</u>	<u>1,669,368</u>	<u>10,407,443</u>	<u>24,629,406</u>	<u>28,573,003</u>	<u>78,497,253</u>	<u>68,429,752</u>
Financial guarantees issued								
Maximum amount guaranteed (note)	N/A	—	—	—	—	1,156,509	1,156,509	—
Derivative financial instruments – gross settlement								
Forward foreign exchange contracts - Outflow	N/A	1,020,926	297,288	464,651	1,993,723	—	3,776,588	3,776,588
Derivative financial instruments – net settlement								
Interest rate swap contracts	N/A	11,194	11,194	21,144	—	—	43,532	43,532

Note: the amount presented is the maximum contractual presented under guarantees issued.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

42. FINANCIAL INSTRUMENTS—Continued

42b. Financial risk management objectives and policies—continued

Liquidity risk—continued

Liquidity and interest risk tables—continued

	Weighted average effective interest rate %	Less than 3 months RMB'000	3-6 months RMB'000	6 months to 1 year RMB'000	1-5 years RMB'000	5+ years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 12.31 RMB'000
2012								
Non-derivative financial liabilities								
Bills and accounts payables	N/A	6,793,293	18,467	—	—	—	6,811,760	6,811,760
Other payables	N/A	7,454,033	—	—	—	—	7,454,033	7,454,033
Amount due to Parent Company and its subsidiary companies	N/A	93,712	—	—	—	—	93,712	93,712
USD Guaranteed note	4.62%-5.80%	81,058	81,058	162,116	4,054,258	4,349,975	8,728,465	6,284,835
RMB Guaranteed note	4.42%-5.00%	—	—	240,000	1,960,000	4,990,000	7,190,000	4,953,000
Loan pledged by machineries	6.56%	32,800	2,015,367	—	—	—	2,048,167	2,000,000
Finance lease liabilities	7.74%	11,207	11,207	22,415	193,473	27,090	265,392	232,690
Bank borrowings - variable rate	1.06%-6.90%	599,726	1,501,707	3,717,194	7,085,626	17,933,866	30,838,119	27,525,857
Long-term payable	4.98%-6.50%	1,583	—	521,163	2,086,372	—	2,609,118	1,992,780
Contingent value rights shares liabilities	N/A	—	—	—	1,432,188	—	1,432,188	1,432,188
		<u>15,067,412</u>	<u>3,627,806</u>	<u>4,662,888</u>	<u>16,811,917</u>	<u>27,300,931</u>	<u>67,470,954</u>	<u>58,780,855</u>
Financial guarantees issued								
Maximum amount guaranteed (note)	N/A	—	—	—	—	2,212,915	2,212,915	—
Derivative financial instruments – gross settlement								
Forward foreign exchange contracts - Outflow	N/A	1,580,690	—	19,038	—	—	1,599,728	1,599,728
Derivative financial instruments – net settlement								
Interest rate swap contracts	N/A	19,462	19,462	40,006	35,491	—	114,421	114,421

Note: the amount presented is the maximum contractual presented under guarantees issued.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

42. FINANCIAL INSTRUMENTS—Continued

42c. Fair values

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

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

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

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

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	At December 31 Total RMB'000
2013				
Assets				
Available-for-sale investments				
- Investments in securities listed on the SSE	172,855	—	—	172,855
Derivative financial instruments				
- Forward foreign exchange contracts	—	13,062	—	13,062
- Collar option	—	3,589	—	3,589
- Royalty receivable	—	—	1,134,374	1,134,374
	<u>172,855</u>	<u>16,651</u>	<u>1,134,374</u>	<u>1,323,880</u>
Liabilities				
Derivative financial instruments				
- Forward foreign exchange contracts	—	181,358	—	181,358
- Collar option	—	90,221	—	90,221
- Interest rate swap contracts	—	43,532	—	43,532
Financial liabilities at fair value through profit or loss				
- Contingent value rights shares liabilities	1,408,729	—	—	1,408,729
	<u>1,408,729</u>	<u>315,111</u>	<u>—</u>	<u>1,723,840</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

42. FINANCIAL INSTRUMENTS—Continued

42c. Fair values—continued

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>At December 31</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>Total</u>
				<u>RMB'000</u>
2012				
Assets				
Available-for-sale investments				
- Investments in securities listed on the SSE	167,572	—	—	167,572
Derivative financial instruments				
- Forward foreign exchange contracts	—	76,640	—	76,640
- Collar option	—	14,091	—	14,091
Financial assets at fair value through profit or loss				
- Royalty receivable	—	—	1,349,447	1,349,447
	<u>167,572</u>	<u>90,731</u>	<u>1,349,447</u>	<u>1,607,750</u>
Liabilities				
Derivative financial instruments				
- Forward foreign exchange contracts	—	13,656	—	13,656
- Interest rate swap contracts	—	114,421	—	114,421
Financial liabilities at fair value through profit or loss				
- Contingent value rights shares liabilities	1,432,188	—	—	1,432,188
	<u>1,432,188</u>	<u>128,077</u>	<u>—</u>	<u>1,560,265</u>

In 2013 and 2012, there are no change in categories between level 1 and level 2 and no movement from or into level 3. For more information about contingent value rights shares liabilities, please refer to note 19.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

43. ACQUISITION OF HAO SHENG

On January 31, 2013, the Company completed the acquisition of 74.82% equity interest in Hao Sheng, the purpose of acquisition is to obtain the mining rights of Shilawusu Coal Field in the name of Hao Sheng. The acquisition was presented as purchases of assets and liabilities, such that no goodwill was recognized.

The net assets acquired on the acquisition date are as follows:

	<u>Carrying amounts</u> <u>RMB'000</u>
Bank balances and cash	223,427
Prepayments and other receivables	4,539
Property, plant and equipment, net	302,205
Intangible assets	12,089,682
Other current liabilities	(59,159)
Deferred taxation	<u>(3,022,421)</u>
Net assets acquired	9,538,273
Non-controlling interest arising from acquisition	<u>(2,401,737)</u>
	<u>7,136,536</u>
Considerations:	
Cash paid on acquisition	1,025,516
Investment deposits and transaction costs paid for acquisition in prior year	<u>2,982,805</u>
Cash outflow for payment on acquisition	4,008,321
Add: Cash payable on acquisition	<u>3,128,215</u>
Total considerations	<u>7,136,536</u>
Net cash outflow arising on acquisition	
Cash paid on acquisition	1,025,516
Bank balances and cash acquired	<u>(223,427)</u>
	<u>802,089</u>

As at December 31, 2013, Hao Sheng has not yet commenced any business.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

44. ACQUISITION OF BEISU AND YANGCUN

On April 23, 2012, the Company entered into the assets transfer agreement with the Parent Company and its subsidiary to purchase the target assets from the Parent Company and its subsidiary at a consideration of RMB824,142,000 to acquire all the assets and liabilities of Beisu and Yangcun and their equity investments in Beisheng Industry and Trade, Shengyang Wood and Jiemei Wall Materials. Beisu and Yangcun mainly engaged in the production and exploration of PCI coal and thermal coal. The transaction was completed on May 31, 2013. The net assets acquired were included in the mining segment. This acquisition has been accounted for using the purchase method.

The net assets of Beisu and Yangcun acquired, and the goodwill arising, are as follows:

	<u>Carrying amounts</u> RMB'000	<u>Fair value</u> <u>Adjustments</u> RMB'000	<u>Fair values</u> RMB'000
Bank balances and cash	8,131	—	8,131
Accounts receivable and other receivables	96,626	—	96,626
Inventories	2,731	286	3,017
Interests in associates	3,927	—	3,927
Property, plant and equipment, net	285,515	—	285,515
Intangible assets	275,097	189,503	464,600
Accounts payable and other payables	(708,584)	1,982	(706,602)
Deferred taxation	4,181	(47,447)	(43,266)
Provision for land subsidence, restoration, rehabilitation and environmental costs	(20)	—	(20)
Net assets acquired			111,928
Goodwill arising on acquisition			712,214
			<u>824,142</u>
Considerations:			
Cash paid on acquisition			<u>824,142</u>
Net cash outflow arising on acquisition:			
Cash outflow arising on acquisition			(824,142)
Bank balance and cash acquired			8,131
			<u>(816,011)</u>

During the year ended December 31, 2013, Beisu and Yangcun did not contribute any significant revenue or profit to the Group. Goodwill arose because the Group can increase its production capacity in coal and the coverage of exploration from this acquisition.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

45. ACQUISITION OF GLOUCESTER

In 2012, a wholly-owned subsidiary of the Company, Yancoal Australia, merged with Gloucester. The merger was completed on June 27, 2012. Yancoal Australia acquired Gloucester at a consideration of a combination of 218,727,665 ordinary shares of Yancoal Australia and 87,645,184 CVR shares. Gloucester is a company listed on the ASX. Following the completion of the merger, Yancoal Australia is separately listed on the ASX, replacing the listing position of Gloucester. The ordinary shares and CVR shares of Yancoal Australia were listed on the ASX on June 28, 2012. Gloucester mainly engaged in production of coking coal and thermal coal. The net assets acquired were included in the mining segment.

The acquisition has been accounted for using the acquisition method.

