內蒙古伊泰煤炭股份有限公司

INNER MONGOLIA YITAI COAL CO., LTD.*

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

Stock Code : 3948

2012 Annual Report

*For identification purposes only

CONTENTS

DEFINITIONS AND MAJOR RISK NOTICE

1. DEFINITIONS

Unless otherwise stated, the following terms shall have the following meanings in this report:

Definitions of frequently-used terms

Board	the board of directors of the Company
Coal-to-oil Company	Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)
Company or the Company	Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司)
Director(s)	the director(s) of the Company
Group	the Company and its subsidiaries
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Huzhun Railway Company	Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)
Inner Mongolia	Inner Mongolia Autonomous Region in the PRC
Inner Mongolia DRC	Inner Mongolia Development and Reform Commission (內蒙古自治區發展與改革委員會)
Jingneng Power	Beijing Jingneng Thermal Power Co., Ltd. (北京京能熱電股份有限責任公司)
Jingtai Power	Inner Mongolia Jingtai Electric Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司)
Latest Practicable Date	21 March 2013, being the latest practicable date prior to the printing of this annual report for ascertaining certain information in this annual report

NDRC	National Development and Reform Commission of the PRC
SFO	Securities and Futures Ordinance
Suancigou Mine	Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)
Supervisory Committee	the supervisory committee of the Company
Synfuels China	Synfuels China Inc. (中科合成油技術有限公司)
Yili Energy Company	Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)
Yili Mining	Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司)
Yitai Chemical Company	Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)
Yitai Group	Inner Mongolia Yitai Group Co., Ltd. (內蒙古伊泰集團有限公司)
Yitai HK	Yitai Group (Hongkong) Co., Ltd. (伊泰(集團)香港有限公司)
Yitai Tiedong Storage and Transportation Company	Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd. (內蒙古伊泰鐵東儲運有限責任公司)
Yitai Xinjiang	Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)
Yizheng Fire-proof	Ordos Yizheng Coal Mine Fire-proof Project Co., Ltd. (鄂爾多斯市伊政煤田滅火工程有限責任公司)
Zhundong Railway Company	Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)

2. MAJOR RISK NOTICE:

The major risks faced by the Company include policy risks, market risks and operational risks. Relevant risks and countermeasures have been described in details in Item II “Discussion and Analysis of the Board on the Company’s Future Development” under the Section V “REPORT OF THE DIRECTORS” in this report for your review.

CORPORATE PROFILE

1. CORPORATE INFORMATION

Chinese name of the Company	內蒙古伊泰煤炭股份有限公司
Chinese abbreviation	伊泰煤炭
English name of the Company	INNER MONGOLIA YITAI COAL CO., LTD.
English abbreviation of the name of the Company	IMYCC/Yitai Coal
Legal representative	Zhang Donghai
Members of the Board	*Executive Directors* Zhang Donghai *(Chairman)* Liu Chunlin Ge Yaoyong *(President)* Zhang Dongsheng Kang Zhi Zhang Xinrong Lv Guiliang *Independent Non-executive Directors* Xie Xianghua Lian Junhai Song Jianzhong Tam Kwok Ming, Banny
Members of the Strategic Planning Committee	Zhang Donghai *(Chairman)* Liu Chunlin Ge Yaoyong Zhang Dongsheng Kang Zhi Zhang Xinrong Lv Guiliang Song Jianzhong Xie Xianghua Lian Junhai Tam Kwok Ming, Banny
Members of the Audit Committee	Lian Junhai *(Chairman)* Song Jianzhong Xie Xianghua Tam Kwok Ming, Banny

CORPORATE PROFILE *(Continued)*

1. CORPORATE INFORMATION *(CONTINUED)*

Members of the Nomination Committee	Song Jianzhong *(Chairman)* Zhang Donghai Liu Chunlin Ge Yaoyong Xie Xianghua Lian Junhai Tam Kwok Ming, Banny
Members of the Remuneration and Assessment Committee	Xie Xianghua *(Chairman)* Zhang Donghai Liu Chunlin Ge Yaoyong Song Jianzhong Lian Junhai Tam Kwok Ming, Banny
Members of Production Committee	Zhang Donghai *(Chairman)* Ge Yaoyong Zhang Xinrong Lian Junhai Xie Xianghua
Members of the Supervisory Committee	Li Wenshan *(Chairman)* Zhang Guisheng Wang Sanmin Ji Zhifu Han Zhanchun Wang Yongliang Wu Qu
Authorized Representatives	Liu Chunlin Lian Tao Lee Mei Yi *(alternate to Liu Chunlin and Lian Tao)*

2. CONTACT PERSONS AND CONTACT METHOD

Board Secretary/Joint Company Secretary

Name	**Lian Tao**
Address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Telephone	0477-8565642
Facsimile	0477-8565415
E-mail	liantaocn@gmail.com

3. BASIC INFORMATION OF THE COMPANY

Registered address	North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Postal code of the registered address	017000
Office address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Postal code of the office address	017000
Principal place of business in Hong Kong	Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong
Website	http://www.yitaicoal.com
E-mail	ir@yitaicoal.com

4. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Newspaper selected by the Company for information disclosure	Shanghai Securities News, Hong Kong Commercial Daily
Website designated by CSRC for publishing the B share annual report	http://: www.sse.com.cn
Website designated by Hong Kong Stock Exchange for publishing the H share annual report:	http://www.hkexnews.hk
Place of inspection of the Company's annual report	Securities department and principal place of business in Hong Kong

5. BASIC INFORMATION ON THE COMPANY'S SHARES

Basic information on the Company's shares

Class of shares	Stock exchange	Stock abbreviation	Stock Code	Stock abbreviation before change
B shares	Shanghai Stock Exchange	Yitai B Share	900948	Yi Coal B share (伊煤B股)
H shares	Hong Kong Stock Exchange	Yitai Coal	03948	/

6. CHANGE IN BUSINESS REGISTRATION OF THE COMPANY DURING THE REPORTING PERIOD

(1) Basic information

Date of business registration	7 January 2013
Place of business registration	Inner Mongolia Administration for Industry and Commerce
Registration number of the Company's business license:	150000400001093
Tax registration number:	152702626402490
Organization code:	62640249-0

(2) Inspection index to the initial business registration of the Company

Details of the initial business registration of the Company are set out in the section headed "corporate profile" in the 2011 B share annual report.

(3) Changes in principal business since the listing of B shares of the Company

When the B shares of the Company were listed in 1997, its principal business included the followings: production, transportation, washing, coking, sales of raw coal, farm breeding and plantation; catering, accommodation and entertainment services, supply of coal mining equipment and accessories, and supply of materials in the system, construction and operation of highways, and refueling service.

6. CHANGE IN BUSINESS REGISTRATION OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(3) Changes in principal business since the listing of B shares of the Company *(Continued)*

1. In November 2006, the Company changed its principal scope of business and quitted from the followings: farm breeding, accommodation and entertainment services, and supply of coal mining equipment and accessories, and supply of materials in the system; and added the followings into its business scope: development of mine materials supply, mine hotel rooms and mine tourism, trade related to tourism, bowling, karaoke and natatorium.

2. In April 2008, the Company changed its principal scope of business and quitted from bowling, karaoke and natatorium businesses and included the solar power generation business.

3. In April 2011, the Company changed its principal scope of business to add "import of coal, coal mining equipment and coal-related chemical equipment".

(4) Changes in controlling shareholders since the listing of B shares of the Company

There was no change in controlling shareholders since the listing of B shares of the Company.

7. OTHER RELEVANT INFORMATION

		B shares/Domestic	H share/Overseas
Auditor	Name	Da Hua Certified Public Accountants (Special General Partnership)	Ernst & Young Certified Public Accountants
	Address	12th Floor, Building No.7, Block No. 16, Xi Si Huan Zhong Road, (西四環中路) Haidian District, Beijing	22nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Legal Advisor	Name	Jingtian & Gongcheng Attorneys at Law	Clifford Chance
	Address	34th Floor, Tower 3, China Central Place, 77 Jianguo Road, Beijing	28th Floor, Jardine House, One Connaught Place, Central, Hong Kong
Share Registrar	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch	Computershare Hong Kong Investor Services Limited
	Address	36th Floor, China Insurance Building, 166 Lujiazui Road East, Pudong New Area, Shanghai	Rooms 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong

CHAIRMAN'S STATEMENT

Dear shareholders,

In 2012, China's macro economy slowed down its pace of growth, which led to a weak coal demand in the downstream industries and relatively sufficient supply versus demand condition for coal throughout the year. Meanwhile, the significant increase in imported coal aggravated the oversupply of coal and pushed the coal price to drop sharply. Under such background, the coal companies were imposed with great pressure. In face of the unfavourable impact from the declining coal market, the Company responded actively and managed to achieve its overall growth in a steady and orderly manner through prioritizing the ensurance of the safety, reasonably arranging production, transportation and distribution of coal, steadily pressing ahead construction of projects, vigorously expanding the financing channels and proactively consolidating the achievement in demonstration projects of coal-to-oil. Accordingly, the development strategy of the Company was implemented progressively. On behalf of the Board of Directors, I am pleased to present shareholders the operating results of the Company for the reporting period.

ACCOMPLISHMENT OF BUSINESS GOALS

As the Yitai Group transferred its coal mines to the Company, the production and sale of the Company's coal increased significantly in the reporting period, accomplishing the various business goals set at the beginning of the year.

During the reporting period, the Company's total output and sales of coal amounted to 49.76 million tonnes and 73.20 million tonnes respectively. Zhundong Railway Line had dispatched an aggregate of 39.00 million tonnes of coal. Huzhun Railway Line had dispatched an aggregate of 25.69 million tonnes of coal. Coal-to-oil Company had produced 172,000 tonnes of coal-related chemical products, reaching the designed production capacity first time. During the reporting period, the Company's operating revenue amounted to RMB31,583.53 million, representing an increase of 16.96% over the same period last year. Comprehensive income amounted to 7,151.14 million.

BREAKTHROUGHS IN CONSTRUCTION OF PROJECTS

The Company has made steady progress in the handling of approval procedures of and in the construction of all its key projects. The NDRC has approved the project of Talahao Mine (塔拉壕煤礦) with an annual capacity of 6,000,000 tonnes and the project of coal preparation plant. And the construction of the coal mine and coal preparation plant has fully commenced. The proposal for the Nalinmiao disaster control project (納林廟災害治理項目)has been approved by the National Energy Administration while the projects in respect of coal-related chemical projects progressed smoothly; the construction of Dalu coal-chemical special line (大路煤化工鐵路專用線) has basically completed and the construction of special railway line of Talahao Mine has been approved by the Inner Mongolia DRC. The upgrade and renovation project of Kaida Mine (凱達煤礦) was approved by the Inner Mongolia DRC. The smooth progress of the project construction cemented a solid foundation for the strategic development of the Company.

NEW ACHIEVEMENTS IN PRODUCTION SAFETY

The Company continued to place safety management on its top agenda, and fully improved its management system under the principle of "unrelenting, careful and un-self-satisfied". New achievements have been made in production safety accordingly. As at the end of the reporting period, the Company maintained the record of zero fatalities per million tonnes of raw coal production. Production safety of Zhundong Railway had been maintained for consecutive 4,400 days without any injury, casualties incident or major transportation accident. As for Huzhun Railway, there had been no injuries or casualties incidents and significant transportation incidents occurred for 2,170 days.

ENTERING INTO THE INTERNATIONAL CAPITAL MARKET SUCCESSFULLY

The Company successfully issued H shares in Hong Kong in 2012, which was one of the large-scale IPOs on the Hong Kong Stock Exchange in 2012. The successful issuance of H shares marked a new starting point for the Company's business development. With the further enhanced financing capacity, the new financing channel will provide strong capital guarantees for the construction of the Company's major projects. Meanwhile, the injection of related assets and businesses by Yitai Group will help the Company boost its production and sales volume.

In 2013, with the slowdown of demand for coal and rapid release of production capacity, the coal market may still be under great pressure. The Company will enhance its analytical ability of market and arrange the transportation and distribution plan in a scientific way, so as to ensure the accomplishment of the business goal. Based on the promotion of deep processing of coal and on the "efficient, clean and safety" requirement for utilization of coal under China's "12th Five-Year Plan for Energy Development" (國家能源"十二五"規劃), the Company will fully leverage on the core roles of Shanxi, Shaanxi and Inner Mongolia in the development of coal industry in future, accelerate its industrial upgrading, grasp potentials in future and build up its market competitiveness in a continuous manner.

SUMMARY OF MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

	2012 RMB'000	2011 RMB'000 (Restated)
Revenue	**31,583,528**	27,002,941
Cost of sales	**(20,454,324)**	(14,936,640)
Gross profit	**11,129,204**	12,066,301
Other income and gains	**619,345**	344,980
Selling and distribution expenses	**(1,121,967)**	(1,141,049)
Administrative expenses	**(1,629,936)**	(1,167,103)
Other expenses	**(52,866)**	(35,710)
Finance income	**35,043**	38,267
Finance costs	**(429,613)**	(285,744)
Exchange gains, net	**(32,460)**	17,740
Share of profits of associates	**34,114**	19,799
Profit before tax	**8,550,864**	9,857,481
Income tax expense	**(1,399,436)**	(1,628,373)
Profit for the year	**7,151,428**	8,229,108
Exchange differences on translation of overseas operations	**(290)**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**7,151,138**	8,229,108
PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	**6,454,138**	7,683,175
Non-controlling interests	**697,000**	545,933
	7,151,138	8,229,108
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(RMB)*		
— For profit for the year	**4.19**	5.25

REPORT OF THE DIRECTORS

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD

In 2012, China's macro economy slowed down its pace of growth, with noticeable downturns especially in the first three quarters. Due to an across-the-board decline in the year-on-year growth rate of various macroeconomic indicators, together with sluggish growth in downstream industries, major coal-consuming industries such as coal-fired power generation, steelmaking, and cement all experienced substantial decreases in the year-on-year growth rate of output, whilst coal-fired power generation industry, which represents 50% of the coal consumption, even suffered negative growth in the power generation volume. Meanwhile, coal prices worldwide lingered at low levels, and coal imports of China increased significantly by 59% year-on-year in 2012, which had a significant impact on the domestic coal market. On the whole, supply and demand of coal was relatively loose throughout 2012, with insufficient demands and sinking prices, thus imposing great pressure on the entire industry.

During the reporting period, confronted with challenges such as declining macro economy and sluggish coal market, the Company overcame all sorts of difficulties with tenacity, attained fundamentally all its operating targets, and steadily implemented its development strategy. In 2012, the Company produced 49.76 million tonnes of commercial coal, representing a decrease of 7.5% from the same period last year, mainly due to the relocation of mine faces which impacted the output of the relevant period; the Company sold 73.20 million tonnes of coal, representing an increase of 11.45% over the same period last year. The Company posted sales revenue of RMB31,584 million, representing an increase of 16.96% over the same period last year, and comprehensive income amounted to RMB7,151 million, representing a decrease of 13.1% from the same period last year.

During the reporting period, the Company continued to place safety management as a top priority by further improving the operation of the safety management system, boosting safety management levels, enhancing control over the safety management process and strengthening development of the emergency rescue system, and made remarkable achievements in production safety. The Company also maintained its national-level honor for production safety, with 12 coal mines certified as "mines with national-level safety quality standard", and 8 mines as "safe and high efficient mines in the national coal mining industry", among which 7 mines were ranked as the distinction class, and 1 mine was ranked as the second class. One mine was certified as one of the double top-ten mines of China's coal industry (中國煤炭工業雙十佳煤礦). As at the end of the reporting period, the Company once again achieved zero mortality rates for production of 1 million tonnes of raw coal and for tunneling 10,000 meters down the mines.

During the reporting period, the Company continued its innovation of production technologies to strive for further growth in output and efficiency. The Company achieved breakthroughs in key technologies regarding the recovery of large coal pillars, and achieved a leading position in the PRC in respect of relevant technologies. By adopting the fully-mechanized coal mining technology, unseen before in the Ordos region, the Company cumulatively recovered 829,000 tonnes of coal pillars on main roadways throughout the year. By applying the combined mining technology to coal seam clusters, the Company increased its output by 728,000 tonnes, and realized "one mine, two faces (一井兩面)" production at Dadijing Mine. Furthermore, the Company won the second prize of technological progress from the China National Coal Association for its submission of the "Roof Disaster Control Technology for Shallow-buried Deep Long Wall Faces" (《淺埋深長壁工作面頂板災害治理技術》).

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

In the face of weak demands for coal during 2012, the Company formulated the sales strategy of ("maintaining sales volume while enhancing efficiency") in order to meet customers' demands and expand the coal market by extensively collecting market information, closely tracking market dynamics, carrying out sale of trading coal when and as appropriate, strengthening customer relation management and focusing on boosting coal product quality and customer service levels. Meanwhile, by taking into account such objective factors as railway capacity and coal production, the Company made reasonable adjustments to the structure of coal types and coal prices and ensured smooth and orderly production, allocation and transportation, delivery and sales of coal. During the reporting period, while fully hitting its operating targets, the Company, as always, adhered to its prevention-oriented and treatment-combined environmental protection philosophy based on clean production and full-process control, further carried through its pro-environment guideline of "building an ever-lasting Yitai through green energy", further enhanced environment management work of its production and operating entities, and continuously pushed forward environmental greening and carbon sequestration forestry projects. Throughout 2012, various departments of the Company planted 687,800 of all kinds of trees, 7,955,600 mu shrubs, and 26,667,000 square metres of lawn, proactively performed its social responsibility and obligation, and promoted the improvement of the natural environment of Ordos.

During the reporting period, with all the projects under construction in steady progress, the Company achieved milestone results. Talahao Mine and the coal processing plant project were approved by the NDRC in September 2012. Currently, construction of the mine and the coal processing plant has fully commenced. The special railway line of Talahao Mine was approved by the Inner Mongolia DRC in September 2012. And the industrial upgrade and renovation project of Kaida Mine was approved by the Inner Mongolia DRC on 28 December 2012.

In July 2012, against a backdrop of slowing macroeconomic growth, a marked downturn of the coal market, and unprecedented depression of the industry, the Company was successfully listed on the Hong Kong Stock Exchange, which indicated investors' acknowledgement and confidence in the Company. The proceeds raised from the IPO were used to acquire relevant operations and assets of the Group, including five mines in operation and certain mine-related assets and business. The completion of the acquisition marked more standardized and optimized corporate management, with effective reduction of horizontal competition and connected transactions, whilst the additional resource reserves and capacity will bring the Company's operations to a new level. The successful issue of H shares has enabled the Company to access international capital markets, not only creating new financing channels but also allowing the world to further know about Yitai, which has laid a foundation for the Company's rapid and globalised development.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(i) Review of overall operation and major operating performance of the Company

1. Analysis of changes in items of the comprehensive income statement and the cash flow statement

Unit: RMB'000

Item	**Amount for the reporting period**	Amount for the same period last year (Restated)	Change *(%)*
Sales revenues	**31,583,528**	27,002,941	16.96%
Costs of sales	**20,454,324**	14,936,640	36.94%
Selling and distribution expenses	**1,121,967**	1,141,049	–1.67%
Administrative expenses	**1,629,936**	1,167,103	39.66%
Finance costs	**429,613**	285,744	50.35%
Net cash flow from operating activities	**8,180,055**	8,806,053	–7.11%
Net cash flow from investing activities	**(8,944,229)**	(4,818,341)	85.63%
Net cash flow from financing activities	**2,684,552**	(4,386,217)	–161.20%

2. Revenue

(1) Analysis of factors causing changes in business revenue

Yitai	**From January to December 2012**		From January to December 2011	
	Volume (million tonnes)	***Unit price (RMB yuan/ tonne)***	*Volume (million tonnes)*	*Unit price (RMB yuan/ tonne)*
Local sales at mines	**26.56**	**263**	28.34	295
Local sales at loading facilities	**7.07**	**340**	7.18	337
Sales via direct rail access	**3.83**	**506**	3.37	480
Sales at ports	**35.74**	**539**	26.79	534
Total	**73.20**	**418**	65.68	409

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(i) Analysis of principal operations *(Continued)*

2. Revenue *(Continued)*

(2) Analysis of factors influencing revenue from physical product sales

Yitai	**From January to December 2012 Volume *(million tonnes)***	From January to December 2011 Volume *(million tonnes)*
Self-produced coal	**49.52**	53.37
Coal purchased externally	**23.68**	12.31

Company-owned railways	**From January to December 2012**		From January to December 2011	
	Total throughput *(million tonnes)*	**Freight volume for the Company *(million tonnes)***	Total throughput *(million tonnes)*	Freight volume for the Company *(million tonnes)*
Zhundong Railway Line	**39.00**	**36.67**	36.07	34.02
Huzhun Railway Line	**25.69**	**18.09**	23.45	11.96

(3) Analysis of orders

Yitai	**From January to December 2012**		From January to December 2011	
	Volume *(million tonnes)*	**Unit price *(RMB yuan/ tonne)***	Volume *(million tonnes)*	Unit price *(RMB yuan/ tonne)*
Long-term contracts	**27.38**	**485**	26.64	454
Spot market	**45.82**	**378**	39.04	375
Total	**73.20**	**418**	65.68	409

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(i) Analysis of principal operations *(Continued)*

2. Revenue *(Continued)*

(4) Information on major customers

Total sales amount from top five customer	As a percentage of total sales *(%)*
4,218,526,558.70	13.01%

Particulars of the top five customers:

Name of customer	Sales revenue	As a percentage of total sales *(%)*
Zhejiang Zheneng Fuxing Fuel Co., Ltd. (浙江浙能富興燃料有限公司)	1,255,888,046.50	3.87%
Guangdong Zhutou Power Fuel Co., Ltd. (廣東珠投電力燃料有限公司)	944,359,758.02	2.91%
Shanghai Shenergy Fuel Co., Ltd. (上海申能燃料有限公司)	739,411,173.71	2.28%
Guangdong Power Industry Fuel Co., Ltd. (廣東省電力工業燃料有限公司)	664,461,038.35	2.05%
Jiangsu Sulong Energy Co., Ltd. (江蘇蘇龍能源有限公司)	614,406,542.12	1.90%

Note: the above figures are based on PRC accounting standards.