The net assets acquired on the acquisition date are as follows:

	<u>Carrying amounts</u> RMB'000	<u>Fair value</u> <u>Adjustments</u> RMB'000	<u>Fair values</u> RMB'000
Bank balances and cash	237,315	—	237,315
Accounts receivable and other receivables	605,407	(379,589)	225,818
Inventories	232,490	(3,076)	229,414
Investments in joint ventures	1,951,741	(814,218)	1,137,523
Investment in securities	47,026	—	47,026
Royalty receivable	1,243,158	46,857	1,290,015
Property, plant and equipment, net	2,611,394	761,968	3,373,362
Construction in progress	257,395	93,729	351,124
Intangible assets	4,908,788	710,512	5,619,300
Long term receivables	1,329,578	—	1,329,578
Accounts payable and other payables	(3,988,052)	71,332	(3,916,720)
Provision for land subsidence, restoration, rehabilitation and environmental costs	(100,145)	—	(100,145)
Long term payables	(1,324,852)	781,691	(543,161)
Tax recoverable	14,978	—	14,978
Deferred taxation	(1,283,674)	468,158	(815,516)
Borrowings	(3,725,732)	—	(3,725,732)
Net assets acquired			<u>4,754,179</u>
Bargain purchase			<u>(1,269,269)</u>
			<u>3,484,910</u>
Considerations:			
Fair value of ordinary shares issued by Yancoal Australia			2,138,130
Fair value of CVR shares issued			1,312,913
Direct expenses incurred on the issuance of ordinary shares and CVR shares of Yancoal Australia			33,867
			<u>3,484,910</u>
Net cash inflow arising on acquisition:			
Bank balance and cash acquired			<u>237,315</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

45. ACQUISITION OF GLOUCESTER—Continued

Bargain purchase arises because the consideration (number of shares to be issued) was fixed when the merger proposal was announced. Upon the date of completion, the market capitalization and the market price of shares dropped and hence the total consideration paid were less than the fair value of net identifiable assets acquired because there is no mechanism to adjust the number of shares to be issued.

During the period from the acquisition date to December 31, 2012, Gloucester have contributed a total revenue of RMB1,658 million and an operating loss of RMB387 million.

If the acquisition had occurred on January 1, 2012, the consolidated revenue and net profit of the Group for the year ended December 31, 2012 would have been RMB59,839 million and RMB4,846 million respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition has been completed by January 1, 2012 and could not serve as a basis for the forecast of future operation result.

The valuation of the shares issued by Yancoal Australia and the CVR are stated at market value.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

46. ACQUISITION OF AN YUAN COAL MINE

In 2010, Ordos signed a co-operation agreement with an independent third party for the acquisition of An Yuan Coal Mine at a consideration of RMB1,435 million. The acquisition was completed during 2011.

The acquisition of An Yuan Coal Mine was classified as purchase of assets and liabilities of which no goodwill was recognized.

Net book values of the acquired net assets at acquisition date are as follow:

	<u>Carrying amounts</u> <u>RMB'000</u>
Property, plant and equipment, net	176,067
Intangible assets	1,258,433
Other current assets	<u>500</u>
Net assets acquired	<u><u>1,435,000</u></u>
Considerations:	
Cash paid on acquisition	355,000
Deposit paid for acquisition of investment in prior year	<u>1,080,000</u>
	<u>1,435,000</u>
Net cash outflow arising on acquisition	<u><u>(355,000)</u></u>

47. ACQUISITION OF ADDITIONAL INTERESTS IN JOINT OPERATIONS

The Australia subsidiaries of the Group originally held 60% equity interests in Ashton joint operations. During 2011, the Group acquired additional 30% equity interests in Ashton joint operations from another venturer at a consideration of USD250 million. This included the acquisition of 30% equity interests in the joint ventures, Ashton Coal Mines Limited and Australian Coal Processing Holdings Pty Ltd. Upon completion of the acquisition, the Group held 90% equity interest in Ashton joint operations.

Under the shareholders agreement, the 90% equity interest held in Ashton remained classified as a joint operation.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

48. ACQUISITION OF SYNTECH

On May 13, 2011, a wholly-owned subsidiary of the Company acquired 100% equity interests in Syntech and its subsidiaries for a cash consideration of AUD208,480,000. The equity transfer was completed on August 1, 2011. The principal business of Syntech and its subsidiaries include exploration, production, sorting and processing of coal, the major product of which is thermal coal. The net assets acquired were included in the mining segment.

This acquisition has been accounted for using the method.

The net assets of Syntech acquired, and the goodwill arising, are as follows:

	<u>Carrying amounts</u> RMB'000	<u>Fair value adjustments</u> RMB'000	<u>Fair values</u> RMB'000
Bank balances and cash	51,828	—	51,828
Accounts receivable and other receivables	118,042	—	118,042
Inventories	85,190	28,539	113,729
Property, plant and equipment, net	1,227,053	(301,522)	925,531
Intangible assets	121,140	271,234	392,374
Accounts and other payables	(219,243)	—	(219,243)
Deferred tax	—	(25,642)	(25,642)
Provision for land subsidence, restoration, rehabilitation and environmental costs	(14,259)	—	(14,259)
Net assets acquired			1,342,360
Goodwill arising on acquisition			25,642
			<u>1,368,002</u>
Total consideration satisfied by:			
Cash consideration paid on acquisition			<u>1,368,002</u>
Net cash outflow arising on acquisition:			
Cash paid on acquisition			(1,368,002)
Bank balances and cash acquired			51,828
			<u>(1,316,174)</u>

The goodwill arising from the acquisition is attributable to the extension of mining reserves in Australia and diversification of operation by the Group, and operational synergies and strategic benefits.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

49. ACQUISITION OF PREMIER COAL AND WESFARMERS CHAR

On September 27, 2011, a wholly-owned subsidiary of the Company acquired 100% equity interests of both Premier Coal and Wesfarmers Char as a package for a cash consideration of AUD 313,533,000. The equity transfer was completed on December 30, 2011. For Premier Coal, the principal businesses are exploration, production and processing of coal; for Wesfarmers Char, the principal businesses are the research and development of the technology and procedures in relation to processing coal char from low rank coals. The net assets acquired were included in the mining segment.

This acquisition has been accounted for using the acquisition method.

The net assets of Premier Coal and Wesfarmers Char acquired, and the goodwill arising, are as follows:

	<u>Carrying amounts</u> RMB'000	<u>Fair value adjustments</u> RMB'000	<u>Fair values</u> RMB'000
Accounts and other receivable	91,416	—	91,416
Inventories	68,956	4,666	73,622
Property, plant and equipment, net	1,484,398	264,216	1,748,614
Intangible assets	—	511,186	511,186
Accounts and other payables	(198,715)	—	(198,715)
Deferred tax	(123,377)	105,528	(17,849)
Provision for land subsidence, restoration, rehabilitation and environmental costs	(168,847)	—	(168,847)
Net assets acquired			2,039,427
Goodwill arising on acquisition			17,849
			<u>2,057,276</u>
Total consideration satisfied by:			
Cash consideration paid on acquisition			<u>2,057,276</u>
Net cash outflow arising on acquisition:			
Cash paid on acquisition			<u>(2,057,276)</u>

The goodwill arising from the acquisition is attributable to the extension of mining reserves in Australia and diversification of operation by the Group, and operational synergies and strategic benefits.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

50. ACQUISITION OF XINTAI

In 2011, the Company entered into an agreement with independent third party to acquire 80% equity interests in Xintai at a cash consideration of RMB2,801,557,000. The acquisition was completed in 2011. Xintai owns and operates Wenyu Coal Mine located in Inner Mongolia. The principle businesses are coal mining and sales. The net assets acquired were included in the mining segment.

This acquisition has been accounted for using the acquisition method.

The net assets of Xintai acquired and the goodwill arising, are as follows:

	<u>Carrying amounts</u> RMB'000	<u>Fair value adjustments</u> RMB'000	<u>Fair values</u> RMB'000
Property, plant and equipment, net	182,403	(14,427)	167,976
Intangible assets	50,362	3,283,608	3,333,970
Deferred tax	—	(817,296)	(817,296)
Net assets acquired			2,684,650
Non-controlling interests			(536,930)
Goodwill arising on acquisition			653,837
			<u>2,801,557</u>
Considerations:			
Cash paid on acquisition			2,751,557
Outstanding consideration payable			50,000
			<u>2,801,557</u>
Net cash outflow arising on acquisition			
Cash paid on acquisition			<u>(2,751,557)</u>

The goodwill arising from the acquisition is attributable to the extension of mining reserves and diversification of operation by the Group, and operational synergies and strategic benefits.

As at September 30, 2013, Ordos acquired the remaining 20% equity interests in Xintai at a cash consideration of RMB680,287,000. After the acquisition, Ordos hold 100% share of Xintai. The impact of other comprehensive income for the change in Xintai's equity, are as follows:

	RMB'000
The carrying amount of non-controlling interest	440,170
Cash paid on acquisition of non-controlling interest	(680,287)
The part recorded in equity for the purchase price over the carrying value	<u>(240,117)</u>

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

51. NON-CONTROLLING INTEREST

Summarised financial information of material non-controlling interests of subsidiaries is set out below:

For the details of transactions with non-controlling interests, please refer to note 50.

	Yancoal Australia At December 31		Hao Sheng At December 31	
	2013	2012	2013	2012
Non-controlling interests percentage	22%	22%	20%	N/A
	RMB'000	RMB'000	RMB'000	RMB'000
Summarised financial information				
Current assets	5,666,980	5,209,748	512,070	—
Non-current assets	35,859,637	44,449,369	12,391,887	—
Current liabilities	(3,858,960)	(6,519,296)	(59,159)	—
Non-current liabilities	(32,361,612)	(31,341,942)	(3,022,421)	—
Net assets	5,306,045	11,797,879	9,822,377	—
Carrying amount of non-controlling interests	780,381	2,487,023	2,473,275	—
Revenue	8,961,855	9,295,942	—	—
(Loss) profit for the year	(4,978,439)	2,462,129	15,896	—
Other comprehensive (loss) income	(2,977,258)	207,957	—	—
Total comprehensive (loss) income	(7,955,697)	2,670,086	15,896	—
Profit allocated to non-controlling interests	(1,706,642)	(41,989)	4,003	—
Cash flows (used in) from operating activities	(965,946)	994,015	(31,221)	—
Cash flows (used in) from investing activities	(1,208,547)	(2,268,600)	(492,719)	—
Cash flows from financing activities	1,765,319	1,634,906	643,427	—
Net (decrease) increase in cash and cash equivalents	(409,174)	360,321	119,487	—
Dividends paid to non-controlling interests	—	—	—	—

The amount of above financial information is before elimination of intra-group transactions.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

52. RELATED PARTY BALANCES AND TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed. In accordance with Main Board Listing Rules Chapter 14A, continuing connected transactions are disclosed below:

Balances and transactions with related party

Nature of balances (other than those already disclosed in note 18, 21, 32 and 33)	At December 31,	
	2013 RMB'000	2012 RMB'000
Bills and accounts receivable		
- Parent Company and its subsidiaries	402,872	1,039,461
- Joint ventures	28,859	—
Prepayments and other receivables		
- Parent Company and its subsidiaries	49,824	109,662
- Joint ventures	160,723	187,324
Bills and accounts payable		
- Joint ventures	—	—
Other payables and accrued expenses		
- Parent Company and its subsidiaries	<u>1,066,760</u>	<u>1,674,286</u>

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

During the years, the Group had the following significant transactions with the Parent Company and/or its subsidiary companies:

	Year ended December 31,		
	2013 RMB'000	2012 RMB'000	2011 RMB'000
<i>Income</i>			
Sales of coal	2,839,839	3,162,122	2,088,794
Sales of auxiliary materials	328,732	425,957	485,676
Sales of heat and electricity	111,675	167,295	180,808
Sales of methanol	126,398	47,909	—
<i>Expenditure</i>			
Utilities and facilities	19,406	35,906	31,646
Purchases of supply materials and equipment	1,196,372	1,552,758	696,802
Repair and maintenance services	266,849	327,600	323,550
Social welfare and support services	483,783	802,540	848,121
Technical support and training	—	—	26,000
Road transportation services	14,119	67,654	73,638
Construction services	<u>522,314</u>	<u>689,787</u>	<u>718,155</u>

Expenditures for social welfare and support services (excluding medical and child care expenses) are RMB122,460,000, RMB176,820,000 and RMB269,182,000 for the years ended December 31, 2013, 2012 and 2011. In addition, no technical support and training expenses were charged by the Parent Company for the year ended December 31, 2013 (2012: RMBNil) (2011: RMB26,000,000). These expenses will be negotiated with and paid by the Parent Company each year.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

52. RELATED PARTY BALANCES AND TRANSACTIONS—Continued

Balances and transactions with related party—continued

As at December 31, 2013, the Company has deposited RMB103,464,000 (2012: RMB1,719,621,000) (2011: RMB1,820,000,000) to the Company's associate, Yan Kuang Group Finance Company Limited. The interest income received and finance cost paid during the year amounted to RMB4,756,000 (2012: RMB7,986,000) (2011: RMB7,665,000) and RMB1,645,000 (2012: RMB1,411,000) (2011: RMB10,119,000) respectively.

In addition to the above, the Company participates in a retirement benefit scheme of the Parent Company in respect of retirement benefits (note 54).

Balances and transactions with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a large group of companies under the Parent Company which is controlled by the PRC government. Apart from the transactions with the Parent Company and its subsidiaries disclosed above, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

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

	<u>Year ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade sales	5,986,611	10,503,203	8,487,421
Trade purchases	<u>5,078,834</u>	<u>4,500,994</u>	<u>2,597,741</u>

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

	<u>At December 31,</u>	
	<u>2013</u>	<u>2012</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Amounts due to other state-controlled entities	328,474	592,267
Amounts due from other state-controlled entities	<u>804,906</u>	<u>1,361,139</u>

Amounts due to and from state-controlled entities are trade nature of which terms are not different from other customers (notes 18 and 32).

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

52. RELATED PARTY BALANCES AND TRANSACTIONS—Continued

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

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

Balances and transactions with joint ventures

	At December 31,	
	2013	2012
	RMB'000	RMB'000
Due from a joint venture (note 28)	1,587,001	1,682,983

The amount due from a joint venture is unsecured and interest is calculated at commercial rate, interest received by the Group in the current year amounting to RMB17,831,000.

During the year, the Group's Australian subsidiaries sold coal products and provided marketing and administrative services to the joint ventures of the Group amounted to RMB796,212,000 (2012: RMB1,030,323,000) and RMB1,530,000 (2012: RMB455,000), respectively.

Compensation of key management personnel

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

	Year ended December 31,		
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Directors' fee	520	520	484
Salaries, allowance and other benefits in kind	5,987	5,850	4,864
Retirement benefit scheme contributions	1,020	1,033	834
	7,527	7,403	6,182

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

53. COMMITMENTS

	At December 31,	
	2013	2012
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
Acquisition of property, plant and equipment		
- the Group	2,375,634	2,626,207
- share of joint operations	27,254	310,912
Acquisition of intangible assets		
- the Group	—	—
- share of joint operations	504	30
Exploration and evaluation		
- the Group	1,094	—
- share of joint operations	9,977	—
	<u>2,414,463</u>	<u>2,937,149</u>

Pursuant to the regulations issued by the Shandong Province Finance Bureau, the Group has to pay a deposit of RMB2,636 million (2012: RMB2,636 million) to the relevant government authority, which secured for the environmental protection work done by the Company. As at December 31, 2013, deposit of RMB1,052 million (2012: RMB1,042 million) were made and the Company is committed to further make security deposit of RMB1,614 million (2012: RMB1,594 million).

54. RETIREMENT BENEFITS

Qualifying employees of the Company are entitled to pension, medical and other welfare benefits. The Company participates in a scheme of the Parent Company and pays a monthly contribution to the Parent Company in respect of retirement benefits at an agreed contribution rate based on the monthly basic salaries and wages of the qualified employees. The Parent Company is responsible for the payment of all retirement benefits to the retired employees of the Company.

Pursuant to the Provision of Insurance Fund Administrative Services Agreement entered into by the Company and the Parent Company on March 22, 2013 (2012: May 8, 2012), the monthly contribution rate is at 20% (2012: 20%; 2011: 20%) of the total monthly basic salaries and wages of the Company's employees for the period from January 1, 2013 to December 31, 2014. Other welfare benefits will be provided by the Parent Company, which will be reimbursed by the Company.

The amount of contributions paid to the Parent Company were RMB874,753,000, RMB857,352,000, and RMB760,906,000 for the years ended December 31, 2013, 2012, and 2011, respectively.

The Company's subsidiaries are participants in a state-managed retirement scheme pursuant to which the subsidiaries pay a fixed percentage of its qualifying staff's wages as a contribution to the scheme. The subsidiaries' financial obligations under this scheme are limited to the payment of the employer's contribution. During the year, contributions paid and payable by the subsidiaries pursuant to this arrangement were insignificant to the Group. The Group's overseas subsidiaries pay fixed contribution as pensions under the laws and regulations of the relevant countries.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

54. RETIREMENT BENEFITS—Continued

During the year and at the balance sheet date, there were no forfeited contributions which arose upon employees leaving the above schemes available to reduce the contributions payable in future years.

55. HOUSING SCHEME

The Parent Company is responsible for providing accommodation to its employees and the domestic employees of the Company. The Company and the Parent Company share the incidental expenses relating to the accommodation at a negotiated amount for each of the three years ended December 31, 2013, 2012 and 2011. Such expenses, amounting to RMB80,042,000, RMB137,200,000 and RMB140,000,000 for each of the three years ended December 31, 2013, 2012 and 2011 respectively, have been included as part of the social welfare and support services expenses summarized in note 54.

The Company currently makes a fixed monthly contribution for each of its qualifying employees to a housing fund which is equally matched by a contribution from the employees. The contributions are paid to the Parent Company which utilizes the funds, along with the proceeds from the sales of accommodation and, if the need arises, from loans arranged by the Parent Company, to construct new accommodation.

56. POST BALANCE SHEET EVENT

On February 5, 2014, Yancoal Australia issued a notice to announce that the repurchase date of CVR shares is stipulated on March 4, 2014 and the repurchase price is set at AUD3 per share. The repurchase of CVR shares will be made on any practicable date on or after March 11, 2014. Up to the report date, the Company completed the repurchase of CVR shares issued to former Gloucester shareholders.

57. MAJOR NON-CASH TRANSACTION

During the year ended December 31, 2013, the Group acquired certain property, plant and equipment, of which RMB3,787,729,000 (2012: RMB3,662,785,000) have not yet been paid.

58. OPERATING LEASE COMMITMENTS

	<u>At December 31,</u>	
	<u>2013</u>	<u>2012</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Within one year	13,296	40,160
More than one year, but not more than five years	47,265	65,756
	<u>60,561</u>	<u>105,916</u>

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

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

59. CONTINGENT LIABILITIES

	<u>At December 31,</u>	
	<u>2013</u>	<u>2012</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Guarantees		
(a) The Group		
Guarantees secured over deposits	81,670	13,256
Performance guarantees provided to daily operations	921,275	1,818,000
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	146,826	352,481
(b) Joint operations		
Performance guarantees provided to daily operations	417,352	745
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	48,477	28,432
	<u>1,615,600</u>	<u>2,212,914</u>

During the year, Yancoal Australia was notified of an unfavourable determination by Innovation Australia in relation to certain R&D activities registered by the Group from June 2005 to December 2009. The value of the tax benefits in relation to the relevant R&D project over the period is approximately AUD19,000,000. Innovation Australia has made a referral to the Australia Tax Office to undertake a review of the expenditure claims. As at report date, there have been no amended assessments issued by the Commissioner of Taxation.