For the year ended 31 December 2012, the revenue generated by the Company from the largest external customer and the top five external customers accounted for 3.87 % and 13.01% of the total operating revenue for the year ended 31 December 2012 respectively.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(i) Analysis of principal operations *(Continued)*

3. Costs

(1) Cost analysis

Break down of the Company's production cost by cost items

Unit: RMB/tonne

Cost item	From January to December 2012	From January to December 2011
Labor costs	**11.49**	10.82
Raw materials, fuel and energy	**9.19**	7.66
Depreciation and amortization	**6.17**	6.35
Other production-related costs	**67.79**	74.30
Total cost for production of coal	**94.64**	99.13

(2) Information on major suppliers

For the year ended 31 December 2012, the total procurement amount of the Company from the top five suppliers accounted for not more than 30% of the total procurement amount for the year ended 31 December 2012 respectively.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(i) Analysis of principal operations *(Continued)*

4. Cash flows

As at 31 December 2012, the Company had cash and cash equivalents of RMB6,306,020,000, increased by RMB1,875,301,000 as compared with cash and cash equivalents of RMB4,430,719,000 as at 31 December 2011.

As at 31 December 2012, net cash flows from operating activities decreased by RMB625,998,000 to RMB8,180,055,000 from RMB8,806,053,000 as at 31 December 2011, which was primarily attributable to a decrease of RMB1,306,617,000 in profit before tax, an increase of RMB717,147,000 in depreciation of property, plant and equipment and an increase of RMB1,062,142,000 in trade and bills receivables as compared with the same period last year.

As at 31 December 2012, the net cash from investing activities was a net outflow of RMB8,944,229,000, increasing by RMB4,125,888,000 compared with a net outflow of RMB4,818,341,000 as at 31 December 2011, mainly due to payment of RMB3,546,665,000 for acquisition of Target Business Group, an increase of RMB602,432,000 in cash paid by the Company for purchase of property, plant and equipment, and an increase of RMB856,396,000 in payment for investment in available-for-sale investments.

As at 31 December 2012, net cash from financing activities was a net inflow of RMB2,684,552,000, as compared with a net outflow of RMB4,386,217,000, representing an increase of RMB7,070,769,000 in net cash inflow. This was mainly due to a net inflow of RMB5,545,727,000 from global public offering of the Company during the reporting period, a net inflow of RMB997,000,000 from issue of medium-term notes, as well as an increase of RMB1,405,000,000 in cash received for borrowings to cater for the needs of production, operation and project construction of the Company.

5. Liquidity and capital resources

As at 31 December 2012, the Company's capital resource mainly came from capital generated from business operation, bank borrowings and net proceeds financed from capital market. The capital of the Company is mainly used for acquisition of target assets, investment in production facilities and equipment for coal, coal-related chemical and railway operations, repayment of the Company's debt, as well as the working capital and normal recurring expenses.

The cash generated from business operation, net proceeds raised from the global and domestic capital market, as well as credit facilities granted by the banks, will provide guarantee for the capital required for the Company's production and business activities and project construction in future.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(i) Analysis of principal operations *(Continued)*

6. Assets and Liabilities

(1) Property, plant and equipment

As at 31 December 2012, the net book value of Company's property, plant and equipment amounted to RMB24,268,926,000, increased by RMB2,658,885,000 or 12.3% as compared with RMB21,610,041,000 as at 31 December 2011, mainly due to the additional construction in process of RMB3,256,739,000 which catered for the needs of the Company's production and operation.

The Company's property, plant and equipment (net book value) as at 31 December 2012 and 2011are as follows:

Unit: RMB'000

	As at 31 December 2012	Percentage	As at 31 December 2011 (Restated)	Percentage
Buildings	**3,259,193**	**13%**	3,385,616	16%
Mining structures	**2,007,890**	**8%**	1,501,295	7%
Plant and machinery	**4,430,665**	**18%**	5,061,301	23%
Motor vehicles	**393,500**	**2%**	391,151	2%
Railway	**5,493,219**	**23%**	5,675,769	26%
Road	**427,681**	**2%**	456,068	2%
Office equipment and others	**287,733**	**1%**	255,375	1%
Construction in progress	**7,969,045**	**33%**	4,883,466	23%
Total	**24,268,926**	**100%**	21,610,041	100%

(2) Trade and bills receivables

As at 31 December 2012, the net value of the Company's trade and bills receivables amounted to RMB2,689,636,000, increased by RMB1,281,179,000 as compared with RMB1,408,457,000 or 90.96%, mainly due to the increase in trade receivable as driven by higher sales revenue as a result of the expansion of the Company's sales scale.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(i) Analysis of principal operations *(Continued)*

6. Assets and Liabilities *(Continued)*

(3) Borrowings

As at 31 December 2012, the balance of the Company's borrowings amounted to RMB9,384,943,000, increased by RMB1,078,159,000 or 13.0% as compared with RMB8,306,784,000 as at 31 December 2011, mainly due to new borrowings in the reporting period.

7. Others

(1) Detailed explanations for significant changes in the composition or sources of profit of the Company

During the reporting period, there is no significant change in the composition or sources of profit of the Company.

(2) Analysis of and explanation for implementation progress of previous financing events and major assets reorganizations of the Company

For details, please refer to the explanations on use of proceeds, reduction of horizontal competition and performance of the Assets Transfer Agreement in this section.

Note: Analysis of implementation progress of the planned target, where the future developments and plans disclosed in documents for public disclosure such as the offering prospectus, fundraising prospectus and assets reorganization report continue into the reporting period.

(3) Explanation for progress of development strategies and business plans

Please refer to the aforesaid discussion and analysis of operations in this section.

Note: Review and summary of the progress of previously disclosed development strategies and business plans during the reporting period, and explanation for unaccomplished planned targets.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(ii) Analysis of operations by industry, product or region

1. Principal operations by industry

As at 31 December 2012	Coal *RMB in million*	Transportation *RMB in million*	Coal-related chemical *RMB in million*	Others *RMB in million*	Consolidated *RMB in million*
Segment revenue					
External customers	29,955.52	242.75	1,361.83	23.43	31,583.53
Internal customers	227.89	1,274.17	0.68	—	1,502.74
	30,183.41	1,516.92	1,362.51	23.43	33,086.27
Reconciliation					
Elimination of intersegment sales					(1,502.74)
Total revenue					31,583.53
Segment results					
Profit/(loss) before tax	8,174.13	554.09	(151.65)	(25.71)	8,550.86
Income tax expense	(1,328.21)	(100.28)	29.06	—	(1,399.43)
	6,845.92	453.81	(122.59)	(25.71)	7,151.43
Reconciliation					
Net profit for the period					7,151.43
Segment assets	29,427.00	9,617.89	5,312.90	385.31	44,743.10
Elimination of intersegment receivables					(3,375.96)
Total assets					41,367.14
Segment liabilities	13,614.94	5,136.31	3,721.33	331.66	22,804.24
Elimination of intersegment payables					(3,375.96)
Total liabilities					19,428.28

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(iii) Analysis of assets and liabilities

1. Analysis of assets and liabilities

Unit: RMB'000

Item	2012	2011	Changes as compared with the same period last year	Changes as compared with the same period last year *(%)*	Reason for changes
Other intangible assets	**50,792**	17,735	33,057	186.39%	Mainly due the increase in software.
Deferred tax assets	**917,591**	112,225	805,366	717.64%	Mainly due to the increase in the deductible temporary differences arising from the acquisition of assets
Trade and bills receivables	**2,689,636**	1,408,457	1,281,179	90.96%	Mainly due to the increase in receivables for sale of trading coal during the period
Prepayments, deposits and other receivables	**1,277,199**	933,531	343,668	36.81%	Mainly due to the increase in transactions for operating purpose during the period
Cash and short-term deposits	**6,314,553**	4,452,660	1,861,893	41.82%	Due to the increase in proceeds from additional issue of H shares in the period
Trade and bills payables	**1,345,325**	762,103	583,222	76.53%	Due to the increase in procurement of trading coal in the period

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(iii) Analysis of assets and liabilities *(Continued)*

1. Analysis of assets and liabilities *(Continued)*

Unit: RMB'000

Item	2012	2011	Changes in 2012 as compared with the same period last year	Changes in 2012 as compared with the same period last year (%)	Reason for changes
Other payables and accruals	**7,424,105**	2,415,969	5,008,136	207.29%	Due to the increase in payables for acquisition of assets
Tax payable	**42,840**	203,674	–160,834	–78.97%	Due to the significant decrease in income tax unpaid by the Company at the end of the year
Long-term debentures	**1,001,296**	0	1,001,296	100.00%	Due to the issue of the first tranche of medium-term notes
Other non-current liabilities	**229,768**	393,676	–163,908	–41.64%	Due to amortization of resource compensations in the period
Selling costs	**20,454,324**	14,936,640	5,517,684	36.94%	Due to higher sales volume, more coal purchased externally and higher cost for external purchase than cost of self-produced coal
Other income and gains	**619,345**	344,980	274,365	79.53%	Due to the compensation received for projects constructed over mineral resources in the period

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(iii) Analysis of assets and liabilities *(Continued)*

1. Analysis of assets and liabilities *(Continued)*

Unit: RMB'000

Item	2012	2011	Changes in 2012 as compared with the same period last year	Changes in 2012 as compared with the same period last year (%)	Reason for changes
Finance costs	**429,613**	285,744	143,869	50.35%	Due to the decrease in capitalized interest due to the transfer of Coal-to-oil project and Phase II of Zundong Railway into the fixed assets in the period
Net exchange gains	**(32,460)**	17,740	(50,200)	–282.98%	Due to the change in exchange rate in foreign currency account
Share of profits of associates	**34,114**	19,799	14,315	72.30%	Due to disposal of equity interest in the pharmaceutical company, a controlled subsidiaries, during the period

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(iv) Analysis of core competitiveness

As the largest local coal enterprise in Inner Mongolia, the Company remarkably enhanced its overall competitiveness by boosting its size, growth quality and efficiency, optimizing industrial structure and enhancing financial strength after years of development. The Company has also forged stable, long-term, and friendly strategic partnerships with a number of power and metallurgy consumers with an eye to mutual benefits and win-win scenarios, achieving relatively high brand effect. Meanwhile, the Company has abundant coal reserves, superior mining conditions, advanced mining technology and sustained opportunities for integration of internal and external resources, which greatly supports the Company's efforts to further enhance coal resources reserves and production scale, enables the Company to have competitive advantages over its peers, and helps the Company seize significant opportunities arising from transformation and development of the coal industry to accelerate its organic growth.

1) The Company enjoys superior geological and storage advantages, as its coal products are typical high-quality thermal coal, with such characteristics as medium to high calorific value, medium to low ash content, ultra-low sulphur content, ultra-low phosphorous content, and low moisture content, all of which are commercially attractive and competitive in the market.

2) The Company has advantageous exploiting conditions, as its reserves are generally located in areas with geological conditions and coal characteristics favorable to low-cost mining, such as stable ground conditions, simple geological structures, relatively thick flat-lying coal seams located at relatively shallow depths, and low methane gas concentration levels, which greatly reduced difficulties and safety hazards in its mining operations, and lowered coal production costs.

3) The Company possesses top-tier production efficiency and safety record in the industry. It has fulfilled fully-mechanized exploiting at all its mines, with advanced exploiting technologies, and sophisticated FM mining equipments both at home and abroad, which substantially boosts the mining efficiency. The Company has adopted the fully-mechanized long wall mining method and the fully-mechanized mining method with caving of roof coal, which ensures high output and recovery, and is safer and more reliable. Furthermore, it has always given top priority to production safety among various work, continuously increasing investment in safety-related equipments, enhancing mine safety monitoring levels as well as development of safety systems and team-building, and ensuring an admirable safety record.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(iv) Analysis of core competitiveness *(Continued)*

4) The Company has world-leading coal-to-oil production technologies and can capitalize on the golden opportunity presented by the government's incentives for development of the coal chemicals sector. The coal-to-oil production operations of the Company, which are located at the coal-rich Ordos region in Inner Mongolia and Xinjiang region, are covered by the state's industry policies, aimed at adjusting the industrial structure in and economic development of the west. Meanwhile, it can extend the Company's coal industrial chain, increase added value to its products, drive diversified business development, and enhance its core competitiveness and consolidate its position in the industry. Through technological innovation, the Company's indirect coal-to-liquids conversion project (with designed annual output of 160,000 tonnes) has realized annual output of 180,000 to 200,000 tonnes, and a long-period of safe and stable operation. According to the current operation statistics, this project has reached world-leading levels, featuring low catalysts usage, high activity and low costs. In addition, by taking the opportunity of developing the Xinjiang region, the Company has been working at the acquisition of exploration rights and related preliminary preparation in respect of coal production and conversion. The expansion of its coal chemicals operation allows the Company to acquire new coal resources and ensure our long-term development.

5) The Company enjoys significant competitive advantages in terms of products transportation and distribution, as the Company possesses a sound ancillary railway and highway transportation and distribution network, which can help control transportation costs and further expand its distribution coverage. Meanwhile, by constantly stepping up construction of coal-related highways, railways, loading facilities and other infrastructure, the Company has created a low-cost, highly-efficient operational condition for coal storage, transportation, and dispatch, thus ensuring effective linkage between production, transportation and distribution.

6) The Company has always been committed to the principle of green and low-carbon development by doubling greening efforts across mining areas and continuously improving comprehensive treatment of mining areas' environment, and has put plenty of efforts in improving the ecological environment of mining areas, promoting green mining, and building ecology-friendly mines. Meanwhile, The Company has actively carried out its social responsibility by helping with local environmental management, and practically achieved harmonized development of the enterprise and the society.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment

1. Overall analysis on external equity investment

(1) Shareholding in non-listed financial entities

Name of the investee	Closing book value *(RMB)*	Accounting item	Source of shareholding
Mianyang Technology Property Investment Fund (綿陽科技城產業投資基金)	100,000,000.00	Long-term equity investment	Capital contribution
Total	100,000,000.00	/	/

As approved at the eighteenth meeting of the fourth session of the Board of the Company in 2008, the Company contributed RMB100 million to subscribe for Mianyang Technology Property Investment Fund with initial capital contribution of RMB10 million by way of limited partnership. The Company's liability toward the fund company is limited to the amount of its capital contribution. As at the end of the reporting period, the Company had paid up its share of RMB100 million. Mianyang Technology Property Investment Fund is controlled by CITIC Securities Company Limited and established by way of promotion by CITIC Private Equity Funds Management Co., Ltd as a general partner, with a target fund size of RMB9 billion, a continuance term of 12 years and expected minimum yield of 10% per annum.

2. Entrusted wealth management and derivative investment via non-financial entities

(1) Entrusted wealth management

The Company was not involved in entrusted wealth management during the year.

(2) Entrusted loans

Unit: RMB

Name of the borrower	Amount of entrusted loan	Term of the loan	Interest rate	Overdue or not	Connected transaction or not	Renewed or not	Involved in a litigation or not	Funding from raised money or not	Connected relationship
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	200,000,000	1 year	6.56%	No	No	No	No	No	Wholly-owned subsidiary

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

3. Use of proceeds

(1) Use of proceeds

Unit: RMB million

Year	Method o fundraising	Total proceeds	Total proceeds used in the year	Total proceeds used on cumulative basis	Total unused proceeds	Utilization and whereabouts of the unused proceeds
2012	Issue of H shares	5,713.89	2,403.28	2,403.28	3,310.61	Payment of consideration for acquisition of assets
2012	Issue of medium-term notes	1,000.00	1,000.00	1,000.00		
Total	/	6,713.89	3,403.28	3,403.28	3,310.61	/

Explanations on use of proceeds: RMB2,200.66 million was paid for acquisition of assets; RMB202.62 million was paid for listing expenses and exchange losses(gains); and RMB1,000.00 million was used for production and operation purposes.

(2) Information on projects undertaken to be financed by the proceeds

Name of the undertaking project	Whether there is change in the project (Yes or not)	Amount of proceeds to be invested	Amount of proceeds invested in the year	Amount of proceeds invested on cumulative basis	Whether the progress is on schedule (Yes or not)	Progress of the project	Expected gains	Gains generated	Whether achieved expected gains (Yes or no)
Acquisition of coal mines and related assets and business from Yitai Group	No	5,713.89	2,403.28	2,403.28	Yes	100%	2,200.00	2,100.00	Yes

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

3. Use of proceeds (Continued)

(3) Change in projects to be financed by the proceeds

During the reporting period, there was no change in projects to be financed by the proceeds.

4. Analysis on major subsidiaries and investees

Unit: RMB million

Company name	Business nature	Principal products or services	Registered capital	Total assets	Net profit/loss
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	Railway transport operations	Railway transportation	1,496.00	5,681.17	329.7
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古呼准鐵路有限公司)	Railway transport operations	Construction and investment of railways and ancillary facilities, and sale of construction materials and chemical products	1,360.00	3,885.13	124.1
Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	Coal chemical products	Production and sale of coal chemical products (including liquefied gas, gasoline, naphtha, kerosene, diesel and tar) and the subsidiary products	1,500.00	3,796.70	(127.72)
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	Coal trading	Processing and sale of minerals	1,080.00	3,711.00	929.57

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

4. Analysis on major subsidiaries and investees (Continued)

(1) Zhundong Railway Company

Zhundong Railway Company, principally engaged in railway transport business, has a registered capital of RMB1,496 million and is owned as to 100% by the Company. Zhundong Railway Line has a total operating length of 191.8 kilometers (Including 59.4 kilometers for Phase I (double line) of Zhundong Railway Line), stretching from Zhoujiawan Station in the Zhunge'er Coalfield westward to Zhunge'erzhao in the Dongsheng Coalfield, providing a railway transportation route from the Company's mines in the Dongsheng Coalfield to Dazhun Railway Line and Huzhun Railway Line, which further connect to Tianjin port, Qinhuangdao port and Caofeidian Port through the Daqin Railway Line and the Jingbao Railway Line.