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

60. INFORMATION OF THE COMPANY

Details of the Company's major subsidiaries at December 31, 2013 and 2012 are as follows:

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power held		Principal activities
			2013		2012		2013	2012	
			Directly	Indirectly	Directly	Indirectly			
Austar Coal Mine Pty, Limited ("Austar")	Australia	AUD64,000,000	—	100%	—	100%	100%	100%	Coal mining business in Australia
Heze (note 1)	PRC	RMB3,000,000,000	98.33%	—	98.33%	—	98.33%	98.33%	Coal mining and sales
Yancoal Australia (note 2)	Australia	AUD656,700,717	78%	—	78%	—	78%	78%	Investment holding
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
Yulin (note 1)	PRC	RMB1,400,000,000	100%	—	100%	—	100%	100%	Methanol and electricity power business
Zhongyan Trade Co., Ltd ("Zhongyan") (note 1)	PRC	RMB2,100,000	52.38%	—	52.38%	—	52.38%	52.38%	Trading and processing of mining machinery
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
Hua Ju Energy (note 1)	PRC	RMB288,589,774	95.14%	—	95.14%	—	95.14%	95.14%	Electricity and heat supply
Ordos (note 1)	PRC	RMB3,100,000,000	100%	—	100%	—	100%	100%	Investment holding, coal mining and sales
Yize (note 1)	PRC	RMB136,260,500	—	100%	—	100%	100%	100%	Development of methanol project
Rongxin Chemicals (note 1)	PRC	RMB3,000,000	—	100%	—	100%	100%	100%	Development of methanol project
Daxin Industrial (note 1)	PRC	RMB4,107,432	—	100%	—	100%	100%	100%	Development of methanol project
Xintai (note 1)	PRC	RMB5,000,000	—	100%	—	80%	100%	80%	Coal mining and sales
Inner Mongolia Haosheng Coal Mining Co., Ltd (note 1)	PRC	RMB800,000,000	74.82%	—	—	—	74.82%	—	Sales of coal mine machinery equipment and accessories
Rizhao (note 1)	PRC	RMB300,000,000	51%	—	—	—	51%	—	Coal wholesale management and others

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

60. INFORMATION OF THE COMPANY—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 held		Principal activities
			2013		2012		2013	2012	
			Directly	Indirectly	Directly	Indirectly			
Yancoal International	Hong Kong	USD2,800,000	100%	—	100%	—	100%	100%	Investment holding
Yancoal International Resources Development Co., Limited	Hong Kong	USD600,000	—	100%	—	100%	100%	100%	Coal resource exploration development
Yancoal International Technology Development Co., Limited	Hong Kong	USD1,000,000	—	100%	—	100%	100%	100%	Coal mining technology Development
Yancoal International Trading Co., Limited	Hong Kong	USD1,000,000	—	100%	—	100%	100%	100%	Entrepot trade
Yancoal Technology (Holdings) Co., Ltd.	Australia	AUD75,407,506	—	100%	—	100%	100%	100%	Holdings company
Yancoal Resources	Australia	AUD446,409,065	—	100%	—	100%	100%	100%	Coal mining business in Australia
Trading Centre (Note 1)	PRC	RMB100,000,000	51%	—	51%	—	51%	51%	Coal sales
Beisheng Industry and Trade (Note 1)	PRC	RMB2,404,000	100%	—	100%	—	100%	100%	Coal Mining and sales
Ashton Coal Operations Pty Limited	Australia	AUD5	—	100%	—	100%	100%	100%	Management of operations
Athena Coal Pty Ltd	Australia	AUD2	—	100%	—	100%	100%	100%	Coal exploration
Felix NSW Pty Ltd	Australia	AUD2	—	100%	—	100%	100%	100%	Investment holding
Moolarben Coal Mines Pty Limited	Australia	AUD1	—	100%	—	100%	100%	100%	Coal business development
Moolarben Coal Operations Pty Ltd	Australia	AUD2	—	100%	—	100%	100%	100%	Management of coal operations
Moolarben Coal Sales Pty Ltd	Australia	AUD2	—	100%	—	100%	100%	100%	Coal sales
Proserpina Coal Pty Ltd	Australia	AUD1	—	100%	—	100%	100%	100%	Coal mining and sales
Syntech Holdings Pty Ltd	Australia	AUD223,470,552	—	100%	—	100%	100%	100%	Investment holding and management of coal operation
Duralie Coal Pty Ltd	Australia	AUD2	—	100%	—	100%	100%	100%	Coal mining

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

60. INFORMATION OF THE COMPANY—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 held		Principal activities
			2013		2012		2013	2012	
			Directly	Indirectly	Directly	Indirectly			
Gloucester	Australia	AUD719,720,808	—	100%	—	100%	100%	100%	Coal resource exploration development
Auriada Limited	Northern Ireland	AUD5	—	100%	—	100%	100%	100%	No business in Australia, to be liquidated
Ballymoney Power Limited	Northern Ireland	AUD5	—	100%	—	100%	100%	100%	No business in Australia, to be liquidated
Balhoil Nominees Pty Ltd	Australia	AUD7,270	—	100%	—	100%	100%	100%	No business in Australia
SASE Pty Limited	Australia	AUD9,650,564	—	90%	—	90%	100%	100%	No business in Australia, to be liquidated
CIM Mining Pty Ltd	Australia	AUD30,180,720	—	100%	—	100%	100%	100%	No business in Australia
Donaldson Coal Holdings Ltd	Australia	AUD204,945,942	—	100%	—	100%	100%	100%	Holdings company
Monash Coal Holdings Pty Ltd	Australia	AUD100	—	100%	—	100%	100%	100%	Dormant
CIM Stratford Pty Ltd	Australia	AUD21,558,606	—	100%	—	100%	100%	100%	Dormant
CIM Services Pty Ltd	Australia	AUD8,400,002	—	100%	—	100%	100%	100%	Dormant
Donaldson Coal Pty Ltd	Australia	AUD6,688,782	—	100%	—	100%	100%	100%	Coal mining and sales
Agrarian Finance Pty Ltd	Australia	AUD2	—	100%	—	100%	100%	100%	Dormant
Monash Coal Pty Ltd	Australia	AUD200	—	100%	—	100%	100%	100%	Coal mining and sales
Newcastle Coal Company Pty Ltd	Australia	AUD2,300,999	—	100%	—	100%	100%	100%	Coal mining and sales
Syntech Holdings II Pty Ltd	Australia	AUD6,318,490	—	100%	—	100%	100%	100%	Investment holding
Tonford Pty Ltd	Australia	AUD2	—	100%	—	100%	100%	100%	Coal exploration
UCC Energy Pty Limited	Australia	AUD2	—	100%	—	100%	100%	100%	Ultra clean coal technology
Wesfarmers Premier Coal Limited	Australia	AUD8,779,250	—	100%	—	100%	100%	100%	Exploration, production and processing of coal
White Mining (NSW) Pty Limited	Australia	AUD10	—	100%	—	100%	100%	100%	Coal mining and sales

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

60. INFORMATION OF THE COMPANY—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 held		Principal activities
			2013		2012		2013	2012	
			Directly	Indirectly	Directly	Indirectly			
White Mining Research Pty Ltd	Australia	AUD2	—	100%	—	100%	100%	100%	No business in Australia, to be liquidated
White Mining Services Pty Limited	Australia	AUD2	—	100%	—	100%	100%	100%	No business in Australia, to be liquidated
White Mining Limited	Australia	Ordinary shares AUD 3,300,000 A Shares AUD 200	—	100%	—	100%	100%	100%	Investment holding and management of operations
Yancoal Canada	Canada	USD290,000,000	—	100%	—	100%	100%	100%	Potash exploration
Mountfield Properties Pty Ltd	Australia	AUD100	—	100%	—	100%	100%	100%	Investment holding
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
Yancoal Luxembourg	Luxembourg	USD500,000	—	100%	—	100%	100%	100%	Investment holding
Yarrabee Coal Company Pty Ltd	Australia	AUD92,080	—	100%	—	100%	100%	100%	Coal mining and sales
Westralian Prospectors NL	Australia	AUD93,001	—	100%	—	100%	100%	100%	No business in Australia
Eucla Mining NL	Australia	AUD707,500	—	100%	—	100%	100%	100%	No business in Australia
CIM Duralie Pty Ltd	Australia	AUD665	—	100%	—	100%	100%	100%	No business in Australia
Duralie Coal Marketing Pty Ltd	Australia	AUD2	—	100%	—	100%	100%	100%	No business in Australia
Gloucester (SPV) Pty Ltd	Australia	AUD2	—	100%	—	100%	100%	100%	Holdings company
Gloucester (Sub Holdings 1) Pty Ltd	Australia	AUD2	—	100%	—	100%	100%	100%	Holdings company
Gloucester (Sub Holdings 2) Pty Ltd	Australia	AUD2	—	100%	—	100%	100%	100%	Holdings company
Donaldson Coal Finance Pty Ltd	Australia	AUD10	—	100%	—	100%	100%	100%	Investment company

YANZHOU COAL MINING COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

60. INFORMATION OF THE COMPANY—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 held		Principal activities
			2013		2012		2013	2012	
			Directly	Indirectly	Directly	Indirectly			
Stradford Coal Pty Ltd	Australia	AUD10	—	100%	—	100%	100%	100%	Coal mining
Stradford Coal Marketing Pty Ltd	Australia	AUD10	—	100%	—	100%	100%	100%	Coal sales
Abakk Pty Ltd	Australia	AUD6	—	100%	—	100%	100%	100%	No business in Australia, to be liquidated
Primecoal International Pty Ltd	Australia	AUD1	—	100%	—	100%	100%	100%	No business in Australia, to be liquidated
Athena Holdings P/L	Australia	AUD24,450,405	—	100%	—	100%	100%	100%	Holding company
Premier Coal Holdings P/L	Australia	AUD321,613,108	—	100%	—	100%	100%	100%	Holdings company
Tonford Holdings P/L	Australia	AUD46,407,917	—	100%	—	100%	100%	100%	Holdings company
Wilpeena Holdings P/L	Australia	AUD3,457,381	—	100%	—	100%	100%	100%	Holdings company
Yancoal Energy P/L	Australia	AUD202,977,694	—	100%	—	100%	100%	100%	Holdings company
Yancoal Technology Development Pty Ltd	Australia	AUD 2	—	100%	—	100%	100%	100%	LTCC technical development and equipment rental

Unless otherwise specified, the capital of the above subsidiaries are registered capital (those established in the PRC) or ordinary shares (those established in other countries).

Note 1: Yanmei Shipping, Yulin, Zhongyan, Heze, Shanxi Neng Hua, Shanxi Tianchi, Shanxi Tianhao, Hua Ju Energy, Ordos, Yize, Rongxin Chemical, Daxin Industrial, Xintai, Haosheng and Rizhao are established in the PRC as limited liability companies.

Note 2: The investment cost of RMB3,781,606,000 in respect of investment in Yancoal Australia was included in investment in subsidiaries. As at December 31, 2013, the market value of these shares was approximately RMB3,200,344,000 (AUD589,371,000) (2012: RMB5,068,829,000 (AUD775,489,000))

Financial Services Agreement

between

Yankuang Group Financial Company

and

Yanzhou Coal Mining Company Limited

22 March 2013

This agreement is entered into by the following parties on 22 March 2013 in Zhoucheng City, Shandong Province:

Yankuang Group Financial Company (hereinafter referred to as “**Party A**”), a company with limited liability incorporated and validly exists under the laws of PRC, with registry number of business license for legal person as 370000000002238 and registered office at 329 Fushan South Road, Zoucheng City, Shandong Province and its legal representative being Chen Changchun.

Yanzhou Coal Mining Company Limited (hereinafter referred to as “**Party B**”), a company with limited liability incorporated and validly exists under the laws of PRC, with registry number of business license for legal person as 370000400001016 and registered office at 298 Fushannan Road Zoucheng, Shandong Province and its legal representative being Li Weimin.

Where:

1. Party A is a non-banking financial institution duly established with the approval of the China Banking Regulatory Commission (hereinafter referred to as “CBRC”) and is a professional institution engaged in corporate financial services. According to the laws and regulations in relation to corporate finance company, it provides financial services to Yankuang Group Co., Ltd. (“Yankuang Group”), the controlling shareholder of Party A, and its subsidiaries.
2. The shares publicly issued by Party B are listed on the Shanghai Stock Exchange, Hong Kong Stock Exchange and New York Stock Exchange respectively. With Yankuang Group being the controlling shareholder of both Party A and Party B, according to the domestic and overseas regulatory requirements in relation to Party B, the businesses between Party A and Party B and its subsidiaries (collectively referred to as “Party B”) constitute normal continuing connected transactions.
3. Party B agrees to elect Party A as one of the financial institutions providing financial services.

Based on the principles of fairness and reasonableness and mutual benefit, Party A and Party B reached the following agreement by consensus upon negotiation in respect of Party A’s provision of financial services to Party B:

Article 1 Service Principles

1.1 Party A and Party B shall cooperate and perform this agreement based on the principles of equality and voluntariness, complementarity, mutual benefit, common development and co-winning partnership.

1.2 Party B has the right to choose the financial institution for financial services and decide the financial institution for deposit services and loan services as well as the amounts thereof pursuant to its own business needs.

1.3 Party A regards Party B as its important customer and undertakes that the terms for the provision of financial services to Party B at any time shall be no less favorable than the same type of financial services provided by the Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China and China Construction Bank (hereinafter referred to as “Major Commercial Banks in the PRC”).

Article 2 Details of Services

Party A shall provide Party B with the following services:

1. Deposit service: the maximum daily balance (including accrued interests) of Party B on the settlement account in Party A shall not exceed RMB 2.15 billion.
2. Integrated credit facility: Party A shall provide Party B with credit facility limit of RMB 2 billion (including accrued interests).
3. Bill discount service: Party A shall provide Party B with bill discount service with the annual amount of discount not exceed RMB 209.4 million.
4. Settlement service: Party A shall provide payment and receipt services as well as other ancillary services related to settlement services to Party B in the settlement account opened by Party B in Party A. Within the agreed valid period, the annual fee for settlement services shall not exceed RMB 7.6 million.
5. Bill acceptance services, financial and financing consultation, credit certification and relevant consultation and agency services.
6. Other services approved by CBRC.

Article 3 Pricing of Services

3.1 Deposit services: the interest rate for the deposit of Party B with Party A shall not be lower than the interest rate for the same kind of deposit announced by the People's Bank of China for the same period nor lower than the interest rate for the same kind of deposit offered by the Major Commercial Banks in the PRC for the same period nor lower than the interest rate for the same kind of deposit made by other group members of Yankuang Group in Party A for the same period.

3.2 Loan services: the interest rate for the loan provided by Party A to Party B shall not exceed the interest rate for the same class of loan provided by the Major Commercial Banks in the PRC to Party B for the same period. Party A shall provide the loan to Party B on normal commercial terms and no asset is required from Party B as collateral.

3.3 Bill discount service: the interest rate for bill discount provided by Party A to Party B shall not be higher than the interest rate for bill discount provided by the Major Commercial Banks in the PRC.

3.4 The fees charged by Party A for the provision of financial services including settlement services, entrusted loans, entrusted investment, security service, bill acceptance, financial and financing consultation, credit certification and relevant consultation and agency services to Party B shall be in accordance with the relevant benchmark rates determined by the People's Bank of China or CBRC (if any). In addition, such fees shall not exceed those charged by the Major Commercial Banks in the PRC for provision of same kind of financial services to Party B.

Article 4 Representation and Warranties by Both Parties

4.1 Representation and warranties by Party A:

4.1.1 Party A is a non-banking financial institution legally established with a status of independent legal entity to provide professional corporate financial services. It currently holds a valid Business License for Enterprise Legal Person and Financial Business Operation Permit.

4.1.2 Party A has obtained all government approvals and internal authorizations for entering into this agreement and performance of the obligations hereunder. This agreement will be binding on Party A upon its execution.

4.1.3 Party A shall ensure the stable operation of its fund management system to safeguard the funds.

4.1.4 Party A shall ensure strict compliance with the risk monitoring indicators for financial institutions issued by CBRC, and requirements of CBRC and other relevant PRC laws, regulations and regulatory documents regarding its major regulatory indicators such as gearing ratio and liquidity ratio.

4.1.5 Party A shall not make investment with deposit of Party B save for purchasing government bonds.

4.1.6 Copies of regulatory reports of Party A shall be submitted to CBRC and other relevant regulatory authorities as well as Party B.

4.1.7 Monthly financial statements of Party A shall be provided to Party B within the first 10 working days of the following month.

4.1.8 Party B shall have the right to review and obtain relevant documents such as account books, financial statements and audit reports of Party A pursuant to the Company Law and Articles of Association.

4.1.9 Party B shall be notified immediately by Party A on the occurrence of circumstances that may cause harms to the security of the deposits of Party B or on the occurrence of any other circumstances that may jeopardize the security of the deposits of Party B. Party B shall have the right to withdraw all deposits.

4.2 Representation and warranties by Party B:

4.2.1 Party B is a limited liability enterprise legally established with a status of independent legal entity holding a valid Business License for Enterprise Legal Person.

4.2.2 Party B has obtained necessary internal authorizations for entering into this agreement and performance of the obligations hereunder. This agreement will be binding on Party B upon its execution.

Article 5 Confidentiality

Both Parties shall strictly perform their obligation of confidentiality and shall not disclose to the public any business information, technical records and financial position, with the exception of the reports required to be submitted to the relevant government authorities by the Parties and those required to be disclosed by Party B according to the listing rules of the listing location for its securities, unless such information has already been made public previously.

Article 6 Miscellaneous

6.1 Any party shall not in any way transfer its rights or obligations hereunder without written consent from the other party.

6.2 Should any clauses herein be amended, become illegal, invalid or unenforceable at any time, the other clauses shall not be affected.

6.3 In case of any failure of any party in performance of its obligations of this agreement pursuant to the requirements hereof due to force majeure, the party shall provide immediate written notification for the other party and shall not be deemed as default. The other party shall provide a reasonable period for the said party to perform its duties and obligations according to the situation.

6.4 Any modification or supplement to this agreement shall be made in written agreement. Modifications or supplements to this agreement are integral parts hereof and shall have equivalent effects with this agreement.

6.5 Unless otherwise provided, non-exercise or delayed exercise by a party of its rights under this agreement shall not constitute a waiver of such rights whereas any single or partial exercise of the relevant rights shall not preclude the exercise of any other rights.

Article 7 Notification

7.1 Pursuant to this agreement, any notice or other documents sent by a party to the other party shall be given in written letter and delivered by hand, by mail or by fax to the other party's address as follows:

- (a) Party A: Yankuang Group Financial Company
Address: 329 Fushan South Road, Zoucheng City, Shandong Province
Telephone: 0537-5393707
Facsimile: 0537-5384480
- (b) Party B: Yanzhou Coal Mining Company Limited
Address: 298 Fushan South Road, Zoucheng City, Shandong Province
Telephone: 0537-5385343
Facsimile: 0537-5383311

7.2 Arrival time of notices or other documents:

(a) Delivery by hand: upon hand-over of the letter;

(b) Delivery by mail: within five (5) working days after posting (excluding Saturdays, Sundays and public holidays in PRC); and

(c) Delivery by fax: upon receipt of fax. Where the fax is received outside business hours, the receiving time shall be the general business hours of the second day (excluding Saturdays, Sundays and public Holidays in PRC) and the sender shall present the confirmation from the fax machine to certify completion of faxing.

Article 8 Applicable laws and jurisdictions

This agreement shall be governed by and construed by the applicable laws of PRC. Any disputes (including any issues concerning the existence, validity, and rights and duties of both parties under this Agreement) arising from or in connection with this Agreement unable to be resolved through friendly negotiation may be submitted to Jining Arbitration Commission located in Jining city for arbitration according to its prevailing Provision Rules of Procedure upon request of any party. This arbitrate award shall be final and binding upon both parties.

Article 9 Term of Agreement

9.1 Unless otherwise agreed in written form by both parties, this Agreement shall apply with retrospective effect from 1 January 2013 and terminate on 31 March 2014, subject to signatures by the legal representatives or authorized representatives of both parties and approval by independent shareholders or the board of directors pursuant to approval permission and local regulatory requirements in the listing locations of the Company. During the term of this agreement, any modification or termination of this agreement on the request of a party shall be made upon consent of both parties upon negotiation with a 30 days prior written notice given to the other party.

9.2 In case of material default of any clauses hereof by any party (“defaulting party”), this agreement may be terminated immediately by the other party where the defaulting party fail to provide remediation of such default within the reasonable period provided in written notice by the other party for notification of such default and request for remediation of such act of default, or where such act of default is not remediable.

9.3 Termination of this Agreement shall not harm any occurred rights or duties of any party.

Article 10 Supplementary Provisions

10.1 This agreement is written in Chinese.

Copies of this agreement, which are made in quadruplicate with equal legal effects, shall be held respectively by both parties (2 copies for each party).