1) Overall operation of Zhundong Railway Company

During the reporting period, Zhundong Railway Company fully put into practice its concept of "ensuring production safety, exploring potential and increasing efficiency, speeding up project construction and implementing refined management", and enhanced supervision and management over safety in construction works such as the section renovation of existing railway lines of Zhundong Railway, construction of Phase I (double line), and tail-in works of Zhoujiawan Station and Hushi Station renovation projects, thus further improving the standards of rail lines. The Zhundong Railway Company formulated and started to implement the Management Measures for Railcars Running on Zhundong Railway (《准東鐵路軌道車管理辦法》). The existing management systems and operating procedures have been further systematized and standardized. To further improve transportation efficiency, the company strengthened the collaboration and joint efforts among various departments and optimized organzation of train operation, thus reducing the impact from transportation. So far, the construction of Phase I (double line) of Zhundong Railway Line is currently under smooth progress. A 10,000-tonne trial train successfully run on Zhundong Railway Line on 5 July. 10,000-ton trains will significantly improve the transportation capacity of Zhundong Railway Line and greatly promote efficiency of railway, thereby laying a foundation for the Company's future needs for coal transportation. As at the end of the reporting period, Zhundong Railway Company dispatched an aggregate of 39.00 million tonnes of coal, representing an increase of 8.12% as compared with the same period last year. The net profit amounted to RMB329.7 million, representing an increase 39.03% as compared with the same period last year. As at 31 December 2012, Zhundong Railway Line had maintained production safety for consecutive 4,399 days without casualty accidents, major transportation accidents or fire accidents.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

4. Analysis on major subsidiaries and investees (Continued)

(1) Zhundong Railway Company *(Continued)*

2) Construction of project

During the reporting period, the construction works of the second track of Zhoujiawan - Hushi section of Zhundong Railway Line progressed smoothly, with the accumulated investment exceeding 90% of the budget. The application document for constructing a project of second track of the Hushi - Gede'ergai (格德爾蓋) section of Zhundong Railway Line has been filed respectively with the Development and Reform Commission of Ordos City and the Inner Mongolia DRC, which has yet to give its approval. The Inner Mongolia DRC gave its approval to the special railway line (including Shagaota loading facility station) of Talahao Mine on 3 September 2012. Currently preliminary work has commenced and everything is processing smoothly.

(2) Huzhun Railway Company

Huzhun Railway Company, which was jointly established by the Company, Inner Mongolia Mengtai Buliangou Coal Co., Ltd. and Hohhot Railway Bureau, is principally engaged in transportation of railway cargo. It has a registered capital of RMB1,360 million and is owned as to 76.46% by the Company. Huzhun Railway has an operating length of 124.18 kilometers, stretching from Zhoujiawan Station in Jungar Banner northward to Hohhot Station of the Jingbao Railway Line. Huzhun Railway is an important channel for transporting the coal produced by the Company to the markets in eastern and northern China.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

4. Analysis on major subsidiaries and investees *(Continued)*

(2) Huzhun Railway Company *(Continued)*

1) Overall operation of Huzhun Railway Company

During the reporting period, Huzhun Railway Company kept standardizing its management systems and formulated the Rules on Management of Loading Time by Card Control(《裝車時間卡控管理規定》) and the Appraisal Management Rules on Examination of Two Regulations by Attendants (《乘務員"兩違"考核管理細則》). Operating efficiency was greatly improved through strengthening management. To enhance safety in use of electricity, Huzhun Railway completed the preparations for 110KV, 10KV circuit renovation projects, conducted large machine tamping (大機搗固作業) to the unsafe circuit segment in the Togtoh - Jialanying section and enhanced the density of sleepers in the Togtoh - Zhoujiwwan section of Huzhun Railway Line, thus effectively improving the infrastructure, boosting the quality of the equipment and ensuring the safety in train operation. On 16 August 2012, the special railway line of Mengtai Buliangou Mine was officially connected with Huzhun Railway Line and put into operation. Huzhun Railway Company was entrusted to assume responsibility for the management and maintenance of the special line.

During the reporting period, Huzhun Railway had dispatched an aggregate of 25.69 million tonnes of coal, representing an increase of 9.56% as compared with the same period last year. The net profit amounted to RMB124.1 million, representing an increase of 17.19% as compared with the same period last year. Huzhun Railway had maintained production safety for consecutive 2,208 days without casualty accidents, major train operation liability accidents or fire accidents.

2) Construction of project

The second track project of Togtoh - Zhoujiwwan section of Huzhun Railway Line, with a length of 55.47 kilometers, commenced construction on 8 July 2010. As at the end of the reporting period, an aggregate of RMB1,284.36 million had been invested in the double line project of Huzhun Railway, accounting for 69.80% of the preliminarily estimated amount. The project of constructing a second track along the Jialanying-Togtoh section of Huzhun Railway was officially approved by the Inner Mongolia DRC on 14 June 2012. The existing lines of Huzhun Railway have obtained approvals on lands from the Ministry of Land and Resources of the PRC, the Department of Land and Resources of Inner Mongolia Autonomous Region, Hohhot City and Ordos City. Currently, relevant works are progressing as planned.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

4. Analysis on major subsidiaries and investees *(Continued)*

(3) Coal-to-oil Company

Coal-to-oil Company, established on 17 March 2006, was principally engaged in the production and sale of coal chemical products and relevant subsidiary products. It was jointly established by the Company and Yitai Group with a registered capital of RMB1,500 million, and is owned as to 80% and 20% by the Company and Yitai Group respectively. The company has been constructing a coal-based synthetic fuel project with an annual output of 480,000 tonnes, and the Phase I project has an annual production capacity of 160,000 tonnes. From May to June 2011, the annual production capacity of Coal-to-oil Company was raised to 180,000 tonnes to 200,000 tonnes through technological renovation, with all product feature indicators and energy consumption indicators either meeting relevant standards or exceeding the prescribed standards. The major equipment has achieved full-load operation.

During the reporting period, Coal-to-oil Company took "safety and stability, team honing and talents fostering" as its key goals, continued to strengthen employees' safety awareness and cost consciousness, and kept improving production technology, optimizing production process and enhancing technological innovation through the full implementation of standardization, thus accomplishing all the tasks of the year. In 2012, relevant equipment had operated safely for 348.83 days, two planned overhaul took 10.43 days and the seven unplanned overhaul took 6.74 days in aggregate, representing a year-on-year decrease of 20 days and 1.5 days respectively. An aggregate of 171,987.55 tonnes of oil products and chemical products were produced, achieving the design production capacity of 160,000 tonnes per annum for the first time. An aggregate of 169,012.22 tonnes of oil products and chemical products was sold. Net profit amounted to RMB-127.72 million.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

4. Analysis on major subsidiaries and investees *(Continued)*

(4) Suancigou Mine

Suancigou Mine was jointly established by the Company, Jingneng Power and Shanxi Yudean Energy Co., Ltd. (山西粵電能源有限公司) on 18 September 2007. It has a registered capital of RMB1,080 million and is owned as to 52% by the Company. Suancigou Mine has a designed production capacity of 12 million tonnes per annum and is equipped with appropriately-sized coal washing plants and a special railway line.

In 2012, Suancigou Mine overcame various difficulties and successfully commenced production. It produced an aggregate of 13.2 million tonnes of raw coal for the year. The net profit for the year was RMB929.57 million, representing an increase of 72.9% as compared with the same period last year.

During the reporting period, Suancigou Mine put more efforts in the activities at coal preparation and production sites and developed a number of reliable fallback programs for raw coal preparation in accordance with the production status of raw coal and the demand in commodity coal market. Therefore, it successfully overcame such negative factors as the limited storage capacity, the strong continuity requirement for production, shipping and distribution as well as the difficulty in controlling the coal quality of a variety of commodity coal. As a result, the output of commodity coal increased while coal quality meeting planned specifications. Suancigou Mine invested an aggregate of approximately RMB38 million in safety throughout the year. It completed the building of safety facilities such as emergency refuge systems, formulated and implemented rules and systems such as the Rules on Regular Safety Meetings (《安全例會制度》) and the Inspection System for Quality Standardization (《質量標準化檢查制度》), thereby further improving its safety management. During the reporting period, Suancigou Mine was granted the titles including "national super-safe efficient mine (全國特級安全高效礦井)" and "national standardized mine of safety and quality (國家級安全質量標準化井工煤礦)".

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

4. Analysis on major subsidiaries and investees *(Continued)*

(5) Yili Energy Company

Yili Energy Company was established on 24 September 2009. In 2012, the preliminary work of Yili Energy Company had achieved initial results, with various supporting application documents having been prepared and the preparatory work of relevant supporting projects being carried out in an orderly manner. The construction works of public facilities (including offices and quarters) in front area of the plant are rapidly advancing, and the design of the equipment area is also proceeding steadily, which have laid a solid foundation for the construction of the Yili coal-to-oil project to be fully carried out in the plant area in 2013.

(6) Yitai Tiedong Storage and Transportation Company

Yitai Tiedong Storage and Transportation Company was established on 3 September 2008 with a registered capital of RMB169 million. It is owned as to 51%, 30% and 19% by the Company, Ordos Dongchen Coal Co., Ltd. (鄂爾多斯市東辰煤炭有限公司) and Ordos Dinghua Resources Development Co., Ltd. (鄂爾多斯市鼎華資源開發有限責任公司) respectively. The business scope of Yitai Tiedong Storage and Transportation Company includes storage, transportation and distribution of coal and lease of railway station. In 2012, Yitai Tiedong Storage and Transportation Company successfully completed the construction of dust suppression and antifreeze spraying systems, special railway line slope protection and station drainage systems. In addition, the expansion and reconstruction works of Tanggongta loading facility station were completed and the special railway line passed the acceptance inspection of Zhunneng Dazhun Railway Company (准能大准鐵路公司).

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

4. Analysis on major subsidiaries and investees *(Continued)*

(7) Investees

Jingtai Power, in which the Company holds 29% equity interest, has maintained production safety for an aggregate of 1,066 days. It generated a total of 2,806 million Kwh of power and recorded total profit of RMB41.32 million despite the fact that the average utilization hours of grid units in west Inner Mongolia were on the low side. It obtained the Electric Power Business License of People's Republic of China (《中華人民共和國電力業務許可證》) issued by the North China Electricity Regulatory Bureau in September 2012 and acquired the qualification for comprehensive utilization of resources in early December 2012, making it among the first batch of power enterprise of 300 MV generating units acquiring the qualification in China.

Ordos Tiandi Huarun Mine Equipment Co., Ltd. (鄂爾多斯市天地華潤煤礦裝備有限責任公司), in which the Company holds 31.5% equity interest, actively explored market and established client network in the reporting period. In 2012, its new contracts saw a year-on-year increase of 22.88%, of which the contract value from shareholder entities accounted for 58.8% and the contract value from non-shareholder entities accounted for 41.2%. The business made great breakthrough in non-shareholder market. It recorded sales revenue of RMB34.74 million in 2012, down 8.58% year on year.

As at the end of the reporting period, Zhunshuo Railway Co., Ltd. (准朔鐵路有限責任公司), in which the Company and Zhundong Railway Company hold an aggregate of 18.96% equity interest, had completed the construction of the roadbeds, bridges, culverts of North Tongpu Line 4 and Quzhi Line (北同蒲四線及取直線) and Zhunshuo Line, with the tunneling, tracklaying and power construction progressing as scheduled. A total of RMB11,777 million has been invested in the above three projects, representing 98.55% of the investment budget. In addition, the reconstruction of Yuanping Station and the initial inspection of construction works of the second track of North Tongpu Direct Line (北同蒲直線增二線) and Yuanping Station Building were completed. Yuanping Station and the second track are planned to commence operation in May.

During the reporting period, Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司), in which the Company holds 15% equity interest, dispatched an aggregate of 13 million tonnes of cargo and recorded a loss of RMB170 million.

During the reporting period, the west Inner Mongolia - central China railway line project (蒙西至華中鐵路項目) which is owned as to 10% by the Company had partially started construction and is expected to fully commence construction in the fourth quarter of 2013.

1. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD *(CONTINUED)*

(v) Analysis on Investment *(Continued)*

4. Analysis on major subsidiaries and investees *(Continued)*

(7) Investees *(Continued)*

The south Ordos railway line (鄂爾多斯南部鐵路) which is owned as to 10% by the Company had completed acceptance of project and is ready for opening, subject to the approval of the Ministry of Railways.

Mengji Railway Co., Ltd. (蒙冀鐵路有限責任公司), which is owned as to 9% by the Company, has undertaken the construction of the Zhangjiakou - Jining Line (張集線), the second double track of Jining - Baotou Railway (集包第二雙線), the Zhangjiqkou - Tangshan Line (張唐線) and the Hohhot - Zhangjiakou passenger dedicated line. As at the end of the reporting period, the Baotou - Zhangjiakou section of Mengji Railway has fully opened to traffic operation, and the Zhangjiakou - Caofeidian section is expected to put into operation in April 2015.

2. DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S FUTURE DEVELOPMENT

(i) Competition dynamics and development trend of the industry

1. Industry competition structure

With coal production capacity further released in future, coupled with decelerating growth in coal demand as a result of possible domestic economic slowdown, the sufficient supply versus demand condition, beginning in 2012, is not expected to improve much. Furthermore, since coal prices remain low and market prices approximate contract prices, the government has canceled key coal contracts, giving the market a bigger role in determining coal prices. Considering these two factors, the competition in the coal sector is expected to become fiercer.

In 2012, coal prices stayed at low levels, leading to coal mine shutdowns and substantial increase in the number of loss-making enterprises. Therefore, cost control has become the most important factor determining an enterprise's competitiveness and competition in the coal sector will first of all be the competition in cost. The second half of 2012 did see strengthened cost control by all large coal producers. Although the lowest production cost and the highest efficiency in management and cost control gave the Company leading advantages in industry competition, the Company will still enhance its control over cost so as to maintain its advantages in industry competition.

2. DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(i) Competition dynamics and development trend of the industry *(Continued)*

1. Industry competition structure *(Continued)*

In 2012, the abundant coal supply compared to demand put great pressure on coal production capacity, which, combined with declining coal prices and operation difficulties faced by small and medium-sized coal producers, has prompted both coal industry regulators and coal producers to advance the process of coal resources consolidation. China National Coal Association (中國煤礦工業協會) reported that, in 2012, coal producers above a designated size decreased by 1,500 and coal producers with a capacity of over 100 million tonnes of raw coal accounted for 28% of the total national production. With the deepening of coal resources consolidation, the market shares of large coal producers will rise further in future. Therefore, competition in the coal industry is also about scale, with larger companies having more edges to stay ahead of the competition. As the largest local enterprise in Inner Mongolia, a coal producer with a capacity of over 100-million tonnes and a potential acquirer in Ordos City, the Company enjoys certain advantages in industry competition.

2. Development trend

According to the published "12th Five-Year" Plan for energy, coal will still play a dominant role in the China's energy structure in future although its market share will fall. Control will be imposed on both capacity and consumption, thus coal production and demand will grow at a slow pace in future. It is proposed in the "12th Five-Year" Plan for energy that China will steadily press ahead with the construction of large coal-fueled electricity generation bases and encourage the integrated development of coal and electricity in central and western coal-rich regions, build several large power stations near coal mines and give priority to comprehensive utilization of low heating value coal resources and power generation. Meanwhile, the plan also noted that the government will actively advance the large demonstration projects focused on coal liquefaction, coal to gas, coal to olefin, coal-based polygeneration and comprehensive utilization of kerosene oil-gas, and explore technology-intensive, high-value and long-industry chain development mode of further coal processing in line with China's situation.

In the long run, coal mining will be safer and more efficient, and coal utilization cleaner and more efficient. Requirements will be raised in respect of safety management of coal mining and energy consumption and environmental protection relating to further coal processing while obsolete capacity will be closed gradually.

2. DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(i) Competition dynamics and development trend of the industry *(Continued)*

2. Development trend *(Continued)*

The Company is located in Ordos, an area with most abundant coal resources and a key region listed in the coal industry development plan of the "12th Five-Year" plan for energy. The Company boasts advanced mining technology and high-level safety management mode, always maintains good track records in production safety, has outstanding capability in environment management and leading coal liquefaction technology. Facing the development trend and requirements of the coal industry, the Company is blessed with rare historic opportunities.

(ii) Development strategies of the Company

Based on the overall trend of the coal industry during the "12th Five-Year" period as well as the development goals of the Company for the next five years, we have worked out the following strategies:

First, we will take advantage of the government's move to accelerate consolidation of coal resources and close obsolete capacity to integrate internal and external resources, expand production scales and supporting systems and enhance the Company's core competitiveness and market position. In respect of coal mine construction, we will speed up the construction of Bulamao and Talahao Mines and use preferential policies for coal-to-chemicals projects to obtain resources, construct mines and improve capacity. As for resources integration, the Company will acquire the Hongqinghe Coal Mine being built by the Yitai Group as opportunities arise whilst integrating a certain number of external coal mines. The above steps will help to significantly increase the Company's resources reserve and production capacity and further promote our market position.

Second, we will further expand and upgrade the comprehensive transport network to further enhance our ability in coal outwards transport. The Company will maintain our investment in railways, construct and perfect existing railway projects, better and improve the delivery ability of transport stations, and create good internal transport conditions for connection with national railways to enable the Company's annual comprehensive exportation of coal to surpass 100 million tonnes. We will continue to participate in the construction of and investment in the national railway network including east-west lines such as Mengji railway, Zhunshuo railway and Ordos South railway and north-south routes such as the new Baoshen railway and west Inner Mongolia to central China railway. Through construction of our internal railway network and participation in national rail network building, the Company will form a sophisticated railway network, thus significantly improving our capability in trans-regional coal transport, which will help reduce transport cost, cement our market position and enhance our business capacity.

2. DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(ii) Development strategies of the Company (Continued)

Third, we will develop clean coal technology, improve added value of products and extend the coal industry chain. The Company will enhance coal processing and washing processes to supply customers with quality coal products. It is explicitly stated in the "12th Five-Year" for energy that the government will steadily push forward with the large coal further processing upgraded demonstration projects. With domestically leading coal-to-liquids technology, successful operation of China's first indirect coal liquefaction industrialization demonstration project and other large projects under preparation or construction, the Company will have a head start over our rivals in the coal to chemicals industry.

Deep processing of coal is a competitive strategic sector in the coal industry. Dedicated to becoming a leader of the coal industry, the Company aims to achieve the efficient, clean and comprehensive use of coal by improving the overall conversion efficiency through technological innovation and by taking advantage of the coal processing, washing and conversing upgraded demonstration projects.

Fourth, we will continue to improve the production safety mechanism and perform environmental social responsibilities. Safety is always our top priority. The Company will continue to adhere to the principle of "safety-foremost with prevention-oriented and comprehensive treatment", effectively prevent accidents, strengthen relevant efforts and management and promote building of a vocational health system to further improve the level of production safety. We will maintain the effective functioning of the ISO14001 environment management system, scale up comprehensive utilization of resources and ecological environment protection in mining areas, and make the Company's mines intrinsically safe, resource-conserving, environment friendly, socially harmonious, resources highly untilized, clean and efficient ones with guaranteed safety, considerable economic benefits and little environmental pollution.

(iii) Business plan

In 2013, the Company's primary business objectives are to produce 46.67 million tonnes of commercial coal and sell 73.00 million tonnes of coal by our affiliated or controlled coal producers. In 2013, the coal market is expected to stabilize and pick up, but a fundamental recovery is unlikely. To ensure the accomplishment of the business goals, the Company will work on the following tasks:

First, we will continue to focus on safety issues, strengthen basic safety measures and improve safety management. The highlight of production safety management in 2013 is mechanical and electrical equipment management, which is key to ensuring the continuity of coal production. At the same time, we will continue to step up on-site oversight, raise awareness of safety issues among employees, and build the Company into an "intrinsic safe" enterprise.

2. DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(iii) Business plan (Continued)

Second, we will, according to market demand, arrange coal production in a scientific manner, reasonably formulate sales plans and improve railroad capacity to ensure smooth production, transport and sales.

In respect of production, the Company will further optimize management, exploit the production potentials of underground coal mines through technological innovation, increase the resource recycling rate and improve production and efficiency. As for sales, the Company will continue to aggressively tap new markets, expand coal sales channels and market shares while keeping improving services, communicating more with customers and boosting sales. As to transport, the Company will put more efforts in transport organization, arrange transport in a scientific and rational manner, reduce the turnaround time, increase transport efficiency and ensure successful delivery.

Third, we will accelerate our steps towards industrial upgrading. In respect of coal-to-chemicals projects, we will, on the premise of ensuring production safety, continue to maintain the safe and stable operation of equipment by optimizing processes and solving problems through technological breakthroughs. We will proceed with the standardized equipment management, make preparation for equipment overhaul and keep improving equipment management. We will scale up the building of an employee training system so that qualified talents can be provided timely for coal-to-chemicals projects on a timely basis.

Fourth, we will steadily press ahead with projects construction. We will speed up the construction of Talahao Mine for its early operation. We will accelerate the construction of approved opencast projects, step up efforts for mining and increase coal production. We will advance the construction of the special railroad linking the Talahao Mine and the double-track segment of the Huzhun Railway. We will promote the examination and approval for the coal-to-liquids project in Xinjiang with an annual production of 1 million tonnes, reasonably schedule the construction of coal-to-chemicals projects and make overall allocation for manpower, material and financial resources to ensure the steady advancement of all projects.