(This is a blank page and is only for execution of the Financial Services Agreement between Yankuang Group Financial Company and Yanzhou Coal Mining Company Limited)

Party A: Yankuang Group Financial Company

Legal representative or authorized representative (Signature):

Party B: Yanzhou Coal Mining Company Limited

Legal representative or authorized representative (Signature):

Financial Services Agreement

between

Yankuang Group Financial Company

and

Yanzhou Coal Mining Company Limited

21 March 2014

This agreement is entered into by the following parties on 21 March 2014 in Zhoucheng City, Shandong Province:

Yankuang Group Financial Company (hereinafter referred to as “**Party A**”), a company with limited liability incorporated and validly exists under the laws of PRC, with registry number of business license for legal person as 370000000002238 and registered office at 329 Fushan South Road, Zoucheng City, Shandong Province and its legal representative being Chen Changchun.

Yanzhou Coal Mining Company Limited (hereinafter referred to as “**Party B**”), a company with limited liability incorporated and validly exists under the laws of PRC, with registry number of business license for legal person as 370000400001016 and registered office at 298 Fushannan Road Zoucheng, Shandong Province and its legal representative being Li Weimin.

Where:

1. Party A is a non-banking financial institution duly established with the approval of the China Banking Regulatory Commission (hereinafter referred to as “CBRC”) and is a professional institution engaged in corporate financial services. According to the laws and regulations in relation to corporate finance company, it provides financial services to Yankuang Group Co., Ltd. (“Yankuang Group”), the controlling shareholder of Party A, and its subsidiaries.
2. The shares publicly issued by Party B are listed on the Shanghai Stock Exchange, Hong Kong Stock Exchange and New York Stock Exchange respectively. With Yankuang Group being the controlling shareholder of both Party A and Party B, according to the domestic and overseas regulatory requirements in relation to Party B, the businesses between Party A and Party B and its subsidiaries (collectively referred to as “Party B”) constitute normal continuing connected transactions.
3. Party B agrees to elect Party A as one of the financial institutions providing financial services.

Based on the principles of fairness and reasonableness and mutual benefit, Party A and Party B reached the following agreement by consensus upon negotiation in respect of Party A’s provision of financial services to Party B:

Article 1 Service Principles

1.1 Party A and Party B shall cooperate and perform this agreement based on the principles of equality and voluntariness, complementarity, mutual benefit, common development and co-winning partnership.

1.2 Party B has the right to choose the financial institution for financial services and decide the financial institution for deposit services and loan services as well as the amounts thereof pursuant to its own business needs.

1.3 Party A regards Party B as its important customer and undertakes that the terms for the provision of financial services to Party B at any time shall be no less favorable than the same type of financial services provided by the Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China and China Construction Bank (hereinafter referred to as “Major Commercial Banks in the PRC”).

Article 2 Details of Services

Party A shall provide Party B with the following services:

1. Deposit service: the maximum daily balance (including accrued interests) of Party B on the settlement account in Party A shall not exceed RMB930 million.
2. Integrated credit facility: Party A shall provide Party B with credit facility limit of RMB1 billion (including accrued interests) .
3. Bill discount service: Party A shall provide Party B with bill discount service with the annual amount of discount not exceed RMB36.5 million.
4. Settlement service: Party A shall provide payment and receipt services as well as other ancillary services related to settlement services to Party B in the settlement account opened by Party B in Party A. Within the agreed valid period, the annual fee for settlement services shall not exceed RMB7.45 million.
5. Bill acceptance services, financial and financing consultation, credit certification and relevant consultation and agency services.
6. Other services approved by CBRC.

Article 3 Pricing of Services

3.1 Deposit services: the interest rate for the deposit of Party B with Party A shall not be lower than the interest rate for the same kind of deposit announced by the People's Bank of China for the same period nor lower than the interest rate for the same kind of deposit offered by the Major Commercial Banks in the PRC for the same period nor lower than the interest rate for the same kind of deposit made by other group members of Yankuang Group in Party A for the same period.

3.2 Loan services: the interest rate for the loan provided by Party A to Party B shall not exceed the interest rate for the same class of loan provided by the Major Commercial Banks in the PRC to Party B for the same period. Party A shall provide the loan to Party B on normal commercial terms and no asset is required from Party B as collateral.

3.3 Bill discount service: the interest rate for bill discount provided by Party A to Party B shall not be higher than the interest rate for bill discount provided by the Major Commercial Banks in the PRC.

3.4 The fees charged by Party A for the provision of financial services including settlement services, entrusted loans, entrusted investment, security service, bill acceptance, financial and financing consultation, credit certification and relevant consultation and agency services to Party B shall be in accordance with the relevant benchmark rates determined by the People's Bank of China or CBRC (if any). In addition, such fees shall not exceed those charged by the Major Commercial Banks in the PRC for provision of same kind of financial services to Party B.

Article 4 Representation and Warranties by Both Parties

4.1 Representation and warranties by Party A:

4.1.1 Party A is a non-banking financial institution legally established with a status of independent legal entity to provide professional corporate financial services. It currently holds a valid Business License for Enterprise Legal Person and Financial Business Operation Permit.

4.1.2 Party A has obtained all government approvals and internal authorizations for entering into this agreement and performance of the obligations hereunder. This agreement will be binding on Party A upon its execution.

4.1.3 Party A shall ensure the stable operation of its fund management system to safeguard the funds.

4.1.4 Party A shall ensure strict compliance with the risk monitoring indicators for financial institutions issued by CBRC, and requirements of CBRC and other relevant PRC laws, regulations and regulatory documents regarding its major regulatory indicators such as gearing ratio and liquidity ratio.

4.1.5 Party A shall not make investment with deposit of Party B save for purchasing government bonds.

4.1.6 Copies of regulatory reports of Party A shall be submitted to CBRC and other relevant regulatory authorities as well as Party B.

4.1.7 Monthly financial statements of Party A shall be provided to Party B within the first 10 working days of the following month.

4.1.8 Party B shall have the right to review and obtain relevant documents such as account books, financial statements and audit reports of Party A pursuant to the Company Law and Articles of Association.

4.1.9 Party B shall be notified immediately by Party A on the occurrence of circumstances that may cause harms to the security of the deposits of Party B or on the occurrence of any other circumstances that may jeopardize the security of the deposits of Party B. Party B shall have the right to withdraw all deposits.

4.2 Representation and warranties by Party B:

4.2.1 Party B is a limited liability enterprise legally established with a status of independent legal entity holding a valid Business License for Enterprise Legal Person.

4.2.2 Party B has obtained necessary internal authorizations for entering into this agreement and performance of the obligations hereunder. This agreement will be binding on Party B upon its execution.

Article 5 Confidentiality

Both Parties shall strictly perform their obligation of confidentiality and shall not disclose to the public any business information, technical records and financial position, with the exception of the reports required to be submitted to the relevant government authorities by the Parties and those required to be disclosed by Party B according to the listing rules of the listing location for its securities, unless such information has already been made public previously.

Article 6 Miscellaneous

6.1 Any party shall not in any way transfer its rights or obligations hereunder without written consent from the other party.

6.2 Should any clauses herein be amended, become illegal, invalid or unenforceable at any time, the other clauses shall not be affected.

6.3 In case of any failure of any party in performance of its obligations of this agreement pursuant to the requirements hereof due to force majeure, the party shall provide immediate written notification for the other party and shall not be deemed as default. The other party shall provide a reasonable period for the said party to perform its duties and obligations according to the situation.

6.4 Any modification or supplement to this agreement shall be made in written agreement. Modifications or supplements to this agreement are integral parts hereof and shall have equivalent effects with this agreement.

6.5 Unless otherwise provided, non-exercise or delayed exercise by a party of its rights under this agreement shall not constitute a waiver of such rights whereas any single or partial exercise of the relevant rights shall not preclude the exercise of any other rights.

Article 7 Notification

7.1 Pursuant to this agreement, any notice or other documents sent by a party to the other party shall be given in written letter and delivered by hand, by mail or by fax to the other party's address as follows:

- (a) Party A: Yankuang Group Financial Company
Address: 329 Fushan South Road, Zoucheng City, Shandong Province
Telephone: 0537-5386804
Facsimile: 0537-5384480
- (b) Party B: Yanzhou Coal Mining Company Limited
Address: 298 Fushan South Road, Zoucheng City, Shandong Province
Telephone: 0537-5382319
Facsimile: 0537-5383311

7.2 Arrival time of notices or other documents:

(a) Delivery by hand: upon hand-over of the letter;

(b) Delivery by mail: within five (5) working days after posting (excluding Saturdays, Sundays and public holidays in PRC); and

(c) Delivery by fax: upon receipt of fax. Where the fax is received outside business hours, the receiving time shall be the general business hours of the second day (excluding Saturdays, Sundays and public Holidays in PRC) and the sender shall present the confirmation from the fax machine to certify completion of faxing.

Article 8 Applicable laws and jurisdictions

This agreement shall be governed by and construed by the applicable laws of PRC. Any disputes (including any issues concerning the existence, validity, and rights and duties of both parties under this Agreement) arising from or in connection with this Agreement unable to be resolved through friendly negotiation may be submitted to Jining Arbitration Commission located in Jining city for arbitration according to its prevailing Provision Rules of Procedure upon request of any party. This arbitrate award shall be final and binding upon both parties.

Article 9 Term of Agreement

9.1 Unless otherwise agreed in written form by both parties, this Agreement shall apply with retrospective effect from 1 April 2014 and terminate on 31 March 2015, subject to signatures by the legal representatives or authorized representatives of both parties and approval by independent shareholders or the board of directors pursuant to approval permission and local regulatory requirements in the listing locations of the Company. During the term of this agreement, any modification or termination of this agreement on the request of a party shall be made upon consent of both parties upon negotiation with a 30 days prior written notice given to the other party.

9.2 In case of material default of any clauses hereof by any party (“defaulting party”), this agreement may be terminated immediately by the other party where the defaulting party fail to provide remediation of such default within the reasonable period provided in written notice by the other party for notification of such default and request for remediation of such act of default, or where such act of default is not remediable.