Fifth, we will keep improving corporate management. The Company will focus on cost control, strengthen management functions and ensure the stable operation of production and projects construction.

2. DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(iv) Capital needs for maintaining current business and completing invested projects under construction

In 2013, the Company's major investments include mine construction, railways and construction of coal-chemical projects. By centralizing funds allocation, optimizing assets structure and strictly controlling various expenditures, the Company will speed up capital turnover and reasonably arrange for capital use plans so as to support its healthy development. The Company will sustain the capital demands for day-to-day business operation by drawing on the operating revenue and the support from the controlling shareholder, and satisfy its capital needs through multi-channel fundraising.

(v) Potential risks

1. Policy risks

Given its predominance in China's resource endowment and energy consumption structure, coal has always been the top priority in the country's energy plan and is markedly affected by national policy. The published "12th Five-Year" plan for energy development shows the dominant role of coal remains unshakable in future and the government will vigorously promote the further processing of coal, which will boost to some extent the development of the coal industry. As a large-scale industry leading coal producer specialized in coal production, transport, trading and further processing, the Company will enjoy certain advantages with the guidance of the "12th Five-Year" plan for energy. However, the experience of coal industry development in different countries suggests that the environmental problems accompanying coal-fueled power generation and further processing of coal as well as substitution of other clean energy for coal in the long haul will influence future policy direction for the coal industry and may pose an obstacle to the industry development.

To minimize the above risks, the Company will, based on a good grasp of the national regulatory policy for the coal industry, actively improve our strength, enhance corporate management, accelerate industrial upgrading and scale up research and innovation to make Yitai safer, more efficient and more environment friendly.

2. DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(v) Potential risks *(Continued)*

2. Market risks

(1) Risks of macro-economic fluctuations. The downstream industries of the coal industry are mainly power generation, steel and chemical industries, all (and their respective downstream industries) being basic industries of national economy and closely connected with the macro-economy. Therefore, the coal industry is very vulnerable to macro-economic fluctuations. The "golden decade" of the coal industry is also a period of stable and rapid growth of China's macro-economy. The substantial decline of the coal market in the first three quarters of 2012 was mainly because of inadequate demand from downstream industries resulted from the significant slowdown of the macro-economy. Despite stabilization and recovery of the macro-economy and continuous economic conditions improvement since the fourth quarter, China's economic growth is expected to slow down gradually because of slack global economic growth and transformation of China's economic growth pattern, which may pose negative impact on the Company's results growth in future.

To cope with the above risks, the Company has accumulated plenty of experience in response to the downturn of the coal industry in 2012. The Company will pay close attention to market dynamics and will strengthen ability in analyzing the coal market. In the long run, the Company will make the business segments, such as coal production, railways and coal-to-chemicals, bigger and stronger and enhance capabilities in diversified operation to better address macro-economic fluctuations.

(2) Risks of industrial competition. The year 2012 saw great changes in the coal industry, with supply and demand shifting from relatively tight to balanced, and further to loose. Such a condition is unlikely to change with further release of industry capacity in the future and demand growth slowing down. Presently, the government has canceled key thermal coal contracts, giving the market a bigger role in determining coal prices, which will lead to fiercer competition among coal producers. Failure to continuously enhance competitiveness and stay ahead of the industry will entail risks of tepid sales growth and rising cost, which in turn will result in decline in the profitability.

To cope with intensifying industrial competition, the Company will keep enhancing its competitive strengths by strengthening cost management, expanding markets through multiple channels, tightening management of customer relations, improving quality of coal products and customer services.

2. DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(v) Potential risks *(Continued)*

3. Operational risks

(1) Safety risks. As coal production involves underground mining operation, even though the company maintains a high-level of mechanization and safety management capability, it still poses challenges for safety management considering the extension of mines' service life as well as the depth of mining and exploitation. In addition, the Company is extending its business to the coal-to-chemicals industry, further adding to the production safety risks.

To respond to the challenges, the Company unswervingly adheres to the principle of "safety-foremost", strives to achieve the goal of reaching or surpassing the domestically leading level in safety monitoring, supervision and management, put more efforts in safety management and professional teams building; clarify the responsibilities of persons in charge of production safety, specify responsibilities, objectives, rewards and punishment; continue to promote the safety quality standardization of coal mines, improve coal-to-chemical operation and safety technical regulations as soon as possible; step up efforts for safety and technical training as well as safety culture cultivation to improve employees' professional competence and increase their awareness of safety; strengthen safety regulation to ensure production safety.

(2) Risks of rising of costs. As the government scales up measures for energy conservation, emission reduction, environmental management and production safety, with mining supplies prices and wages rising, and compensation for land acquisition for mining and relocation increasing, the external cost of the Company will increase and the Company's business will be affected to some extent. As such, the Company will take advantage of its strengths in centralized management, strengthen budget management of controllable cost, implement quota-based assessment system, develop potentials, reduce consumption and improve efficiency through good management to minimize the impact of fixed cost on the Company.

2. DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(vi) Contingent liabilities

The Group has the following contingent liabilities against which no provision was made:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Guarantee provided for the loans given by banks to Yitai Group	**—**	—
Guarantee provided for the loans given by banks to associated companies	**20,860**	17,056
	20,860	17,056

	The Company	
	2012	2011
	RMB'000	*RMB'000*
Guarantee provided for the loans given by banks to Yitai Group	**—**	—
Guarantee provided for the loans given by banks to subsidiaries	**5,662,263**	5,896,111
Guarantee provided for the loans given by banks to associated companies	**20,860**	17,056
	5,683,123	5,913,167

(vii) Pledge of Assets

As at 31 December 2012, the Company did not pledge any assets.

III. EXPLANATION FROM THE BOARD FOR THE ACCOUNTING FIRM'S "NON-STANDARD AUDIT REPORT"

(i) Explanation from the Board and the Supervisory Committee for the accounting firm's "non-standard audit report"

√ N/A

(ii) Analysis and explanation from the Board for reasons and impact of changes in accounting policy, accounting estimates and accounting methods

√ N/A

(iii) Analysis and explanation from the Board for reasons and impact of correction of major errors in the previous period

√ N/A

IV. PLANS FOR PROFIT DISTRIBUTION AND TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL AND CLOSURE OF REGISTER OF MEMBERS

(i) Formulation, execution or adjustment of cash dividend policy

The comprehensive income of the Company amounted to RMB7,151.14 million for 2012 and basic earnings per share was RMB4.19. The Board proposed a bonus issue in the proportion of ten bonus shares for every ten shares held by shareholders (as calculated based on the total share capital of the Company of 1,627,003,500 shares) and the distribution of cash dividend of RMB12.5 per 10 shares (tax inclusive), totalling RMB3,661 million.

The 2012 annual general meeting will be convened by the Company on Friday, 28 June 2013 to consider and approve the relevant proposals including the aforesaid proposals on distribution of 2012 final dividend.

According to the relevant laws and regulations and the Articles of Association of the Company, dividends distributed by the Company are denominated and announced in RMB. Dividends to holders of domestic shares are paid in RMB, dividends to holders of domestically listed foreign shares (B shares) are paid in USD, and dividends to holders of overseas listed foreign shares (H shares) are paid in HKD. The dividend paid in USD to holders of B shares is calculated based on the middle rate of RMB against USD as published by the People's Bank of China on the first working days after the general meeting (namely the 2012 annual general meeting) at which the resolution on distribution of dividend is approved. The dividend paid in HKD to holders of H shares is calculated based on the average middle rate of RMB against HKD as published by the People's Bank of China on the first working days after the date of the general meeting (namely the 2012 annual general meeting) at which the resolution on distribution of dividend is approved.

IV. PLANS FOR PROFIT DISTRIBUTION AND TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL AND CLOSURE OF REGISTER OF MEMBERS *(CONTINUED)*

(ii) Disclosure should be made in details about the reasons for failure to propose cash dividend distribution plan if profit is made during the reporting period and undistributed profit of the Company is positive as well as the use and usage plan for retained profit

√ N/A

(iii) Schemes or plans for profit distribution and transfer of capital reserve to share capital in the latest 3 years (including the reporting period)

Year	Number of bonus shares issued for every 10 existing shares *(share)*	Dividends paid for every 10 existing shares (RMB) *(tax inclusive)*	Number of shares transferred to share capital for every 10 existing shares *(share)*	Amount of cash dividend *(tax inclusive)*	Net profit attributable to shareholders of the Company in the consolidated statements of the year with dividend payment	Percentage relative to the net profit attributable to shareholders of the Company in the consolidated statements *(%)*
2012	10	12.5	0	2,033,754,375.00	6,621,880,767.60	30.71%
2011	0	15	0	2,196,000,000.00	5,495,898,660.64	40%
2010	0	15	0	2,196,000,000.00	5,051,376,535.07	43.47%

Note: These contents were prepared in accordance with the PRC Accounting Standards for Business Enterprises.

(iv) Closure of Register of Members

1. Record date and dividend distribution for B shareholders general meeting

Given that the Company will convene the 2012 annual general meeting on Friday, 28 June 2013, and pursuant to the relevant regulations of China, the earliest record date for holders of B shares shall be the trading day before the 7 working days after the date of 2012 annual general meeting, namely 19 June 2013.

Under relevant regulations of China and the market practice adopted in B share market, the Company will publish a separate announcement in respect of dividend distribution to holders of B shares for the year 2012 after the 2012 annual general meeting, which will set out the record date and ex-rights and ex-dividend date of dividend distribution for B Shares.

IV. PLANS FOR PROFIT DISTRIBUTION AND TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL AND CLOSURE OF REGISTER OF MEMBERS *(CONTINUED)*

(iv) Closure of Register of Members *(Continued)*

2. Closure of the register of members of H Shares

The 2012 annual general meeting will be convened by the Company on Friday, 28 June 2013. The shares register of members of the Company will be closed from Wednesday, 29 May 2013 to Friday, 28 June 2013 (both days inclusive). In order to qualify for attending and voting at the annual general meeting, holders of H Shares of the Company should submit all the transfer documents to the Company's share registrar for H Shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at no later than 4:30 p.m. on Tuesday, 28 May 2013.

The share register of members of the Company will be closed from Tuesday, 16 July 2013 to Sunday, 21 July 2013 (both days inclusive). In order to qualify for receiving dividend, holders of H Shares of the Company should submit all the transfer documents to the Company's share registrar for H Shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at no later than 4:30 p.m. on Monday, 15 July 2013.

3. During the reporting period, no shareholders waived or agreed to waive the arrangement on the dividends.

(v) Taxation

1. In accordance with the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company when distributing final dividends to them. Any H shares of the Company not registered under the name of an individual shareholder, including under the name of HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such shareholders. After receiving dividends, non-resident enterprise shareholders may apply, personally or by proxy, to the competent taxation authorities to enjoy the treatment under taxation agreements (arrangement), and provide materials proving their eligibility to be the actual beneficiaries under the taxation agreements (arrangement) for tax refund.

   Investors are advised to read the above content carefully. Should be there any changes to their status as shareholders, they should consult their agent or custodian organisation for the relevant procedures. The Company shall withhold and pay enterprise income tax for the non-resident enterprise shareholders whose names appear in the register of members for H shares of the Company on 21 July 2013.

IV. PLANS FOR PROFIT DISTRIBUTION AND TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL AND CLOSURE OF REGISTER OF MEMBERS *(CONTINUED)*

(v) Taxation *(Continued)*

2. In accordance with the Notice on Relevant Issues Regarding the Implementation of the Policy of Differentiated Individual Income Tax for Stock Dividends from Listed Companies issued by the Ministry of Finance, State Administration of Taxation and CSRC (Cai Shui [2012] No. 85) (《財政部、國家稅務總局、證監會關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) (hereafter as the "Notice"), which was jointly issued by the Ministry of Finance, State Administration of Taxation and CSRC, for the shares of the Company listed on the Shanghai Stock Exchange and acquired by individuals (hereafter as "Relevant Individuals") from public issue and transfer market, all dividends they received from the Company will be withheld the individual income tax in accordance with the policy of differentiated individual income tax. For the Relevant Individuals who have held the shares for more than one years as at the record date, 25% of their dividends shall be included in the taxable income and corresponding individual income tax will be withheld and paid when the Company distributes the dividends; for those who have held the shares for less than 1 year (inclusive) and have not transferred relevant shares as at the record date, 25% of their dividends shall be included in the taxable income and corresponding individual income tax will be withheld and paid temporarily when the Company distributes the dividends; in case that such Relevant Individuals transfer the shares after the record date, China Securities Depository and Clearing Corporation Limited Shanghai Branch will calculate the actual taxable amount based on the term of shareholding (from the date of acquiring the shares to the day before the share transfer) in differentiated ways. Namely, 100% of dividends will be included in the taxable income for those with the term of shareholding of less than 1 month (inclusive); 50% of dividends will be included in the taxable income on a provisional basis for those with the term of shareholding of more than 1 month and less than 1 year (inclusive); and 25% of dividends will be included in the taxable income on a provisional basis for those with the term of shareholding of more than 1 year. The part which has not been withheld will be withheld from the accounts of Relevant Individuals and paid by shares depositories including securities companies to China Securities Depository and Clearing Corporation Limited Shanghai Branch which will transfer the same to the Company for declaration and payment of relevant tax.

V. FULFILLMENT OF SOCIAL RESPONSIBILITY

(i) Work on social responsibility

Please refer to appendix I for details.

(ii) Explanation for environmental protection efforts by the Company and its subsidiaries included in heavily polluting industries designated by the national environmental protection authority

Please refer to appendix I for details.

VI. OTHER DISCLOSURES

(i) Pre-emptive rights

There is no provision on pre-emptive rights under the laws of the People's Republic of China.

(ii) Reserves

As at 31 December 2012, reserves available for distribution to shareholders by the Company in accordance with the laws and regulations of the PRC were 16,049.33 million.

(iii) Auditors

The Company did not change its auditors in the past three years.

(iv) Public Float

Based on the information that is publicly available to the Company and to the knowledge of the directors, as at the date of this report, the Company had maintained compliance with the public float requirements under the waiver application for public float approved by the Hong Kong Stock Exchange.

VI. OTHER DISCLOSURES (CONTINUED)

(v) Mining Exploration, Development and Mining Production Activities

1. Reserves of the Company's mines

Unit: '000 tonnes

Mine of the Company	Remaining reserve in the PRC in 2012	Mineable reserve in the PRC in 2012
Joint-stock mines	**1,677,674**	949,975
Suancigou	**1,366,903**	792,722
Nalinmiao No. 2 mine	**142,513**	80,943
Hongjingta No. 1 mine	**106,160**	50,868
Nalinmiao No. 1 mine	**29,045**	12,066
Yangwangou	**12,319**	7,038
Fuhua	**11,909**	3,651
Kaida	**8,825**	2,689
Under construction	**1,051,370**	681,150
Talahao	**876,560**	589,070
Bulamao	**174,810**	92,080
Total reserves of joint-stock mines	**2,773,940**	1,631,125
Acquired mines		
Dadijing	**98,324**	63,433
Baoshan	**51,729**	36,387
Dingjiaqu	**48,391**	28,163
Chengyi	**20,551**	10,048
Baijialiang	**6,090**	5,530
Total reserves of acquired mines	**225,086**	138,683
Total reserves	**2,954,129**	1,774,686

2. Mine explorations by the Company during the reporting period

During the reporting period, the Company did not carry out additional exploration in respect of any mine.

VI. OTHER DISCLOSURES *(CONTINUED)*

(vi) Reduction of horizontal competition and performance of Assets Transfer Agreement

The Company entered into the Non-competition Agreement (《避免同業競爭協議》) with its controlling shareholder on 29 May 2012. To achieve the Company's strategy of expanding its coal business and minimizing the potential competition between Yitai Group and the Company, the Company entered into the Assets Transfer Agreement with Yitai Group on 29 May 2012, pursuant to which the Company acquired the target assets under the agreement held by Yitai Group at a consideration of RMB8,446,544,400, which includes substantially all of Yitai Group's coal production, sales and transportation businesses.

The operating results of the target assets have been included into the scope of the Company's consolidated financial statements in the third quarterly financial report of the Company. On 19 October 2012, Inner Mongolia Department of Land and Resources approved the transfer of the mining rights as required in the Assets Transfer Agreement; On 1 November 2012, the Company entered into the Supplemental Agreement to the Assets Transfer Agreement, pursuant to which both parties agreed that, other than the mining rights required to be approved for transfer in the target assets, the delivery date of the remaining target assets would be 30 September 2012; the delivery date of the mining rights (being 30 October 2012) is the last day of the month in which the aforesaid approval was obtained from Inner Mongolia Department of Land and Resources (19 October 2012); So far, the changes of certificates and licenses for land and mining rights which were involved in the transfer of target assets under the Assets Transfer Agreement are underway. Up to date, the transfer of equity interests involved under the Assets Transfer Agreement is as follows: (1) the change of business registration in respect of transfer of 73% equity interests in Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司) (hereafter as "Baoshan Coal Company") was completed on 25 January 2013. (2) the change of business registration in respect of transfer of 73% equity interests in (Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限公司) (hereafter as "Tongda Coal Company") was completed on 26 January 2013.

(vii) Subsequent Events

There are no material subsequent events for the Group.

REPORT OF THE SUPERVISORY COMMITTEE

In 2012, in order to safeguard the interests of the Company and minority shareholders, the Supervisory Committee of the Company supervised the Company's lawful operation and the performance of the Directors and senior management of their duties in strict compliance with the laws and regulations including the Company Law, the Securities Law and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, and the Articles of Association, thus safeguarding the legal interests of the Company and Shareholders. The specific work of the Supervisory Committee in the past year is as follows:

I. WORK OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the reporting period, the Supervisory Committee convened four meetings, details of which are set out as follows:

The fifth meeting of the fifth session of the Supervisory Committee was convened on 23 February 2012, at which the proposal in relation to the 2011 Work Report of the Supervisory Committee of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2011 Internal Control Assessment Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2011 Social Responsibility Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the Confirmation of the Difference between Actual Amount and Estimated Amount of Related Party Transactions in the Ordinary Course of Business of the Company in 2011 and the Estimates for 2012 Related Party Transactions in the Ordinary Course of Business; the proposal in relation to the provision for impairment of long-term equity investment of the Company; the proposal in relation to the 2011 Annual Report of Inner Mongolia Yitai Coal Co., Ltd. and its summary; and the proposal in relation to the entrusted loan provided by Zhundong Railway Company through the bank were considered.

The sixth meeting of the fifth session of the Supervisory Committee was convened on 27 April 2012, at which the proposal in relation to the First Quarterly Report for the Year 2012 of Inner Mongolia Yitai Coal Co., Ltd. was considered.

The seventh meeting of the fifth session of the Supervisory Committee was convened on 27 August 2012, at which the proposal in relation to the 2012 Interim Report of Inner Mongolia Yitai Coal Co., Ltd. and its summary; the proposal in relation to re-election of supervisors; and the proposal in relation to provision of guarantees in respect of loans of Huzhun Railway Company were considered.

The eighth meeting of the fifth session of the Supervisory Committee was convened on 26 October 2012, at which the proposal in relation to the Third Quarterly Report for the Year 2012 of Inner Mongolia Yitai Coal Co., Ltd. was considered.

I. WORK OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD *(CONTINUED)*

During the reporting period, the Supervisory Committee supervised the performance of the Directors and senior management of their duties and was of the view that the Board of the Company performed its duties in strict compliance with the requirements under the laws and regulations including the Company Law, the Securities Law and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, and the Articles of Association, the major decisions were reasonable and the procedures were lawful and valid; and was of the view that, in the performance of their duties, the senior management conscientiously complied with national laws and regulations, the Articles of Association and the resolutions of general meetings and the Board, discharged their duties honestly and forged ahead; and no actions in violation of laws, regulations or the Articles of Association of the Company or against the shareholders of the Company or the interests of the Company were found.

II. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY

During the reporting period, the general meetings, the Board and senior management of the Company operated in strict accordance with the decision-making authority and rules on procedures. The convening procedures of general meetings were lawful; the Board strictly implemented the resolutions of general meeting, each Director diligently performed his/her duties in good faith and independent Directors independently and completely issued their independent opinions with the attitude of being accountable to all shareholders; the senior management strictly honored their commitments and statements, faithfully performed their duties, and safeguarded the interests of the Company and all shareholders. The Company further standardised the information disclosure procedures, took measures to ensure confidentiality before information disclosure to prevent insider transactions, and disclosed all information in a timely and fair way, therefore the right to be informed and participation right of shareholders were enlarged and the transparency and standard operation level of the Company were enhanced. The Company implemented a proactive profit distribution plan in the principle of operation in good faith, attached importance to a reasonable return to investors, strengthened the exchange and communication with investors by various channels to establish a favourable corporate image. The Company set up a sound internal control mechanism and formed a standard management system. It strictly complied with relevant national laws and regulations and various rules and regulations of the Company, and fulfilled its duties for the Company's development. The Directors and senior management were in the interest of the Company and no actions against the interests of the Company or investors were found in the performance of their duties.

III. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON INSPECTION OF THE FINANCIAL POSITION OF THE COMPANY

During the reporting period, the Supervisory Committee inspected and supervised the financial activities of the Company by debriefing the specific report from the financial officers of the Company, reviewing the regular report of the Company and examining the auditor's report issued by the auditor. The Supervisory Committee was of the view that the financial system of the Company is in compliance with the related provisions under the laws and regulations including the Accounting Law and the Accounting Standards for Business Enterprises. The 2012 annual report of the Company gives a true, accurate and complete view of the financial position, operational results, cash flow and shareholders' equity of the Company. The audit opinions issued by the auditor are objective and fair, and the auditor issued standard unqualified auditor's report for the Company.

IV. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON THE ACTUAL USE OF THE LATEST RAISED PROCEEDS OF THE COMPANY

As at the end of 2012, the actual use of proceeds was in compliance with the commitments under the Prospectus of the Company and the changes or adjustments under the resolutions of the Board and general meetings. The procedures of changes or adjustments were lawful and in compliance with relevant regulations, and no circumstances against the interests of shareholders and the Company were found, laying a solid foundation for the sustainable development of the Company.

V. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON ACQUISITION AND DISPOSAL OF ASSETS BY THE COMPANY

1. Acquisition of Equity Interest by the Company

Pursuant to the Assets Transfer Agreement between Inner Mongolia Yitai Group Co., Ltd. and Inner Mongolia Yitai Coal Company Limited (《內蒙古伊泰集團有限公司與內蒙古伊泰煤炭股份有限公司資產轉讓協議》) entered into between the Company and Yitai Group, the controlling shareholder of the Company, on 29 May 2012, the Company acquired the target assets and business under such agreement owned by Yitai Group, at a consideration of RMB8,446,544,400. The acquisition will be conducive to expanding our railway transportation capacity, carrying out further technology upgrades for our coal mines, and expanding our coal production.

On 23 April 2012, the Company entered into equity transfer agreements with Hohhot Railway Bureau (呼和浩特鐵路局) and Inner Mongolia Mengtai Coal & Electricity Group Co., Ltd. (內蒙古蒙泰煤電集團有限公司) respectively to acquire 40.5% and 10% equity interests in Dama Railway, for an aggregate consideration of RMB397.334 million. As a result of the said equity acquisition, the Company will hold 50.5% equity interests in Dama Railway. At present, the Company is carrying out the preliminary works.

V. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON ACQUISITION AND DISPOSAL OF ASSETS BY THE COMPANY *(CONTINUED)*

2. Disposal of Equity Interest by the Company

As considered and approved at the 12th meeting of the fifth session of the Board, the Company transferred its 88% equity interest in Inner Mongolia Yitai Pharmaceutical Co., Ltd. (內蒙古伊泰藥業有限責任公司) to Zhejiang CONBA Pharmaceutical Co., Ltd. (浙江康恩貝制藥股份有限公司) at a consideration of RMB200 million. Upon completion of the transfer, the Company will hold 12% equity interest in the pharmaceutical company. The Supervisory Committee is of the view that the consideration based on the market price is fair and reasonable, and is conducive to the overall development of the Company.

During the reporting period, the transaction prices of the acquisition and disposal of assets by the Company were reasonable and no loss of assets of the Company was found.

VI. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON THE RELATED PARTY TRANSACTIONS OF THE COMPANY

During the reporting period, the major related party transactions involving the Company include the followings: the Company established Yitai Xinjiang jointly with Yitai Group; the Company and Yitai Group jointly established Yili Mining; the Company entered into the equity transfer agreement with Inner Mongolia Yitai Pharmaceutical Co., Ltd., pursuant to which Inner Mongolia Yitai Pharmaceutical Co., Ltd. transferred its 51% equity interest in Yitai Pharmatech Co., Ltd. to the Company at a total consideration of RMB5,100,000; the Company entered into the equity transfer agreement with Inner Mongolia Yitai Pharmaceutical Co., Ltd., pursuant to which Inner Mongolia Yitai Pharmaceutical Co., Ltd. transferred its 100% equity interest in Beijing Yitai Biotechnology Co., Ltd. (北京伊泰生物科技有限公司) to the Company at a total consideration of RMB10,000,000. All the said transactions constitute related party transactions of the Company with the controlling shareholder under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange.

The Supervisory Committee has earnestly reviewed and supervised the related party transactions throughout the year and is of the view that: during the reporting year, the procedures of abstaining of connected directors and shareholders from voting on the matters regarding guarantees by the Company were fulfilled, all the procedures were lawful and in compliance with relevant regulation and were conducted in a fair and just way, and no actions against the interests of the Company or minority shareholders were found. The information disclosure procedures for the related party transactions of the Company were performed in strict accordance with the Rules Governing the Listing of Stocks on Shanghai Stock Exchange. The related party transactions in the ordinary course of business of the Company were executed in accordance with the related party transaction framework agreement and the transaction prices were in compliance with the pricing standards as set out in relevant agreements.

VII. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON THE AUDITOR'S NONSTANDARD OPINION

Da Hua Certified Public Accountants Co., Ltd (大華會計師事務所有限公司) and Ernst & Young Certified Public Accountants had issued a standard auditor's report on the Company's 2012 financial statements respectively and the auditor's reports give a true, objective and accurate view of the Company's financial position.

VIII. SUPERVISORY COMMITTEE'S REVIEW OF AND OPINIONS ON INTERNAL CONTROL SELF-ASSESSMENT REPORT

The Supervisory Committee reviewed the 2012 Internal Control Self-assessment Report of Inner Mongolia Yitai Coal Co., Ltd., and was of the view that the report was in compliance with relevant requirements under the Basic Rules for Internal Control of Companies and Supporting Guidelines on Internal Control of Companies and gave a comprehensive, objective and true view of the actual conditions of the Company's internal control. From 1 January to 31 December 2012, no material or significant defects were found in the design or execution of the Company's internal control.

I. MATERIAL LITIGATION, ARBITRATION AND MATTERS GENERALLY QUESTIONED BY THE MEDIA

The Company was not involved in any material litigation, arbitration or matters generally questioned by the media in the year.

II. OCCUPATION OF FUNDS AND REPAYMENT OF DEBTS AND LIABILITIES DURING THE REPORTING PERIOD

√N/A

III. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

The Company did not have any matter relating to insolvency or restructuring in the year.

IV. TRANSACTION OF ASSETS AND COMBINATION OF BUSINESS

(i) Acquisition and disposal of asset and combination of business by the Company which have been disclosed in the temporary announcements and have no change in the subsequent implementation process

Overview and Type of Matters	Query Index
According the Assets Transfer Agreement between Inner Mongolia Yitai Group Co., Ltd. and Inner Mongolia Yitai Coal Co., Ltd. entered into between the Company and its controlling shareholder, Yitai Group, on 29 May 2012, the Company acquired the target assets and business under the agreement held by Yitai Group, the controlling shareholder of the Company, at a consideration of RMB8,446,544,400.	Please refer to the temporary announcements published by the Company on the website of the Shanghai Stock Exchange, Shanghai Securities News and Hong Kong Commercial Daily on 12 November 2012 for the progress of this matter.
As considered and approved at the 12th meeting of the fifth session of the Board, the Company transferred its 88% equity interest in Inner Mongolia Yitai Pharmaceutical Co., Ltd. to Zhejiang CONBA Pharmaceutical Co., Ltd. at a consideration of RMB200 million. Upon completion of the transfer, the Company holds 12% equity interest in the pharmaceutical company.	Please refer to the temporary announcements published by the Company on the website of the Shanghai Stock Exchange, Shanghai Securities News and Hong Kong Commercial Daily on 8 August 2012 for the progress of this matter.

IV. TRANSACTION OF ASSETS AND COMBINATION OF BUSINESS *(CONTINUED)*

(ii) Matters undisclosed in temporary announcements or those with subsequent progress

1. Asset acquisitions

Unit: yuan Currency: RMB

Counterparty or ultimate controller	Assets acquired	Date of purchase	Consideration for acquisition of the assets	Whether it is a connected transaction (if yes, please illustrate the pricing principle)	The pricing principle of the asset acquisition	Whether the entitlement of the assets concerned has been fully transferred or not	Whether all related claims and debts had been transferred
Hohhot Railway Bureau	40.5% equity interest in Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限責任公司)	23 April 2012	318,654,000	No	Agreement	No	No
Inner Mongolia Mengtai Coal Electricity Group Co., Ltd.*	10% equity interest in Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限責任公司)	23 April 2012	78,680,000	No	Agreement	No	No
Inner Mongolia Yitai Pharmaceutical Co., Ltd.	51% equity interest in Yitai Pharmatech Co., Ltd. (伊泰(北京)合成技術有限公司)	24 July 2012	5,100,000	No	Agreement	Yes	Yes
Inner Mongolia Yitai Pharmaceutical Co., Ltd.	100% equity interest in Beijing Yitai Biotechnology Co., Ltd.	20 July 2012	10,000,000	No	Agreement	Yes	Yes

IV. TRANSACTION OF ASSETS AND COMBINATION OF BUSINESS (CONTINUED)

(ii) Matters undisclosed in temporary announcements or those with subsequent progress (Continued)

1. Asset acquisitions *(Continued)*

Ordos Dama Railway Co., Ltd. (hereafter referred to as "Dama Railway") (鄂爾多斯大馬鐵路有限責任公司) was established on 8 July 2010, with a registered capital of RMB786.8 million and paid-up capital of 157.37 million. Dama Railway was held as to 45%, 30%, 15% and 10% respectively by Hohhot Railway Bureau, Jungar Banner Zhengtong Railway Investment Co., Ltd. (准格爾旗政通鐵路投資有限責任公司), Inner Mongolia Mengtai Coal & Electricity Group Co., Ltd. (內蒙古蒙泰煤電集團有限公司), and Ordos Xintie Logistics Co., Ltd. (鄂爾多斯市鑫鐵物流有限責任公司). On 23 April 2012, the Company entered into equity transfer agreements with Hohhot Railway Bureau and Inner Mongolia Mengtai Coal & Electricity Group Co., Ltd. respectively to acquire 40.5% and 10% equity interests in Dama Railway, for an aggregate consideration of RMB397.33 million. As a result of the aforesaid equity acquisition, the Company will hold 50.5% equity interests in Dama Railway. At present, the Company is carrying out preliminary works.

V. SHARE OPTION INCENTIVES PROVIDED BY THE COMPANY AND ITS IMPACT

√ N/A

VI. MATERIAL CONNECTED TRANSACTIONS

(i) Material Connected Transactions in relation to Joint Investment

1. Matters that have been disclosed in temporary announcements which have no progress or change in subsequent implementation

Overview of Matter	Query Index
The Company and its controlling shareholder, Yitai Group, jointly established Yitai Xinjiang. The registered capital of the company was RMB100 million, of which the Company contributed RMB90 million, representing 90% of the registered capital, and Yitai Group contributed RMB10 million, representing 10% of the registered capital.	Please refer to the announcements of connected transaction published by the Company on the website of the Shanghai Stock Exchange, Shanghai Securities News and Hong Kong Commercial Daily on 28 February 2012 for details.

VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(i) Material Connected Transactions in relation to Joint Investment (Continued)

2. Matters undisclosed in temporary announcements

Unit: RMB million

Joint investors	Relations	Name of the invested entity	Principal business scope of the invested entity	Registered capital of the invested entity	Total assets of the invested entity	Net assets of the invested entity	Net profits of the invested entity	Progress of construction of significant projects of the invested entity
Inner Mongolia Yitai Group Co., Ltd.	Parent company	Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司)	Investment in the coal mining industry	50.00				

On 13 March 2012, the Company and Yitai Group jointly established Yili Mining which has a registered capital of RMB50 million in which the Company contributed RMB45 million, accounting for 90% of the registered capital and Yitai Group contributed RMB5 million, accounting for 10% of its registered capital. The company's registered office is located at Yinan Industrial Park of Chabuchar County (察布查爾縣伊南工業園) and is engaged in the investment in the coal mining industry.

(ii) Connected Transactions

Major connected transactions of the Group during 2012 are as follows:

1. Non-exempt One-off Connected Transaction

During the reporting period, the Group has not entered into any non-exempt one-off connected transactions which was subject to disclosure or independent shareholders' approval under the Listing Rules of the Hong Kong Stock Exchange.

2. Non-exempt Continuing Connected Transactions

In respect of the type 1 to type 3 non-exempt continuing connected transactions as set out below, the Hong Kong Stock Exchange approved the annual caps of those continuing connected transactions and granted a waiver to the Company from strict compliance with the announcement and independent shareholders' approval requirements at the time of the listing of the Company's H shares. In respect of the type 4 to type 5 non-exempt continuing connected transactions as set out below, the Hong Kong Stock Exchange approved the annual caps of those continuing connected transactions and granted a waiver to the Company from strict compliance with the announcement and independent shareholders' approval requirements at the time of the listing of the Company's H shares.

VI. MATERIAL CONNECTED TRANSACTIONS *(CONTINUED)*

(ii) Connected Transactions *(Continued)*

2. Non-exempt Continuing Connected Transactions *(Continued)*

(1) Provision of coal by the Company to Coal-to-oil Company

As Coal-to-oil Company is held as to 80% by the Company and 20% by Yitai Group, the controlling shareholder of the Company, Coal-to-oil Company is a connected person of the Company under the Rule 14A.11(5) of the Listing Rules of the Hong Kong Stock Exchange.

The Company entered into a coal supply framework agreement (the Coal-to-oil Coal Supply Agreement) with Coal-to-oil Company on 29 May 2012. The Coal-to-oil Coal Supply Agreement is for a term commencing from the date on which the Company was listed on the main board of the Hong Kong Stock Exchange and ending on 31 December 2014 and may be renewed for a period of three years upon mutual agreement, subject to compliance with the requirements of relevant laws and the Listing Rules. Pursuant to this agreement, Coal-to-oil Company has undertaken that it shall purchase coal from the Company, unless the terms and conditions of third parties are more favorale.

The coal to be provided under the Coal-to-oil Coal Supply Agreement will be priced based on the following pricing policies: (a) the price prescribed by the state (including any price prescribed by any relevant local government), if applicable; (b) where there is no state-prescribed price but there is a state-guidance price, then the state-guidance price; (c)where there is neither a state-prescribed price nor a state-guidance price, the market price; or (d) where none of the above is applicable or where it is not practical to apply the above pricing policies, the price agreed between the relevant parties.

During the reporting period, the annual cap of the continuing connected transaction in respect of 2012 was RMB359.1 million, and the actual transaction amount was RMB227.01 million.

(2) Provision of coal by the Company to Jingneng Power (including Jingtai Power)

Jingneng Power is a 24% shareholder of Suancigou Mine which is 52% owned by the Company. Therefore, Jingneng Power is a connected person of the Company under the Listing Rules of the Hong Kong Stock Exchange.

Jingtai Power is 51% owned by Jingneng Power. Therefore, Jingtai Power is a connected person of the Company under Rule 14A.11(4) of the Listing Rules of the Hong Kong Stock Exchange.

VI. MATERIAL CONNECTED TRANSACTIONS *(CONTINUED)*

(ii) Connected Transactions *(Continued)*

2. Non-exempt Continuing Connected Transactions *(Continued)*

(2) Provision of coal by the Company to Jingneng Power (including Jingtai Power) *(Continued)*

The Company entered into a coal supply framework agreement (Jingneng Coal Supply Agreement) with Jingneng Power (for itself and on behalf of its subsidiaries and associates, including Jingtai Power) on 29 May 2012. The Jingneng Coal Supply Agreement is for a term commencing from the date on which the Company was listed on the main board of the Hong Kong Stock Exchange and ending on 31 December 2014 and may be renewed for a period of three years upon mutual agreement, subject to compliance with the requirements of relevant laws and the Listing Rules of the Hong Kong Stock Exchange. Pursuant to the Jingneng Coal Supply Agreement, the Company will supply coal to Jingneng Power and its subsidiaries, and Jingneng Power and its subsidiaries will purchase coal from the Company. Each party is entitled to enter into transactions with any third party, provided that each party's obligations under the Jingneng Coal Supply Agreement are duly fulfilled.

The coal to be provided under this agreement will be priced based on the following pricing policy: (a) the price prescribed by the state (including any price prescribed by any relevant local government), if applicable; (b) where there is no state-prescribed price but there is a state-guidance price, then the state-guidance price; (c) where there is neither a state-prescribed price nor a state-guidance price, the market price; or (d) where none of the above is applicable or where it is not practical to apply the above pricing policies, the price agreed between the relevant parties.

During the reporting period, the annual cap of coal provided by Suancigou Mine to Jingtai Power in respect of 2012 was RMB350.0 million, and the actual transaction amount was RMB214.46 million. The annual cap of coal provided by the Company to Jingneng Power in respect of 2012 was RMB121.0 million, and the actual transaction amount was RMB43.82 million.

VI. MATERIAL CONNECTED TRANSACTIONS *(CONTINUED)*

(ii) Connected Transactions *(Continued)*

2. Non-exempt Continuing Connected Transactions *(Continued)*

(3) Mutual provision of materials, equipment and services between the Company and Yitai Group in respect of the Retained Businesses and other businesses of Yitai Group

i. Provision of materials, equipment and exclusive sales agency service by the Company to Yitai Group

The Company entered into a provision of products and service framework agreement with respect to the Retained Businesses and other businesses of Yitai Group (Retained Businesses and Other Businesses Framework Agreement) with Yitai Group on 29 May 2012. The Retained Businesses and Other Businesses Framework Agreement is for a term commencing from the date on which the Company was listed on the main board of the Hong Kong Stock Exchange and ending on 31 December 2014 and may be renewed for a period of three years upon mutual agreement, subject to compliance with the requirements of relevant laws and the Listing Rules of the Hong Kong Stock Exchange. The Company will provide materials and equipment to Yitai Group.

The materials and products to be provided under the Retained Businesses and Other Businesses Framework Agreement will be priced based on: (a) the price prescribed by the state (including any price prescribed by any relevant local government), if applicable; (b) where there is no state-prescribed price but there is a state-guidance price, then the state-guidance price; (c) where there is neither a state-prescribed price nor a state-guidance price, the market price; or (d) where none of the above is applicable or where it is not practical to apply the above pricing policies, the price agreed between the relevant parties.

(a) During the reporting period, the Company provided materials and equipment to Yitai Group. The annual cap of this transaction in respect of 2012 was RMB50.0 million, and the actual transaction amount was RMB29.29 million.

(b) In addition, pursuant to the Non-competition Agreement, the Company will provide exclusive sales agency service to Sujiahao Mine of Yitai Group. The Company's sales agency fee will be 1% of the total sales of Sujiahao Mine. During the reporting period, the annual cap of sales agency fee obtained through the transaction in respect of 2012 was RMB4.8 million, and the actual transaction amount was RMB0.

VI. MATERIAL CONNECTED TRANSACTIONS *(CONTINUED)*

(ii) Connected Transactions *(Continued)*

2. Non-exempt Continuing Connected Transactions *(Continued)*

(3) Mutual provision of materials, equipment and services between the Company and Yitai Group in respect of the Retained Businesses and other businesses of Yitai Group *(Continued)*

i. Provision of materials, equipment and exclusive sales agency service by the Company to Yitai Group *(Continued)*

(c) In addition, pursuant to the Retained Businesses and Other Businesses Framework Agreement, all the coal produced by Hongqinghe Mine (if any) shall be exclusively supplied to the Company as the purchaser for re-sale. After Hongqinghe Mine becomes operational, the Company will review the annual caps and comply with the applicable disclosure, announcement and/or independent shareholders' approval requirements under the Listing Rules of the Hong Kong Stock Exchange.

ii. Provision of materials by Synfuels China to Coal-to-oil Company

As Synfuels China is held as to 40.4% by Yitai Group, the controlling shareholder of the Company, Synfuels China is a connected person of the Company under the Listing Rules.

Pursuant to the Retained Businesses and Other Businesses Framework Agreement, Synfuels China, a subsidiary of Yitai Group, provided coal chemical materials to Coal-to-oil Company, a subsidiary of the Company. During the reporting period, the annual cap of the transaction in respect of 2012 was RMB40.0 million, and the actual transaction amount was RMB34.62 million.