9.3 Termination of this Agreement shall not harm any occurred rights or duties of any party.

Article 10 Supplementary Provisions

10.1 This agreement is written in Chinese.

Copies of this agreement, which are made in quadruplicate with equal legal effects, shall be held respectively by both parties (2 copies for each party).

(This is a blank page and is only for execution of the Financial Services Agreement between Yankuang Group Financial Company and Yanzhou Coal Mining Company Limited)

Party A: Yankuang Group Financial Company

Legal representative or authorized representative (Signature):

Party B: Yanzhou Coal Mining Company Limited

Legal representative or authorized representative (Signature):

Special Labour & Service Supply Agreement

between

Yanzhou Coal Mining Company Limited

and

Yankuang Group Company Limited

21 March 2014

This agreement was signed by the following parties on 21 March 2014 in Zoucheng city, Shandong province:

Yanzhou Coal Mining Company Limited (hereafter as "Party A"), a joint stock limited company set up and subsists under the law of China, its publicly issued shares are listed on the Shanghai Stock Exchange, The Hong Kong Stock Exchange and New York Stock Exchange in US, the business licence of the legal person is 370000400001016, the domicile is 298 Fushan South Road Zoucheng city, Shandong province, the legal representative is Li Xiyong.

Yankuang Group Company Limited (hereafter as "Party B"), a wholly-owned state enterprise set up and subsists under the law of China, the business licence of the legal person is 370000018019807, the domicile is 298 Fushan South Road Zoucheng city, Shandong province, the legal representative is Zhang Xinwen.

Whereas:

1. Party A has offered shares to the public, and after its shares have been listed on the Shanghai Stock Exchange, The Hong Kong Stock Exchange and New York Stock Exchange in US, Party B is still the controlling shareholder of Party A, as at the date of signing this agreement, it holds approximately 52.86% of the issued shares of Party A. Party A possesses rich professional technical, management and service experiences in coal mine operation, coal washing, separation and processing.
2. Party B currently still have some coal mine resources requiring professional coal mine operation services and washing, selection and processing services of coal products.
3. In order to efficiently use the existing professional service experience and labour resources of Party A, further enhance the economic benefits of Party A, Party A agrees to provide professional services of coal mine operation, coal washing, selection and processing to Party B and its Subsidiaries according to this agreement.

Pursuant to the provisions of the Contract Law of the People's Republic of China and the related laws and regulations, regulatory rules of the place of listing of Party A, after the amicable discussion between the parties to the agreement, both parties have reached the following agreement in respect of the provision of professional labour and services by Party A to Party B:

1. Definition and interpretation

1.1 Definition

Unless otherwise specified in the contexts, the following words shall have the following meanings in this agreement:

“Financial year”	The financial year from 1 January to 31 December of each year;
“Half yearly”	In respect of a financial year, this refers to half of a year from 1 January to 30 June or half of a year from 1 July to 31 December;
“The Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“China”	the People's Republic of China;
“Renminbi”	The legal tender of China;
“Market Price”	The market prices of labour and services calculated under Clause 4.2 of the Agreement as applicable;
“State Fixed Price”	The prices of labour and services determined under Clause 4.3; and
“Subsidiaries”	The controlled subsidiaries and other branches of Party A and Party B.

1.2 Interpretation

Unless it is intended to the contrary, otherwise

- (1) In this agreement, as far as the labour and services are concerned, Party A and Party B shall include their Subsidiaries, while Party B shall include its associates from time to time (“Associates” has its definition of “Associates” in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited), for the purpose of this agreement, here, the Subsidiaries of Party B shall not include Party A and its Subsidiaries;

- (2) A party to this agreement or any other agreements includes its successor or approved transferee;
- (3) The provisions or appendix refer to the provisions or appendix of this agreement;
- (4) Any provisions of this agreement shall not be interpreted as the extension, alteration, changes or supplement of the agreement;
- (5) The headings of this agreement are used for convenience purposes, they shall not affect the contents and interpretation of the agreement.

2. Provision of professional labour and services

2.1 The labour and services provided by Party A to Party B under this agreement include:

- (1) coal mine operation and management;
- (2) coal washing, separation and processing.

2.2 Party A shall provide the labour and services under this agreement to Party B according to the conditions of the agreement and specific conditions (including but not limited to the quantity and quality) agreed by both parties from time to time.

3. Operation method

3.1 Party B can submit to a plan of demand for labour and services for the next year or an adjustment plan for the service items of this year to Party A before 30 November each year ("Annual Supply Plan"), both parties should reach a consensus of that plan before 31 December of that year.

3.2 Both parties to the agreement and its respective Subsidiaries and the Associates of Party B can enter into specific labour and service supply contracts according to the agreement (including the Annual Supply Plan formulated under the agreement).

3.3 During the execution process of the Annual Supply Plan or specific supply contracts, if necessary and subject to the consent of both parties, the Annual Supply Plan or specific supply contracts can be adjusted.

- 3.4 The sums of the supply of labour and services can be paid in a lump sum or by installments.
- 3.5 The parties to the agreement shall pay to the other party the sums due and payable for the continuous connected transactions or record on the books for the sums for the continuous connected transactions received from the other party on the last business day of each calendar month at the latest. Settlement of the sums for the continuous connected transactions shall be completed in the month immediately follows the current month, but this does not include the sums not yet completed at that time and sums with disputes not yet settled.
4. Pricing basis of supply of labour and services
- 4.1 The prices for the services of coal mine operation, coal washing, separation and processing shall be determined according to the Market Prices. Those Market Prices should be calculated and estimated before each financial year as much as possible.
- 4.2 The Market Price of the supply agreed upon shall be determined according to normal commercial terms and the following basis:
- (1) The prices charged by an independent third party of the same or similar labour and services in the place of provision or its proximity which provides the same or similar labour and services under normal commercial terms during normal course of business at that time; or
 - (2) The prices charged by an independent third party of the same or similar labour and services in China which provides the same or similar labour and services under normal commercial terms during normal course of business at that time if (1) does not apply.
- 4.3 At any time while the State Fixed Price is effective and applicable for the supply of labour and services of this agreement, both parties agree that the price of those labour and services should be determined according to the State Fixed Price. The State Fixed Price refers to the price specified for those provisions agreed upon by the relevant laws, regulations, decisions, orders or pricing policies of the related government authorities of China (as the specific case may be).

5. Representation, undertaking and warranty of Party A

- 5.1 Party A is a joint stock limited company set up in accordance with the law, it is an independent legal person, and currently holds a valid business licence.
- 5.2 Party A has been conducting operating activities in accordance with the law, and has not been engaged with any activities beyond the business scope specified by the law and regulations.
- 5.3 The signing of this agreement by Party A or its execution of the duties under the agreement will not violate any other agreements that it has entered into, and there will not any conflicts in law with the other agreements that it has entered into.
- 5.4 Party A warrants that it shall provide the labour and services under this agreement to Party B according to normal commercial terms.
- 5.5 Party A undertakes and warrants that it will maintain the labour and services provided by Party A in accordance with and which reach the requirements and standard determined through the discussion of Party A and Party B from time to time.
- 5.6 Party A will ensure that it always has an adequate number employees with certain qualifications to provide the labour and services, and that its employees can obtain adequate guidance and instructions to provide the labour and services according to the reasonable requirements of Party B.
- 5.7 Party A undertakes to Party B that Party A will cause its Subsidiaries to take all necessary action to perform their duties under this agreement.

- 5.8 Party A warrants that when it performs the duties under this agreement, it should take reasonable action to avoid certain omissions which cause Party B suffers any damage. If any losses are made to Party B, Party A undertakes to compensate Party B for all its losses.
6. Representation, undertaking and warranty of Party B
- 6.1 Party B is a wholly state-owned enterprise set up in accordance with the law, it is an independent legal person, and currently holds a valid business licence.
- 6.2 Party B has been conducting operating activities in accordance with the law, and has not been engaged with any activities beyond the business scope specified by the law and regulations.
- 6.3 The signing of this agreement by Party B or its execution of the duties under the agreement will not violate any other agreements that it has entered into or its Clauses of Association, and there will not any conflicts in law with the other agreements that it has entered into or its Clauses of Association.
- 6.4 Party B undertakes that it will pay the fees for those labour and services to Party A in time as agreed in this agreement, if there is any breach of the terms of this agreement, Party B will undertake the liabilities of its action which violates the stipulations of this agreement.
- 6.5 Party B warrants that when it performs the duties under this agreement, it should take reasonable action to avoid certain omissions which cause Party A suffers any damage. If any losses are made to Party A, Party B undertakes to compensate Party B for all its losses.
7. Termination of supply of labour and services
- 7.1 Unless otherwise agreed in this agreement, any party of the parties to the agreement can issue a written notice of termination to the other party no less than 3 months in advance to terminate certain types of labour or services, the types of labour and services to be terminated and when such termination will be effective must be stated in the notice. The provision or purchase of those types of supply of labour and services stated in the notice will be automatically terminated starting on the effective date of termination stated in that notice. If any provision of the supply of labour and services is terminated according to this clause, that termination will not affect the other rights and duties of Party A or Party B under this agreement.

7.2 In order to avoid any doubt, both parties agrees that when Party B has issued a termination notice for the supply of labour and services according to Clause 7.1, Party A shall still provide the labour and services to Party B according to the applicable supply clauses then (other than the length of supply period) from the date of the notice up to the effective date of termination. The applicable clauses then shall include the relevant clauses of any supplementary agreement entered into according to Clause 8.3.