(4) Provision of coal by the Company to Guangdong Power Company

Guangdong Power Company is a subsidiary of Guangdong Yudean Group Co., Ltd. (廣東省粵電集團有限公司), which is the controlling shareholder of Shanxi Yudean. Shanxi Yudean is a substantial shareholder of Suancigou Mine. Therefore, Guangdong Power Company is a connected person of the Company under the Listing Rules of the Hong Kong Stock Exchange.

VI. MATERIAL CONNECTED TRANSACTIONS *(CONTINUED)*

(ii) Connected Transactions *(Continued)*

2. Non-exempt Continuing Connected Transactions *(Continued)*

(4) Provision of coal by the Company to Guangdong Power Company *(Continued)*

The Company entered into a coal supply framework agreement (Guangdong Power Coal Supply Agreement) with Guangdong Power Company (for itself and on behalf of its subsidiaries and associates) on 29 May 2012. The Guangdong Power Coal Supply Agreement is for a term commencing from the date on which the Company was listed on the main board of the Hong Kong Stock Exchange and ending on 31 December 2014 and may be renewed for a period of three years upon mutual agreement, subject to compliance with the requirements of relevant laws and the Listing Rules of the Hong Kong Stock Exchange. Pursuant to the Guangdong Power Coal Supply Agreement, the Company will supply coal to Guangdong Power Company and Guangdong Power Company will purchase coal from the Company. Each party is entitled to enter into transactions with any third party, provided that each party's obligations under the Guangdong Power Coal Supply Agreement are duly fulfilled.

The coal products to be provided under this agreement will be priced based on the following pricing policy: (a) the price prescribed by the state (including any price prescribed by any relevant local government), if applicable; (b) where there is no state-prescribed price but there is a state-guidance price, then the state-guidance price; (c) where there is neither a state-prescribed price nor a state-guidance price, the market price; or (d) where none of the above is applicable or where it is not practical to apply the above pricing policies, the price agreed between the relevant parties.

During the reporting period, the annual cap of the transaction in respect of 2012 was RMB1,692.5 million, and the actual transaction amount was RMB1,037.47 million.

VI. MATERIAL CONNECTED TRANSACTIONS *(CONTINUED)*

(ii) Connected Transactions *(Continued)*

2. Non-exempt Continuing Connected Transactions *(Continued)*

(5) Mutual provision of products, equipment and services between Yitai Group and the Company in respect of the Target Business Group

The Company entered into a mutual provision of products and service framework agreement in respect of the Target Business Group (the Target Business Group Framework Agreement) with Yitai Group on 29 May 2012. The Target Business Group Framework Agreement is for a term commencing on the date on which the Company was listed on the main board of the Hong Kong Stock Exchange and ending on the Closing Date of the Assets Transfer Agreement. If the Closing Date is later than 31 December 2014, the Target Business Group Framework Agreement will be renewed for a period of three years upon mutual agreement, subject to compliance with the requirements of relevant laws and the Listing Rules of the Hong Kong Stock Exchange. Pursuant to the Target Business Group Framework Agreement, Yitai Group has undertaken to exclusively supply all coal produced by the Target Business Group to the Company as the purchaser for re-sale and the Company agreed to purchase these coal. Without prejudice to the exclusive supply arrangement of the coal produced by the Target Business Group, Yitai Group has undertaken that it will, and procure its subsidiaries and/or associates to, supply products and services on terms and conditions that are equal to or more favorable than the terms and conditions it offers to third parties. Yitai Group cannot provide products or services to third parties unless the Company's request for products and services under the Target Business Group Framework Agreement is fully satisfied first.

Upon completion of the Proposed Acquisition, all the above-mentioned transactions will no longer constitute connected transactions as they will be intra-group transactions.

The services to be provided under this agreement will be priced based on the following pricing policy: (a) the price prescribed by the state (including any price prescribed by any relevant local government), if applicable; (b) where there is no state-prescribed price but there is a state-guidance price, then the state-guidance price; (c) where there is neither a state-prescribed price nor a state-guidance price, the bidding price where the bidding process is required or the market price where there is no bidding process; or (d) if the price offered by Yitai Group equals to or is more favourable than the bidding prices offered by other independent third parties, the Company shall procure services from Yitai Group instead of the independent third parties.

VI. MATERIAL CONNECTED TRANSACTIONS *(CONTINUED)*

(ii) Connected Transactions *(Continued)*

2. Non-exempt Continuing Connected Transactions *(Continued)*

(5) Mutual provision of products, equipment and services between Yitai Group and the Company in respect of the Target Business Group *(Continued)*

i. From the date on which the Company was listed on the main board of the Hong Kong Stock Exchange until the Closing Date, the Company will provide materials, equipment and services to Yitai Group. During the reporting period, the annual cap of the transaction in respect of 2012 was RMB150.0 million, and the actual transaction amount was RMB71.07 million.

ii. During the period commencing from the listing until the Closing Date, Yitai Group will provide coal and services to the Company.

(a) Provision of coal

During the reporting period, the annual cap of the transaction in respect of 2012 was RMB4,290.0 million, and the actual transaction amount was RMB218.81 million.

(b) Provision of transportation and storage service

- Transportation and storage service for the coal produced in the Target Mines

  During the reporting period, the annual cap of the transaction in respect of 2012 was RMB4.3 million, and the actual transaction amount was RMB0.

- Transportation and storage service for the coal procured by us from third parties

  During the reporting period, the annual cap of the transaction in respect of 2012 was RMB151.0 million, and the actual transaction amount was RMB0.

- Transportation and storage service for the coal produced by the Company

  During the reporting period, the annual cap of the transaction in respect of 2012 was RMB107.9 million, and the actual transaction amount was RMB48.6 million.

VI. MATERIAL CONNECTED TRANSACTIONS *(CONTINUED)*

(ii) Connected Transactions *(Continued)*

3. Opinion of independent non-executive Directors on non-exempt continuing connected transactions

The independent non-executive Directors of the Company have confirmed to the Board of the Company that they have reviewed the non-exempt continuing connected transactions and are of the view that:

(1) those transactions were in the ordinary and usual course of business of the Group;

(2) those transactions were on normal commercial terms, or if comparable transactions were not sufficient to judge whether the terms of those transactions were ordinary commercial terms, then in relation to the Group, those transactions were on terms no less favorable than the terms obtained from or provided (as the case may be) by independent third party; and

(3) those transactions were conducted on the terms of the relevant transactions and the terms of the transactions were fair and reasonable and in the interest of the shareholders of the Company as a whole.

Opinion of auditors on non-exempt continuing connected transactions

Ernst & Young, the auditors of the Company, have reviewed the continuing connected transactions (1) to (5) above and issued letters to the Board, indicating that:

(1) they were not aware of any matter for which they would consider that the said continuing connected transactions (1) to (5) had not been approved by the Board;

(2) regarding the said continuing connected transactions (1) to (5) in relation to provision of goods or services by the Group, they were not aware of any matter for which they would consider that those transactions were not proceeded in accordance with the Company's pricing policy in all material aspects;

(3) they were not aware of any matter for which they would consider that the said continuing connected transactions (1) to (5) were not proceeded pursuant to the terms of relevant agreements in all material aspects; and

(4) regarding the said continuing connected transactions (1) to (5), they were not aware of any matter for which they would consider that the total amount of the transactions for the year ended 31 December 2012 exceeded the annual cap amount as disclosed in the announcement of the continuing connected transaction.

VII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

(i) Custody, contracting and leasing matters

√ N/A

(ii) Guarantee

Unit: RMB Currency: RMB

External Guarantees of the Company (excluding those for controlled subsidiaries)											
Guarantor	Relations between the guarantor and the Company	The guaranteed	Amount of guarantee	Date of guarantee (agreement signing date)	Date of commencement	Date of expiry	Type of guarantee	Whether guarantee is completed	Whether guarantee is overdue	Whether counter-guaranteed or not	Whether the guaranteed is a connected party	Relations
Inner Mongolia Yitai Coal Co., Ltd.	The Company	Ordos Tiandi Huarun Mine Equipment Co., Ltd. (鄂爾多斯市天地華潤煤礦裝備有限責任公司)	3,360,000	27 February 2009	27 February 2009	26 February 2016	Joint liability guarantee	No	No	No	Yes	Subsidiary not being controlled by the Company
Inner Mongolia Yitai Coal Co., Ltd.	The Company	Ordos Tiandi Huarun Mine Equipment Co., Ltd.	11,200,000	30 November 2009	30 November 2009	30 November 2019	Joint liability guarantee	No	No	No	Yes	Subsidiary not being controlled by the Company
Inner Mongolia Yitai Coal Co., Ltd.	The Company	Ordos Tiandi Huarun Mine Equipment Co., Ltd.	6,300,000	29 August 2012	31 August 2012	30 August 2015	Joint liability guarantee	No	No	No	Yes	Subsidiary not being controlled by the Company

Total amount of guarantees occurring during the reporting period (excluding those for subsidiaries)	6,300,000
Total balance of guarantees at the end of the reporting period (excluding those for subsidiaries) (A)	20,860,000
Guarantees of the Company for Subsidiaries	
Total amount of guarantees for subsidiaries occurring during the reporting period	974,016,000.00
Total balance of guarantees for subsidiaries at the end of the reporting period (B)	5,662,263,459.34
Total Guarantee Amount (including those for subsidiaries)	
Total guarantee (A+B)	5,683,123,459.34
Percentage of total guarantee in the Company's net assets (%)	25.81
Including:	
Amount of guarantees for shareholders, de facto controller and their connected parties (C)	0
Amount of debt guarantees directly or indirectly provided for those with a gearing ratio of over 70% (D)	0
Amount of total guarantees in excess of 50% of net assets (E)	0
Total of the above three items (C+D+E)	0

VII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION *(CONTINUED)*

(iii) Other material contracts

The Company didn't have any other material contracts in the year.

VIII. FULFILLMENT OF UNDERTAKINGS

(i) Undertakings made by the listed company, shareholders holding over 5% of equity interest, the controlling shareholder and de facto controller during the reporting period or subsisted up to the reporting period

Background of undertakings	Type of undertakings	Undertaker	Contents of undertakings	Time and period of undertakings	Is there a fulfillment time limit	Whether fulfilled strictly in time	Reason for failure in fulfillment in time (if any)	Further steps in case of failure in fulfillment in time
Refinancing related undertakings	Settlement of peer competitions	Inner Mongolia Yitai Coal Co., Ltd.	The Company disclosed in the prospectus for listing of H shares that the Company will use the raised proceeds for acquisition of five coal mines and other coal related assets and business held by Yitai Group, the controlling shareholder of the Company, to settle peer competitions and connected transactions between the Company and Yitai Group.	12 July 2012	No	Yes	N/A	N/A
	Dividend distribution	Inner Mongolia Yitai Coal Co., Ltd.	The Company disclosed in the prospectus for listing of H shares that the Company will distribute no less than 30% of distributable profit of the Company after the end of 2012 and 2013 financial years.	12 July 2012	Yes	Yes	N/A	N/A

IX. APPOINTMENT OR TERMINATION OF APPOINTMENT OF AUDITORS

Unit: RMB Million

Change of accounting firm:	No
	Current appointee
Name of the domestic accounting firm	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm	1.5
Term of audit of the domestic accounting firm	2
Name of the overseas accounting firm	Ernst & Young Certified Public Accountants
Remuneration of the overseas accounting firm	1.5
Term of audit of the overseas accounting firm	2

Note: The financial auditor of the Company for 2012 changed its name from "Da Hua Certified Public Accountants Co., Ltd." to "Da Hua Certified Public Accountants (Special General Partnership)". This change of name did not constitute a change of events of an accounting firm.

	Name	Remuneration
Accounting firm as internal control auditors	Da Hua Certified Public Accountants (Special General Partnership)	0.75

X. PUNISHMENT ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS HOLDING OVER 5% OF EQUITY INTEREST, DE FACTO CONTROLLER AND PURCHASER AND RELEVANT RECTIFICATIONS

During the reporting period, none of the Company, its Directors, supervisors, senior management members, shareholders holding over 5% of equity interest, De Facto Controller or purchaser was subject to any investigation, administrative punishment or public criticism by the CSRC, or publicly censured by any stock exchanges.

XI. OTHER SIGNIFICANT EVENTS AND SUBSEQUENT EVENTS

1. At the fifth meeting of the fifth session of the Board on 23 February 2012, the proposal in relation to capital contribution for the establishment of Yitai Xinjiang was considered and approved. The Company established Yitai Xinjiang jointly with Yitai Group to develop coal mines in Xiheishan coalfield region in Zhundong of Xinjiang and build a coal-to-oil project at Ganquanpu Industrial Park, thus expediting the progress of joint venture cooperation, strengthening our coal business and creating more economic benefit. The registered capital of the company was RMB100 million, of which the Company contributed RMB90 million, representing 90% of the registered capital, and Yitai Group contributed RMB10 million, representing 10% of the registered capital. Its scope of business mainly includes the production and sales of coal chemical products, coal chemical technology consultation services and coal technology consultation services. As decided by all shareholders of Yitai Xinjiang, the registered capital of Yitai Xinjiang was increased by RMB50 million, among which the Company contributed RMB45.20 million and Inner Mongolia Yitai Group Co., Ltd. contributed RMB4.8 million. Upon completion of the capital increase, the registered capital of Yitai Xinjiang was RMB150 million, of which RMB135.30 million was contributed by the Company representing 90.2% of the registered capital, and RMB14.70 million was contributed by Yitai Group representing 9.8% of the registered capital. Currently, the procedures for change of business registration are being handled in respect of the aforesaid capital increase.

2. On 13 March 2012, the Company and Yitai Group jointly established Yili Mining which has a registered capital of RMB50 million in which the Company contributed RMB45 million, accounting for 90% of the registered capital and Yitai Group contributed RMB5 million, accounting for 10% of its registered capital. The company's registered office is located at Yinan Industrial Park of Chabuchar County and is engaged in the investment in the coal mining industry. As decided by all shareholders of Yili Mining, the registered capital of Yili Mining was increased by RMB50 million, among which the Company contributed RMB45.2 million and Yitai Group contributed RMB4.8 million. Upon completion of the capital increase, the registered capital of Yili Mining was RMB100 million, of which RMB90.20 million was contributed by the Company representing 90.2% of the registered capital, and RMB9.80 million was contributed by Yitai Group representing 9.8% of the registered capital. Currently, the procedures for change of business registration in respect of the aforesaid capital increase were completed on 26 February 2013.

XI. OTHER SIGNIFICANT EVENTS AND SUBSEQUENT EVENTS (CONTINUED)

3. Yitai Group, the controlling shareholder of the Company, intends to purchase, through Yitai HK, based on market conditions, in the six months commenced from 11 June 2012, the Company' shares via the trading system of the Shanghai Stock Exchange at a price of no more than US$7 per share, up to an injection of no more than US$512.4 million, representing no more than 5% of the total share capital of the Company in total. As at 10 December 2012, Yitai Group, through Yitai HK, had purchased 65,080,000 B shares of the Company in total, representing 4% of the total share capital of the Company after the completion of the issue and listing of the H shares of the Company and the exercise of over-allotment option number, being 1,627,003,500 shares in aggregate. As at the end of the reporting period, Yitai HK held 144,810,000 B shares of the Company in total, representing 8.90% of the total share capital of the Company after the completion of the issuance and listing of the H shares of the Company and the exercise of over-allotment option, being 1,627,003,500 shares in aggregate.

4. Due to the adjustments to the Company's operational policies and investment plans, Yitai Hami Energy Co., Ltd., a wholly-owned subsidiary of the Company, held a general meeting on 8 June 2012, at which the Liquidation Report of Yitai Hami Energy Co., Ltd. was considered and approved. As at the end of the reporting period, Yitai Hami Energy Co., Ltd. had been deregistered and the cancellation of its business registration was completed.

5. Due to the adjustments to the Company's operational policies and investment plans, Yitai Xinjiang Zhundong Energy Co., Ltd., a wholly-owned subsidiary of the Company, held a general meeting on 8 June 2012,, at which the Liquidation Report of Yitai Xinjiang Zhundong Energy Co., Ltd. was considered and approved. As at the end of the reporting period, Yitai Xinjiang Zhundong Energy Co., Ltd. was deregistered and the cancellation of its business registration was completed.

6. On 23 July 2012, the Company established a solely-owned subsidiary, Yitai Energy (Shanghai) Co., Ltd. (伊泰能源(上海)有限公司) with a registered capital of RMB50 million which is to be engaged in technology development, technology transfer, technical consulting and technical services in the field of energy science and technology, wholesale of coal, domestic cargo transport agency and import and export of goods and technologies.

7. As approved by the Hong Kong Stock Exchange, the 162,667,000 H shares issued by the Company were listed and commenced trading on the main board of the Hong Kong Stock Exchange on 12 July 2012. The stock name of the Company's H shares is「伊泰煤炭」in Chinese and "Yitai Coal" in English and the stock code is 03948. As of 3 August 2012, the Company issued 336,500 H shares under the over-allotment option. After the issue and placement of the over-allotment shares by the Company, the number of H shares in public hands represents 10.02% of the Company's total issued share capital. As of the date of this report, the Company's total share capital amounted to 1,627,003,500 shares.

XI. OTHER SIGNIFICANT EVENTS AND SUBSEQUENT EVENTS *(CONTINUED)*

8. The proposal in relation to the joint establishment of Mengxi-Huazhong Railway Joint Stock Company Limited (蒙西華中鐵路股份有限公司) by the Company and 15 other enterprises was considered and approved at the 11th meeting of the fifth session of the Board on 26 July 2012. The registered capital of the Company was RMB1,000 million, of which the Company shall contribute RMB100 million, representing 10% of its total share capital.

9. Inner Mongolia Yitai Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Company, held 51% equity interest in Yitai Pharmatech Co., Ltd. (伊泰(北京)合成技術有限公司), a subsidiary of Inner Mongolia Yitai Pharmaceutical Co., Ltd.. On 24 July 2012, the Company entered into the equity transfer agreement with Inner Mongolia Yitai Pharmaceutical Co., Ltd., pursuant to which Inner Mongolia Yitai Pharmaceutical Co., Ltd. transferred its 51% equity interest in Yitai Pharmatech Co., Ltd. to the Company at a total consideration of RMB5.1 million. As of 31 July 2012, the procedures in respect of business registration change relating to the said equity interest transfer were completed. On 11 September 2012, Yitai Pharmatech Co., Ltd. convened a general meeting at which the resolution on increase of the registered capital from RMB10 million to RMB24.75 million. Pursuant to the resolution, the increased registered capital amounting to RMB14.75 million was subscribed and contributed by the Company in the form of currency. Upon completion of capital increase, the Company held 80.2% equity interest in Yitai Pharmatech Co., Ltd.

10. Inner Mongolia Yitai Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Company, held 100% equity interest in Beijing Yitai Biotechnology Co., Ltd, a subsidiary of Inner Mongolia Yitai Pharmaceutical Co., Ltd.. On 20 July 2012, the Company entered into the equity transfer agreement with Inner Mongolia Yitai Pharmaceutical Co., Ltd., pursuant to which Inner Mongolia Yitai Pharmaceutical Co., Ltd. transferred its 100% equity interest in Beijing Yitai Biotechnology Co., Ltd. to the Company at a total consideration of RMB10 million. As of 2 August 2012, the business registration change procedures relating to the said equity transfer were completed.

11. The proposal in relation to transfer of certain equity interest in Inner Mongolia Yitai Pharmaceutical Co., Ltd. was considered and approved at the 12th meeting of the fifth session of the Board on 8 August 2012. On the same day, the Company signed the "Agreement for Transfer of Equity Interest in Inner Mongolia Yitai Pharmaceutical Co., Ltd. between the Company and Zhejiang CONBA Pharmaceutical Co., Ltd.", pursuant to which the Company transferred its 88% equity interest in the pharmaceutical company to Zhejiang CONBA Pharmaceutical Co., Ltd. at a consideration of RMB200 million. Upon completion of the transfer, the Company held 12% equity interest in the pharmaceutical company. Meanwhile, as determined by shareholders, Inner Mongolia Yitai Pharmaceutical Co., Ltd. was renamed as Inner Mongolia Conba Pharmaceutical Co., Ltd. (內蒙古康恩貝藥業有限公司). The registration of the changes in equity and company name has been completed on 5 September 2012.