8. Validity, term and termination of the agreement

- 8.1 Unless otherwise agreed by both parties in writing, this agreement shall be effective with retrospective from 1 January 2014 on the conditions that this agreement has been signed by the authorized representatives or authorized representatives of the parties to the agreement and approval of the Board of Directors or independent shareholders of Party A has been obtained according to the approval authority and the regulatory provisions of the place of listing of Party A.
- 8.2 The validity period of this agreement is one year, starting from 1 January 2014 and ending on 31 December 2014.
- 8.3 If this agreement is required to be changed for any matters, both parties shall enter into a supplementary agreement, both parties shall sign that supplementary agreement in respect of the matters concerned before the end of November of the year of the financial year in respect of that supplementary agreement. If both parties cannot reach a consensus on the terms of the supplementary agreement required before the above deadline, then the supply clauses of that year shall apply to the following financial year before both parties reach a consensus or the dispute of both parties is solved under Clause 8.4.

- 8.4 If both parties fail to reach an agreement of any matters regarding the transaction price (including but not limited to the amount and payment time of the sum payable), then upon the request of any party, that matter must be submitted to a competent commodity pricing authority, and the competent commodity pricing authority will serve as conciliator to decide the solution methods. The decision of the competent commodity pricing authority shall be final, and is binding upon both parties.
- 8.5 Before this agreement is terminated, the parties to the agreement can jointly discuss to enter into a new labour & service supply agreement to guarantee the normal operation of the production operation of the parties to the agreement after the termination of the agreement.
- 8.6 If any party seriously breaches any terms of this agreement (“Party in Default”), and the other party issues a written notice to it informing the Party in Default that its action has constituted a breach and requesting the Party in Default to make remedies within a reasonable deadline, and that Party in Default has not made the remedies for the breach within the above deadline, then the other party can immediately terminate the agreement, if the breach of the Party in Default cannot be remedied, the other party can immediately terminate this agreement.
- 8.7 The termination of this agreement shall not harm any rights or duties of any party which have already been generated.

9. Performance of the agreement

Pursuant to the regulatory rules of the place of listing of Party A (including but not limited to the requirements of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Shanghai Stock Exchange Listing Rules of Stocks), an annual amount limit of the transaction amount must be set for the continuous connected transactions under this agreement. If the annual limit of the transactions of related labour and services must be approved by the independent shareholders of Party A, then the approval of the independent shareholders of Party A will determine if those transactions continue to take place. If in a particular year the actual amount of those transactions occurred will exceed that annual limit approved by the independent shareholders of Party A, then before Party A performs the related approval procedures according to the regulatory rules of the place of listing, both parties shall terminate to perform the supply of labour and services which has exceeded the annual limit approved by the independent shareholders of Party A.

10. Announcement

Without the prior written consent of the other party, either party shall not or permit another party (to the extent a party is able to control another party) to make any notice related to the subject matter or any related matters of this agreement, with the exception of the announcement made according to the law or the stipulations of the China Securities Regulatory Commission, Shanghai Stock Exchange, The Hong Kong Stock Exchange, Hong Kong Securities and Futures Commission, New York Stock Exchange, Securities and Exchange Commission of US or any other regulatory bodies of the place of listing of Party A.

11. Other provisions

11.1 Without the consent of the other party, either party shall not transfer its rights or duties under this agreement.

11.2 This agreement and its appendix constitute all the agreement reached by both parties in respect of the matters under this agreement, and supersede all the previous agreement related to those transactions by both parties. If any party (“Party in Default”) breaches any terms of the original agreement of the connected transactions, the validity of this agreement shall not affect any rights of the other party (“Observant Party”) that it should obtain as a result of the breach of the Party in Default.

11.3 If any terms of this agreement become illegal, void or unenforceable due to the lapse of time, the other terms shall not be affected.

- 11.4 If either party cannot perform any duties in this agreement as stipulated in this agreement due to any force majeure matters, it should provide evidence in time and notice the other party in writing, then it shall not be deemed as having made any breach. And the other party shall agree to give a reasonable period of time to that party to perform the relevant responsibilities and duties depending on the situations then.
- 11.5 Both parties agree to bear all the related costs and expenses incurred due to the entering of this agreement according to the relevant law and regulations of China, for those not provided by the law, both parties shall share equally.
- 11.6 The revision of this agreement or its appendix should be made by written agreement as far as possible, which should be signed by both parties, and approved by the adoption of the appropriate legal person's action.
- 11.7 Unless otherwise provided, the failure to exercise or postponement to exercise its rights, power or privileges under this agreement does not constitute a waiver of such rights, power or privileges, and a single or partial exercise of such rights, power or privileges does not exclude the exercise of any other rights, power or privileges.
- 11.8 The appendix to this agreement is an integral part of this agreement, and has the same binding power in this agreement as if it has been incorporated in this agreement.

12. Notice

12.1 Any notices or other documents served to both parties under this agreement should be mailed or faxed by written letters to the following addresses of the parties concerned:

(a) Party A: Yanzhou Coal Mining Company Limited

Address: 298 Fushan South Road, Zoucheng city,
Shandong province, the People's Republic of China

Telephone no: 0537-5382319

Fax no: 0537-5383311

(b) Party B: Yankuang Group Company Limited

Address: 298 Fushan South Road, Zoucheng city,
Shandong province, the People's Republic of China

Telephone no: 0537-5382232

Fax no: 0537-5382831

12.2 Time that the notices or documents are served is:

(a) In person: The time when the letter is delivered;

(b) Mail: Five (5) working days after posting (excluding Saturday, Sunday and public holidays of China); and

(c) Fax: The time when the fax is received. If it is received outside the normal business hours, then it is regarded as having been served during the normal business hours on the next day (excluding Saturday, Sunday and public holidays of China), and the sender of the fax should produce the confirmation report printed by the fax machine to show that the fax has been served completely.

13. Applicable law and jurisdiction

This agreement shall be governed by the law of China and shall be construed thereof. Any disputes related to this agreement or made as result of this agreement (including all issues on its existence, validity or termination or the rights or duties of both parties under this agreement), if they cannot be solved by amicable discussion, either party can submit those matters for arbitration to Jining Arbitration Commission in Shandong province, China, the place of arbitration is Jining city, the arbitration will be conducted according to the arbitration rules which apply to the arbitration application in that arbitration commission. The arbitration award is final, and is binding upon both parties.

14. Supplementary rules

This agreement is written in Chinese.

This agreement contains four originals, both parties will each hold two copies after they are signed and chopped by the authorized representatives or authorized representatives, each agreement has the same force.

This is to certify that this agreement was entered into on the date written on the first page.

Yanzhou Coal Mining Company Limited
(Seal)

Legal representative or authorized representative:

Yankuang Group Company Limited
(Seal)

Legal representative or authorized representative:

Appendix: Labour & services supplied by Party A to Party B

<u>Serial no</u>	<u>Item supplied</u>	<u>Pricing basis</u>	<u>Term of supply</u>	<u>Notice period for termination</u>
1	Coal mine operation and management	Market Price	1 year	3 months
2	Coal washing, separation and processing	Market Price	1 year	3 months

LIST OF SUBSIDIARIES OF YANZHOU COAL MINING COMPANY LIMITED

As of December 31, 2013, we owned the following subsidiaries:

<u>Name of Subsidiary</u>	<u>Country of incorporation/ registration and operation</u>
Austar Coal Mine Pty, Limited	Australia
Yanmei Heze Neng Hua Company Limited	PRC
Yancoal Australia Limited	Australia
Shandong Yanmei Shipping Co., Ltd.	PRC
Yanzhou Coal Yulin Neng Hua Company Limited	PRC
Qingdao Free Trade Zone Zhongyan Trade Co., Ltd.	PRC
Yanzhou Coal Shanxi Neng Hua Company Limited	PRC
Shanxi Heshun Tianchi Energy Company Limited	PRC
Shanxi Tianhao Chemical Company Limited	PRC
Shandong Hua Ju Energy Company Limited	PRC
Yanzhou Coal Ordos Neng Hua Company Limited	PRC
Inner Mongolia Yize Mining Investment Co., Ltd.	PRC
Inner Mongolia Rongxin Chemical Co., Ltd.	PRC
Inner Mongolia Daxin Industrial Gas Co., Ltd.	PRC
Inner Mongolia Xintai Coal Mining Company Limited	PRC
Inner Mongolia Haosheng Coal Mining Co., Ltd.	PRC
Shandong Yanmei Rizhao Port Coal Storage and Blending Co., Ltd.	PRC
Ordos Zhuan Longwan Co., Ltd.	PRC
Ordos Ying Panhao Coal Co., Ltd.	PRC
Yancoal International (Holding) Company Limited	Hong Kong
Yancoal International Resources Development Co., Limited	Hong Kong
Yancoal International Technology Development Co., Limited	Hong Kong
Yancoal International Trading Co., Limited	Hong Kong
Yancoal Technology (Holdings) Co., Ltd.	Australia
Yancoal Resources Limited	Australia
Shandong Coal Trading Centre Co., Ltd.	PRC
Zoucheng Yankuang Beisheng Industry & Trading Co., Ltd.	PRC
Athena Coal Pty Ltd.	Australia
Syntech Holdings Pty Ltd.	Australia
Gloucester Coal Limited	Australia
Syntech Holdings II Pty Ltd.	Australia
Yancoal Canada Resources Co., Ltd.	Canada
Yancoal Luxembourg Energy Holding Co., Limited	Luxembourg
Premier Coal Holdings P/L	Australia
Tonford Holdings P/L	Australia
Wilpeena Holdings P/L	Australia
Yancoal Energy P/L	Australia

**CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14
OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, YIN Mingde, certify that:

1. I have reviewed this annual report on Form 20-F of Yanzhou Coal Mining Company Limited (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material aspects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 29, 2014

By: _____ /s/ Yin Mingde
Name: Yin Mingde
Title: General Manager

**CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14
OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, WU Yuxiang, certify that:

1. I have reviewed this annual report on Form 20-F of Yanzhou Coal Mining Company Limited (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material aspects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The company’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the Audit Committee of the Company’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 29, 2014

By: _____ /S/ Wu Yuxiang
Name: Wu Yuxiang
Title: Chief Financial Officer

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES–OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the annual report on Form 20-F of Yanzhou Coal Mining Company Limited (the “Company”) for the year ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof, I, YIN Mingde, General Manager of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The annual report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the annual report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2014

By: _____ /S/ Yin Mingde
Name: Yin Mingde
Title: General Manager

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