XI. OTHER SIGNIFICANT EVENTS AND SUBSEQUENT EVENTS *(CONTINUED)*

12. The Company has obtained approval on 26 September 2012, by receiving the Approval from the NDRC for the Projects of Talahao Mine and Coal Preparation Plant in Wanli Mining Area in the Inner Mongolia (Document Fa Gai Neng Yuan [2012] No. 3049), for its projects of Talahao Mine and Coal Preparation Plant in Wanli Mining Area in the Inner Mongolia, which will be invested in and constructed by the Company with a view to advancing the construction of its large coal base in Shendong, enhancing the ability of this base to supply coal, adjusting the structure of the coal industry and promoting the local economic development. The capacities of the coal mine and the supporting coal preparation plant approved are approximately 6 million tonnes per year. The total investment will amount to approximately RMB2,127 million (excluding consideration for mining rights). The special railway line of Talahao Mine invested and constructed by the Company has been approved by Inner Mongolia Development and Reform Commission on 3 September 2012 with the Approval of the Special Railway Line of Talahao Mine (Nei Fa Gai Tie Lu Zi [2012] No. 1994). The total length of the railway line is 29.6km and freight stations will be constructed for the line. The total investment in the project will amount to RMB1,393 million.

13. The Inner Mongolia DRC has approved, by issuing the Letter regarding the Filing of the 1.2 Mtpa Refined Chemical Demonstration Project of Inner Mongolia Yitai Chemical Co., Ltd. (Nei Fa Gai Chan Ye Zi [2012] No. 2431) (《關於內蒙古伊泰化工有限責任公司120萬噸／年精細化學品示範項目備案的函》（內發改產業字[2012]2431號）), the filing of the 1.2 Mtpa Refined Chemical Demonstration Project invested and constructed by Yitai Chemical Company, a wholly-owned subsidiary of the Company on 30 October 2012. The Project, located in the Duguitala Industrial Park of Hangjin Qi, Ordos, is to be constructed to have a production capacity of 1.2 Mtpa refined chemical. The total investment will amount to RMB19,187.26 million.

14. The Proposal in Relation to the Issue of Medium-Term Notes by the Company was considered and approved at the 2012 first extraordinary general meeting of the Company convened on 15 October 2012. It was approved that the Company would issue medium-term notes of not more than RMB3,500 million in the China national interbank bond market. On 11 December 2012, the National Association of Financial Market Institutional Investors issued the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2012] No. MTN403), accepting the registration of medium-term notes of the Company with the registration amount of RMB3,500 million. The term of the first tranche issue of the Company for 2012 is 5 years, with the nominal interest rate of 5.53%, and the total size proposed to be issued amounts to RMB1,000 million. As at 4 January 2013, the Company has completed issue of the first tranche of medium-notes for 2012, with all proceeds of RMB1,000 million being received on 25 December 2012.

XI. OTHER SIGNIFICANT EVENTS AND SUBSEQUENT EVENTS (CONTINUED)

15. The industrial upgrade and renovation project of the Company's Kaida Mine was approved by the Development and Reform Commission of the Inner Mongolia Autonomous Region on 28 December 2012 through the document Approval on Industrial Upgrade and Renovation Project of Kaida Mine of Inner Mongolia Yitai Coal Co., Ltd. (Nei Fa Gai Energy No.[2012] 2923) (《關於內蒙古伊泰煤炭股份有限公司凱達煤礦產業升級改造項目核准的批復》). The project will be constructed in Yangshita Town, Jungar Banner, Ordos City, Inner Mongolia. The annual production capacity of mines after upgrading will be 1.5 million tonnes. The total investment of the project is RMB447.3 million, and capital of the project represents 30% of the total investment.

16. On 4 January 2013, the Company established Yitai Yanqi (Beijing) International Trading Co., Ltd. (伊泰燕棲(北京)國際貿易有限公司), with a registered capital of RMB50 million, which is mainly engaged in sale of machinery and equipment; import or export of goods, import and export of technologies and agency of import and export; technology development; and technology consulting, transfer and services.

17. Ordos Lianke Clean Energy Technology Co., Ltd. (鄂爾多斯市聯科清潔能源技術有限公司) ("Lianke Clean Energy") is a company invested by Coal-to-oil Company a controlled subsidiary of the Company, and has the registered capital of RMB150 million. Coal-to-oil Company, Synfuels China and other three corporate shareholders hold 20%, 30% and 50% equity interest in Lianke Clean Energy respectively. On 20 August 2012, Lianke Clean Energy convened a general meeting at which the resolution in respect of equity transfer was approved. Pursuant to such resolution, the 20% and 50% equity interest in Lianke Clean Energy held by Coal-to-oil Company and other three corporate shareholders were transferred to Synfuels China, at a consideration of RMB1 per share respectively. During the reporting period, relevant procedures for business registration change in respect of the said equity transfer has been completed.

18. Yili Energy Company is a controlled subsidiary of the Company. The registered capital of the company was RMB100 million, which was held as to 100% by the Company. As decided by all shareholders of Yili Energy Company, the registered capital of Yitai Yili Energy was increased by RMB50 million, among which the Company contributed RMB45.2 million and Yitai Group contributed RMB4.8 million. Upon completion of the capital increase, the registered capital of Yili Energy Company was RMB150 million, of which RMB135.3 million was contributed by the Company representing 90.2% of the registered capital, and RMB14.7 million was contributed by Yitai Group representing 9.8% of the registered capital. Currently, the relevant procedures for change of business registration were completed on 26 February 2013.

19. On 18 February 2013, Yitai Group, the controlling shareholder of the Company, obtained the Approval of Hongqinghe Mine Project of Xinjie Mining Area in Inner Mongolia from National Development and Reform Commission(《國家發展改革委關於內蒙古新街礦區紅慶河煤礦項目核准的批復》), which approved Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. to construct the Hongqinghe Mine and the ancillary coal preparation plant, with annual output of 15 million tonnes of coal and the total investment of RMB6,051 million, including RMB1,816 million of capital (representing 30% of the total investment).

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1. CHANGES IN SHARE CAPITAL

(I) Changes in shares

i. Changes in shares

Unit: Share

Number of shares	Prior to the change Issue of new shares	Percentage (%)	Changes (+,-) Bonus issue	Capitalisation of surplus reserve	Others	Subtotal	After the change Number of shares	Percentage (%)
I. Shares subject to selling restrictions								
1. State-owned shares								
2. State-owned legal person shares								
3. Other domestic shares	800,000,000	54.64					80,000,000	49.17
Including: Domestic non-state-owned legal person shares								
4. Foreign shares								
Including: Foreign legal person shares								
Foreign natural person shares								
II. Tradable shares not subject to selling restrictions								
1. RMB-denominated ordinary shares								
2. Domestic listed foreign shares	664,000,000	45.36					664,000,000	40.81
3. Overseas listed foreign shares	0	0	163,003,500				163,003,500	10.02
4. Others								
III. Shares in total	1,464,000,000	100.00					1,627,003,500	100.00

ii. Explanation on the changes in shares

The Company issued 162,667,000 H shares on 12 July 2012, and additional 336,500 H shares on 8 August 2012 under partial over-allotment option, which totaled 163,003,500 H shares. As at the date of the report, the total share capital of the Company was 1,627,003,500 shares.

1. CHANGES IN SHARE CAPITAL *(CONTINUED)*

(II) Changes in shares subject to selling restrictions

During the reporting period, there was no change in shares subject to selling restrictions of the Company.

(III) Purchase, redemption or sale of any listed shares of the Company

Neither the Group nor its subsidiaries purchased, disposed or redeemed any listed shares of the Company from 12 July 2012 (the "Listing Date") to the date of this announcement.

2. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities in the last three years as at the end of the reporting period

Unit: Share Currency: HK$

Class of shares and their derivative securities	Date of issue	Issue price (or interest rate)	Number of shares issued	Date of listing	Number of shares traded with listing approval	Expiration date of trading
Stock						
H shares	12 July 2012	43	16,266,700	12 July 2012	16,266,700	
H shares (partly by execution of over-allotment option)	3 August 2012	43	336,500	8 August 2012	336,500	

As approved by The Hong Kong Stock Exchange, a total of 162,667,000 H shares issued by the Company were listed and commenced trading on the main board of The Hong Kong Stock Exchange on 12 July 2012 at the issue price of HK$43.00 per H share. The stock abbreviation of the Company's H shares is "伊泰煤炭" in Chinese and "Yitai Coal" in English and the stock code is 03948. As of 3 August 2012, the Company exercised the over-allotment option and issued additional 336,500 H shares at the price of HK$43.00 (excluding the brokerage fee of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%) per H share. The over-allotment shares commenced trading on the main board of the Hong Kong Stock Exchange at 9:00 am on 8 August 2012.

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS *(Continued)*

2. ISSUE AND LISTING OF SECURITIES *(CONTINUED)*

(II) Changes in the total shares and the shareholders' structure of the Company

After the H shares issuance, the total share capital of the Company changed to 1,627,003,500 shares, among which, the shares subject to selling restrictions were 800,000,000 shares, representing 49.17% of the total shares of the Company, the domestic listed foreign shares (B shares) were 664,000,000 shares, representing 40.81% of the total shares of the Company, the overseas listed foreign shares (H shares) were 163,003,500 shares, representing 10.02% of the total shares of the Company.

(III) Existing internal employee shares

As at the end of the reporting period, there were no internal employee shares of the Company.

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS *(Continued)*

3. INFORMATION ON SHAREHOLDERS AND THE ULTIMATE CONTROLLER

(I) Number of shareholders and their shareholdings

Unit: share

Total number of shareholders as at the end of the reporting period	83,973	Total number of shareholders as at the end of the 5th trading day prior to the disclosure of the annual report	84,057

Shareholdings of the Top Ten Shareholders

Name of shareholder	Nature of shareholder	Shareholding Percentage (%)	Total number of shares held	Increase/ decrease during the reporting period	Number of shares held subject to selling restrictions	Number of shares pledged or frozen
Inner Mongolia Yitai Group Co., Ltd. (內蒙古伊泰集團有限公司)	Domestic non-state-owned legal person	49.17	800,000,000	0		Nil
HKSCC NOMINEES LIMITED	Foreign legal person	10.016	162,958,500	162,958,500		Unknown
Yitai (Group) HK Co., Ltd. (伊泰(集團)香港有限公司)	Foreign legal person	8.90	144,810,000	65,080,000		Nil
FTIF TEMPLETON ASIAN GROWTH FUND 5496	Foreign legal person	2.28	37,030,724	568,799		Unknown
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.70	11,418,466	1,508,011		Unknown
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	Foreign legal person	0.56	9,063,571	-11,192,815		Unknown
ABU DHABI INVESTMENT AUTHORITY	Foreign legal person	0.43	7,034,357	1,821,154		Unknown
SCBHK A/C GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION - A/C "C"	Foreign legal person	0.34	5,462,143	-930,179		Unknown
SCBHK A/C IBT S/A ISHARES MSCI EMERGING MARKETS INDEX FUND	Foreign legal person	0.31	5,011,052	1,803,820		Unknown
China Merchants Securities (HK) Co., Limited (招商證券香港有限公司)	Foreign legal person	0.31	4,990,151	-7,242,463		Unknown

3. INFORMATION ON SHAREHOLDERS AND THE ULTIMATE CONTROLLER *(CONTINUED)*

(I) Number of shareholders and their shareholdings (Continued)

Shareholdings of the Top Ten Holders of Shares not Subject to Selling Restrictions

Name of shareholder	Number of shares held not subject to selling restrictions	Class and number of shares	
HKSCC NOMINEES LIMITED	162,958,500	Overseas-listed-foreign shares	162,958,500
Yitai (Group) HK Co., Ltd. (伊泰(集團)香港有限公司)	144,810,000	Domestic listed foreign shares	144,810,000
FTIF TEMPLETON ASIAN GROWTH FUND 5496	37,030,724	Domestic listed foreign shares	37,030,724
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	11,418,466	Domestic listed foreign shares	11,418,466
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	9,063,571	Domestic listed foreign shares	9,063,571
ABU DHABI INVESTMENT AUTHORITY	7,034,357	Domestic listed foreign shares	7,034,357
SCBHK A/C GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION - A/C "C"	5,462,143	Domestic listed foreign shares	5,462,143
SCBHK A/C IBT S/A ISHARES MSCI EMERGING MARKETS INDEX FUND	5,011,052	Domestic listed foreign shares	5,011,052
China Merchants Securities (HK) Co., Limited (招商證券香港有限公司)	4,990,151	Domestic listed foreign shares	4,990,151
BLACKROCK INSTITUTIONAL TRUST COMPANY, N.A.	4,762,778	Domestic listed foreign shares	4,762,778
Details of the above shareholders who are connected to each other or acting in concert	Among the top ten shareholders of the Company, Yitai HK is a wholly-owned subsidiary of Yitai Group, a holder of domestic legal person shares of the Company. Apart from the aforesaid, the Company is not aware whether there are other holders of foreign shares who are connected to each other or acting in concert.		

4. INFORMATION ON THE CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER

(I) Information on the controlling shareholder

Legal person

Unit: yuan Currency: RMB

Name	Inner Mongolia Yitai Group Co., Ltd.
Responsible person of the institution or legal representative	Zhang Shuangwang
Date of establishment	27 October 1999
Organization code	11693188-6
Registered capital	1,250,000,000.00
Principal business	the production of raw coal; the processing, transportation and sales of raw coal; the railway construction and the railway transportation of passengers and goods; the import of equipments, accessories and technology for mines; the construction and operation of highways; the coal-related chemical operation and sales of co-related chemical product; the plant industry and the breeding industry.

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS *(Continued)*

4. INFORMATION ON THE CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER *(CONTINUED)*

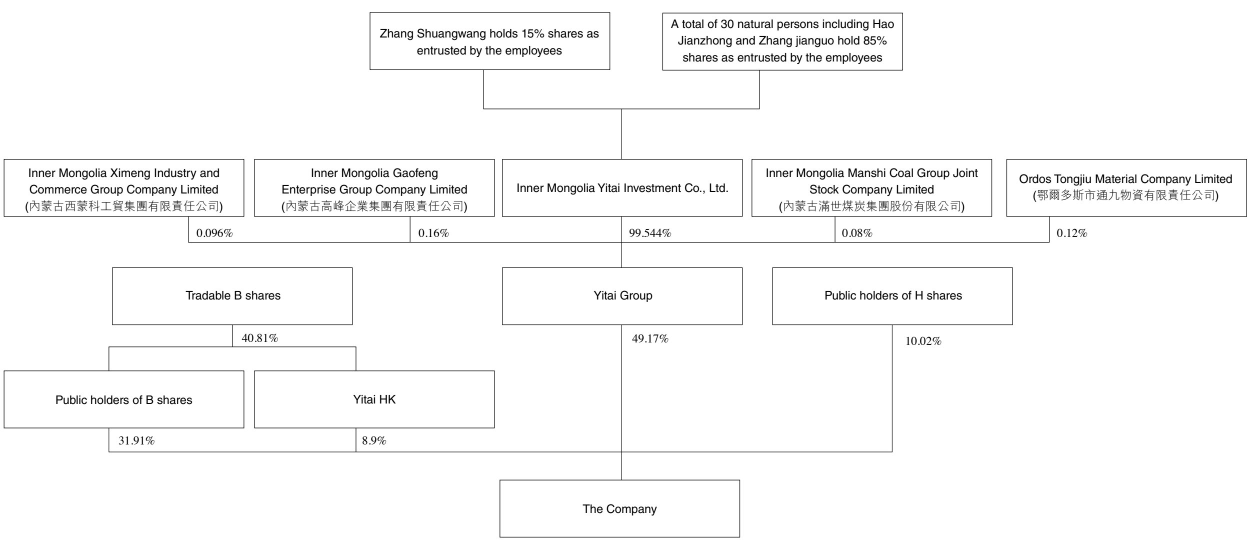
(II) Information on the ultimate controller

Legal person

Unit: Yuan Currency: RMB

Name	Inner Mongolia Yitai Investment Co., Ltd. (內蒙古伊泰投資有限責任公司)
Responsible person of the institution or legal representative	Zhang Shuangwang
Date of establishment	2 December 2005
Organizational code	78705310-5
Registered capital	720,495,144.00
Principal business	the investment in the energy industry and the railway construction

Chart concerning the property rights and controlling relationship between the Company and the ultimate controllers



Note: The shareholder which is holding 0.08% of Yitai Group which in turn is our controlling shareholder, has been renamed from Inner Mongolia Manshi Coal Transportation and Sales Company Limited (內蒙古滿世煤炭運銷有限責任公司) to Inner Mongolia Manshi Coal Group Joint Stock Company Limited (內蒙古滿世煤炭集團股份有限公司).

4. INFORMATION ON THE CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER *(CONTINUED)*

(III) Other information on the controlling shareholder and the ultimate controller

Yitai Group holds 800 million shares of the Company, representing 49.17% of the total share capital of the Company. On 26 December 2011, Yitai Group changed its registered capital, which was increased from RMB545.7 million to RMB1,250 million and the increased part of RMB704.3 million was contributed by Inner Mongolia Yitai Investment Co., Ltd.. After the change in the registered capital, the equity proportion of Yitai Group is: Inner Mongolia Yitai Investment Co., Ltd., holding the shares on behalf of the employees in the Group, contributes RMB1,244.3 million, representing 99.544%, Inner Mongolia Gaofeng Enterprise Group Company Limited (內蒙古高峰企業集團有限責任公司) contributes RMB2 million, representing 0.16%, Inner Mongolia Ximeng Industry and Commerce Group Company Limited (內蒙古西蒙科工貿集團有限責任公司) contributes RMB1.2 million, representing 0.096%, Inner Mongolia Manshi Coal Group Joing Stock Company Limited (內蒙古滿世煤炭集團股份有限公司) contributes RMB1 million, representing 0.08%, Ordos Tongjiu Material Company Limited (鄂爾多斯市通九物資有限責任公司) contributed RMB1.5 million, representing 0.12%. The corporate nature is the limited liability company. The scope of business of Yitai Group includes the production of raw coal, the processing, transportation and sales of raw coal, the railway construction and the railway transportation of passengers and goods, the import of equipments, accessories and technology for mines, the construction and operation of highways, the coal-related chemical operation and sales of related product, the plant industry and the breeding industry. The legal representative is Zhang Shuangwang, the registration address is Liuzhongnan Jiefang Area, No.14 South, Yimei Road, Dongsheng District, Ordos City (鄂爾多斯市東勝區伊煤路南14號街坊區六中南). All shares held have not been mortgaged or frozen.

5. OTHER CORPORATE SHAREHOLDERS HOLDING MORE THAN 10% SHARES OF THE COMPANY

As at the end of the reporting period, except for the HKSCC Nominees Limited, there was no other legal person holding more than 10% shares of the Company. The HKSCC Nominees Limited is a private company and primarily engages in holding shares on behalf of other companies or individuals.

6. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 31 December 2012, so far as was known to directors, supervisors or chief executives of the Company, the following persons or corporations (other than Directors, supervisors or chief executives of the Company) who had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

Name of substantial shareholder	Class of shares	Type of interest	Long / Short position	No. of shares	Percentage of the relevant shares in issue (%)[3,4]	Percentage of the total issued shares (%)[3,4]
Atlantis Capital Holdings Limited	H Shares	Interest of controlled corporation	Long	9,016,800	5.54	0.55
China Datang Corporation	H Shares	Interest of controlled corporation	Long	18,031,100	11.08	1.10
Credit Suisse AG	H Shares	Interest of controlled corporation	Long	24,400,000	15.00	1.49
			Short	24,400,000	15.00	1.49
Credit Suisse (Hong Kong) Limited	H Shares	Interests held jointly with another person	Long	24,400,000	15.00	1.49
			Short	24,400,000	15.00	1.49
Datang International (Hong Kong) Limited	H Shares	Beneficial owner	Long	18,031,100	11.08	1.10
Datang International Power Generation Co., Ltd.	H Shares	Interest of controlled corporation	Long	18,031,100	11.08	1.10
Great Huazhong Energy Co. Ltd	H Shares	Beneficial owner	Long	13,584,000	8.35	0.83
Inner Mongolia Yitai Group Co., Ltd.	Non-overseas-listed-foreign shares	Beneficial owner / Interest of controlled corporation	Long	944,810,000[1]	64.53	58.07
Inner Mongolia Yitai Investment Co., Ltd.	Non-overseas-listed-foreign shares	Interest of controlled corporation	Long	944,810,000[2]	64.53	58.07

Name of substantial shareholder	Class of shares	Type of interest	Long / Short position	No. of shares	Percentage of the relevant shares in issue (%)[3,4]	Percentage of the total issued shares (%)[3,4]
Liu Yang	H Shares	Interest of controlled corporation	Long	9,016,800	5.54	0.55
Poseidon Sports Limited	H Shares	Beneficial owner	Long	10,000,000	6.15	0.61
Reignwood International Investment (Group) Company Limited	H Shares	Interest of controlled corporation	Long	9,015,500	5.54	0.55
Yitai Group (HongKong) Co., Ltd.	Non-overseas-listed-foreign shares	Beneficial owner	Long	144,810,000	9.89	8.90
Inner Mongolia Man Shi Investment Group Limited (內蒙古滿世投資集團有限公司)	H Shares	Beneficial owner	Long	14,160,500	8.70	0.87
Inner Mongolia Ordos Investment Holding Group Co., Ltd (內蒙古鄂爾多斯投資控股集團有限公司)	H Shares	Beneficial owner	Long	13,561,300	8.33	0.83
Ordos Vanzip Project Construction Company Limited (鄂爾多斯市萬正建設工程有限責任公司)	H Shares	Beneficial owner	Long	14,160,500	8.70	0.87
Ordos Hongrui Trade Company Limited (鄂爾多斯市弘瑞商貿有限責任公司)	H Shares	Beneficial owner	Long	13,584,000	8.35	0.83
CITIC Sandwich (Shanghai) Investment Centre (Limited Partnership) (中信夾層(上海)投資中心(有限合夥))	H Shares	Beneficial owner	Long	8,771,600	5.39	0.53

6. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES *(CONTINUED)*

Substantial Shareholders' Interests in Shares and Underlying Shares (Continued)

Notes:

1. Yitai Group holds the entire issued share capital of Yitai HK and is thus deemed to be interested in all of the 144,810,000 shares held by Yitai HK, Yitai Group directly holds 800,000,000 Domestic Shares.

2. Inner Mongolia Yitai Investment Co., Ltd. holds 99.54% of the registered capital of Yitai Group and is thus deemed to be interested in all of the 944,810,000 shares directly or indirectly held by Yitai Group.

3. According to the Articles of Association, the Company has two classes of shares, consisting of: (i) "non-overseas-listed-foreign shares" which include Domestic Shares and B Shares; and (ii) H Shares.

4. The percentage shareholdings are rounded down to the two decimal place.

Save as disclosed above, as at 31 December 2012, no person, other than the directors and supervisors of the Company whose interests are set out in the section headed "Directors', Supervisors' and Chief Executives' interests and short positions in shares and underlying shares" below, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

1. PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

Unit: Share

Names	Position	Gender	Age	Starting date of term	End date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/ decrease in number of shares during the year	Reason for the increase/ decrease	Total remuneration obtained payable by the Company during the reporting period *(RMB'0000) (before tax)*	Total remuneration obtained payable by shareholders during the reporting period *(RMB'0000)*
Zhang Donghai	Chairman	Male	42	2011-2-18	2014-2-17	0	0	0		246.64	1.8
Ge Yaoyong	Executive Director and President	Male	42	2011-2-18	2014-2-17	0	0	0		121.75	1.8
Liu Chunlin	Executive Director	Male	46	2011-2-18	2014-2-17	0	0	0		169.12	1.8
Zhang Dongsheng	Executive Director	Male	42	2011-2-18	2014-2-17	0	0	0		109.76	1.8
Kang Zhi	Executive Director and Deputy General Manager	Male	54	2011-2-18	2014-2-17	0	0	0		105.81	0
Zhang Xinrong	Executive Director and Deputy General Manager	Male	48	2011-2-18	2014-2-17	0	0	0		118.77	0
Lv Guiliang	Executive Director and Chief Finance Officer	Male	47	2011-2-18	2014-2-17	0	0	0		79.02	0
Xie Xianghua	Independent Non-executive Director	Male	50	2011-2-18	2013-6-11	0	0	0		7.67	0
Lian Junhai	Independent Non-executive Director	Male	45	2011-2-18	2013-11-22	0	0	0		7.67	0
Song Jianzhong	Independent Non-executive Director	Female	59	2011-2-18	2014-2-17	0	0	0		7.67	0
Tam Kwok Ming, Banny	Independent Non-executive Director	Male	50	2011-2-18	2014-2-17	0	0	0		15.33	0
Li Wenshan	Chairman of the Board of Supervisors	Male	50	2011-2-18	2014-2-17	0	0	0		102.72	0.96
Zhang Guisheng	Supervisor	Male	50	2012-10-15	2014-2-17	0	0	0		12.32	64.47
Han Zhanchun	Supervisor	Male	49	2011-2-18	2014-2-17	0	0	0		26.42	0
Wang Sanmin	Supervisor	Male	39	2011-2-18	2014-2-17	0	0	0		33.86	0
Ji Zhifu	Supervisor	Male	29	2011-2-18	2014-2-17	0	0	0		31.32	0
Wang Yongliang	Independent Supervisor	Male	50	2011-2-18	2014-2-17	0	0	0		4	0
Wu Qu	Independent Supervisor	Male	48	2011-2-18	2014-2-17	0	0	0		4	0
Ji Yongqiang	Deputy General Manager	Male	54	2011-2-18	2014-2-17	0	0	0		84	0
Liu Jian	Deputy General Manager	Male	46	2012-12-21	2014-2-17	0	0	0		3.6	0
Zhang Mingliang	Chief Engineer	Male	44	2012-10-15	2014-2-17	0	0	0		64.72	0
Lian Tao	Deputy General Manager and Secretary to the Board	Male	35	2012-9-24	2014-2-17	0	0	0		30	12.04
Total	/	/	/	/	/				/	1,386.17	84.67

Directors, Supervisors , Senior Management and Employees *(Continued)*

1. PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(CONTINUED)*

Zhang Donghai has been acting as an executive Director of our Company since March 2001 and was appointed as the Chairman of our Board in April 2003. He is primarily responsible for the overall corporate strategy, planning and business development of our Group. He also plays an integral role in supervising our Company's operational management, and has 20 years of experience in corporate management in the coal mining industry during which he gained intricate understanding of the coal industry. Mr. Zhang has served as a director of Yitai Group since December 2001 and its president since June 2004. Mr. Zhang joined Ikochao League Coal Company (伊克昭盟煤炭公司), a predecessor of Yimei Group, in April 1990 and joined us in July 1999. He had been our president from March 2001 to November 2008, the deputy general manager of Yitai Group from April 2003 to June 2004 and our vice president from July 1999 to February 2001. He held various positions as the vice chief and the chief of the Beijing branch office of Inner Mongolia Ikochao League Coal Group Company, a predecessor of Yimei Group, the deputy head of the Operation Department and the deputy manager of the business operating branch company under the same company from May 1994 to June 1999. Mr. Zhang graduated from Fordham University in May 2005 with an MBA degree. He was granted the qualification of senior economist by the Department of Personnel of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in December 2003. In May 2005, Mr. Zhang was awarded the "Model Worker of Inner Mongolia Autonomous Region" by the Inner Mongolia Government and the "National Model Worker" by the State Council. Mr. Zhang is a son of Mr. Zhang Shuangwang. Mr. Zhang has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.

Ge Yaoyong has been an executive Director of our Board since December 2008, and our president since November 2008. He is primarily responsible for the day-to-day management and operation of our Group as well as our mine construction. Mr. Ge has also served as a director of Yitai Group since November 2008 and served as the chairman of Yitai Pharmaceutical from January 2009 to June 2011. He joined Yimei Group in April 1994 and joined us in March 2001, during which Mr. Ge gained extensive industry knowledge and management experience for large coal enterprises. Mr. Ge served as the deputy chief engineer of Yitai Group from August 2005 to November 2008 and from July 2000 to March 2001, general manager of Yitai Guanglian from February 2006 to November 2008, and vice president of our Company from March 2001 to August 2005. From November 1996 to March 2001, he acted as the deputy manager and the manager of E'qian League Coking Factory. Mr. Ge graduated from Shanxi Mining College (山西礦業學院) with a bachelor of engineering degree in mining engineering in July 1991, and from Tsinghua University with an EMBA degree in January 2010. Mr. Ge was granted the qualification of senior engineer by the Department of Personnel of Inner Mongolia in September 2004. Mr. Ge has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.

1. PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(CONTINUED)*

Liu Chunlin has been an executive Director of the Board since May 2004. Mr. Liu has been the director and the chief accountant of Yitai Group since June 2004. Mr. Liu has abundant experience in accounting and capital management. He joined Ikochao League Coal Company, a predecessor of Yimei Group, in June 1989 and joined us in August 1997. He served as the chairman of Inner Mongolia Yitai Real Estate Co., Ltd. from April 2006 to March 2010, the vice president of our Company from May 2004 to October 2004, the deputy chief accountant of Yitai Group from October 2002 to May 2004 and the financial director of our Company from July 1999 to October 2002. He had been the director of the Finance Department of our Company from August 1997 to July 1999, the vice chief of the Finance Department of Yitai Group from February 1993 to August 1997. Over many years of experience in coal industry and the financial department, Mr. Liu gained intricate understanding in coal industry and accumulated expertise in corporate finance. Mr. Liu graduated, as a correspondence student (函授生), from Inner Mongolia University (內蒙古大學) with a university diploma in July 2003. He graduated from Tsinghua University (清華大學) with an EMBA degree in 2010. Mr. Liu was awarded the qualification of senior accountant by the Department of Personnel of Inner Mongolia in July 2001. Mr. Liu has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.

Zhang Dongsheng has been an executive Director of the Board since May 2009. He is primarily responsible for the construction and operation of our Group's railway lines. Mr. Zhang is a director of Yitai Group. He has served as the chairman of Zhundong Railway Company since November 2008, and the chairman of Huzhun Railway Company since July 2009 and its general manager since November 2007. Mr. Zhang joined Ikochao League Coal Company, a predecessor of Yimei Group, in October 1989 and joined us in January 2002 during which he gained extensive experience in coal transportation, sales and railway construction and management. He was the general manager and deputy general manager of Zhundong Railway Company from August 2005 to November 2008, and acted as the director of the Operation Department of our Company from January 2002 to July 2005. Mr. Zhang had also held several other management positions in Yimei Group and Yitai Group. Mr. Zhang graduated from Beijing Transportation University (北京交通大學) with an MBA degree in June 2008. Mr. Zhang received the qualification of commercial logistics economist from the Ministry of Personnel of the PRC and the qualification of senior economist from the Department of Personnel of Inner Mongolia in June 1995 Inner Mongolia and September 2004 respectively. In addition, Mr. Zhang was recognized as a business manager by Department of Labor and Social Security (內蒙古自治區勞動和社會保障廳) in March 2006 and a Chinese coal professional manager by the CNCA in September 2007. Mr. Zhang is a nephew of Mr. Zhang Shuangwang. Mr. Zhang has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.

1. PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(CONTINUED)*

Kang Zhi was appointed as our executive Director in February 2011 and as our vice president in March 2002. He is also the chairman of Yitai Transport and the manager of our Transportation and Sales Business Department. Mr. Kang joined Yimei Group in February 1992 and joined us in January 2001 during which he was in charge of our coal sales business for years, and gained abundant experience in sales and marketing. Mr. Kang served as the manager of our Coal Marketing Business Department from November 2006 to February 2009. He had been the deputy manager of our Operation Department from March 2001 to March 2002 and the manager of the Shanghai Sales Branch Company of our operating branch company from August 2000 to February 2001. From 1997 to 2000, he had held various management positions in our Company such as the chief of our Shanghai branch office, assistant manager of our operating branch company and deputy head of our Operation Department. Mr. Kang graduated, as a correspondence student, from Beijing Meteorology Institute（北京氣象學院）in December 1988 with a junior college diploma, and graduated, as a correspondence student（函授生）from the Accounting Division of Beijing Technology and Business University (北京工商大學) with a university diploma in January 2007. Mr. Kang was granted the qualification of intermediate level engineer and intermediate level economist by the Department of Personnel of Inner Mongolia in May 1993 and June 1995, respectively. Mr. Kang has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.

Zhang Xinrong was appointed as our executive Director in February 2011 and appointed as the vice president in October 2004 and the head of our Coal Production Business Department in November 2006, respectively. Mr. Zhang has been responsible for management of coal production in our Company for years, during which he gained abundant experience in production and operational management for coal enterprises. He joined Ikochao League Coal Company, a predecessor of Yimei Group, in February 1991, and joined us in March 1998. Mr. Zhang currently serves as a director of Yitai Bashan and a director of Yitai Tongda. Mr. Zhang served as the assistant to general manager and executive deputy general manager of Inner Mongolia Yitai Biology & High-Tech Co., Ltd. from October 2002 to October 2004. He headed our Quality Inspection Department, the Quality Management Department and the Corporate Governance Department consecutively from July 1999 to October 2002. Mr. Zhang graduated from Wuhan Geology College (武漢地質學院) in July 1986 with a bachelor of science degree, and from China Coal Research Institute (煤炭科學研究總院) in July 2012 with doctoral degree in engineering, and was granted the qualification of senior engineer by the Department of Personnel of Inner Mongolia in July 2001. Mr. Zhang has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.

1. PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(CONTINUED)*

Lv Guiliang was appointed as our executive Director in February 2011 and as the chief finance officer of our Company in April 2008. He is responsible for our financial management. Mr. Lv is also the supervisor of Yitai Baoshan and the supervisor of Yitai Tongda. He joined Yimei Group in 1994, and joined us in August 1997 during which he gained extensive experience in enterprise financial management. Mr. Lv was the head of our Finance Department from March 2004 to February 2009 and acted as the vice chief of the Finance Division of Yitai Group from November 2002 to March 2004. From July 1999 to November 2002, he had been the vice director of our Finance Department. Mr. Lv graduated, as a correspondence student（函授生）from the Correspondence Institute of the Party School of the Central Committee of C.P.C.（中共中央黨校函授學院）in December 2008 with a university diploma, and graduated from Huazhong University of Science & Technology（華中科技大學）with an EMBA degree in June 2011. Mr. Lv was granted the qualification of intermediate level accountant by the Department of Personnel of Inner Mongolia November 1993. Mr. Lv has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.

Xie Xianghua has been an independent non-executive Director of the Board since June 2007. Mr. Xie has been teaching at Inner Mongolia Finance & Economics College (currently known as Inner Mongolia Finance & Economics University) School of Continuing Studies since 1984. He was accredited as a professor of economics management by the Department of Personnel of Inner Mongolia in July 2005. He is currently the dean of School of Continuing Education of Inner Mongolia Finance & Economics College (內蒙古財經學院繼續教育學院). Mr. Xie is a senior corporation consultant at China Enterprise Confederation, a council member of Inner Mongolia Enterprise Confederation (內蒙古企業聯合會) and Inner Mongolia Enterprise Directors Association (內蒙古企業家聯合會). Over these years, Mr. Xie gained intricate expertise in finance and accounting. He joined us in 2007. Mr. Xie obtained a bachelor's degree in economics at Inner Mongolia University with a major in planning statistics in 1984. He graduated from Inner Mongolia University of Technology (內蒙古工業大學) with a master's degree in project management engineering in December 2007. Mr. Xie has not held any directorship in any other listed public companies (except for the Company) in the three years preceding the Latest Practicable Date. Mr. Xie has not held any directorship in any other listed public companies (except for our Company), in the three years preceding the Latest Practicable Date.

Lian Junhai has been an independent non-executive Director of the Board since November 2007. He has been the vice president of Inner Mongolia Zhongtao Bolong Accounting Firm since February 2011. Mr. Lian has been the deputy head of Inner Mongolia Zhengyu United Certified Public Accountants from 2006 to February 2011, and is also serving as the vice president of Inner Mongolia Zhengyu Engineering Cost Consulting Co., Ltd. Mr. Lian has ten years of experience in finance and accounting. He was the project manager of Beijing Zhongtian Huazheng Certified Public Accountants from January 2002 to December 2005, and worked at Inner Mongolia Guozheng Certified Public Accountants from November 1999 to December 2001. He joined us in 2007. Mr. Lian graduated from Shanxi Finance & Economics College (山西財經學院) with a junior college diploma in July 1993 and was accredited as a certified public accountant by the Ministry of Finance of PRC in December 2003. Mr. Lian has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.

1. PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(CONTINUED)*

Song Jianzhong has been an independent non-executive Director of the Board since August 2009. Ms. Song is currently the head of Inner Mongolia Jianzhong Law Firm and a part-time law professor at Renmin University of China (人民大學), Tianjin University (天津大學) and Inner Mongolia University of Science and Technology (內蒙古科技大學). Ms. Song established the Inner Mongolia Jianzhong Law Firm in 1986. She was a lawyer and the deputy head of Baotou Law Firm from 1980 to 1986 and worked in the People's Court of Kundulun District, Baotou City from 1976 to 1980. She has served as the legal counsel of large state-owned enterprises and listed companies for a consecutive 25 years. She joined us in 2009. Ms. Song graduated, as a correspondence student (函授生), from China University of Political Science and Law (中國政法大學) in 1987 with a junior college diploma and University of Science & Technology Beijing (北京科技大學) with a bachelor's degree in law in December 1993. She is admitted as a PRC qualified lawyer in 1984 by the Inner Mongolia Department of Justice (內蒙古司法廳). Ms. Song has studied the civil and commercial laws of Japan at the Tokyo Lawyer Training Center in 1996. She was accredited as a senior lawyer in May 1990 by the Department of Personnel of Inner Mongolia and a Class A lawyer by the same authority in November 1998. Ms. Song currently is an independent non-executive director of Beijing Sanyuan Food Joint Stock Co., Ltd. (Stock Code: 600429) and Tianjin Quanyechang (Group) Co., Ltd. (Stock Code: 600821).

Tam Kwok Ming, Banny has been an independent non-executive Director of the Board since February 2011. Mr. Tam is an ordinary resident in Hong Kong. Mr. Tam has extensive experience in auditing for PRC B Share companies, H Share companies and Hong Kong listed companies. Mr. Tam obtained a certification of accountancy from the Hong Kong Polytechnic University (香港理工大學) in 1993. He holds the qualification of Certified Public Accountant and a fellow member of Hong Kong Institute of Certified Public Accountants (formerly known as the "Hong Kong Society of Accountants"). Mr. Tam is currently a partner of an Hong Kong accounting firm, an independent non-executive director of Legend Strategy International Holdings Group Company Limited (Stock Code: 8160) and China 3D Digital Entertainment Limited (Stock Code: 8078).

Li Wenshan has been the chairman of the board of supervisors of our Company since December 2008. He has also been the chairman of the board of supervisors of Yitai Group and Yitai Coal-to-oil since November 2008. Mr. Li has accumulated rich experience in enterprise management and corporate governance. Mr. Li joined Ikochao League Coal Company, a predecessor of Yimei Group, in September 1992 and joined us in August 1997. He was our Director from July 1999 to December 2008 and our vice president from August 2005 to November 2008 and from January 2002 to March 2004, and was the deputy general manager and general manager of Zhundong Railway Company from March 2004 to August 2005. From August 1997 to January 2002, he acted as the head of our Securities Department and Corporate Governance Department. Mr. Li graduated from Inner Mongolia Finance & Economics College (內蒙古財經學院) with a bachelor of economics degree in July 1987. He was granted the qualification of intermediate level economist by the Department of Personnel of Inner Mongolia in November 2004. Mr. Li has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

1. PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(CONTINUED)*

Zhang Guisheng has been a Supervisor of our Company since 15 October 2012. Mr. Zhang has extensive experience in the production, operation and management of coal enterprises. He acted as the deputy head of the sales division of the Industrial Development Company from February 1997 to April 1999, the deputy head of the safety technology division of the Industrial Development Company from April 1999 to September 1999, the head of Chuanlong Coal Mine (川龍煤礦) from September 1999 to February 2002, the head of Nalinmiao Coal Mine of the production technology department from February 2002 to March 2006 and the head of Dadijing Coal Mine since March 2006. He graduated from Inner Mongolia University of Science and Technology（內蒙古科技大學）with a diploma in mechanical and electrical integration in January 2009. He was granted the qualification of intermediate level engineer by the Title Reform Leading Committee of Ikochao League (伊盟職稱改革領導小組) in 1994. Mr. Zhang has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.

Han Zhanchun has been a Supervisor of our Company since February 2011. He is also the director of Operating Office of the Department of Coal Production of our Company since December 2010. Mr. Han is experienced in finance and accounting. He was the deputy head of the Finance Department of our Company from March 2010 to December 2010 and head of the Finance Department of Suancigou Mine from April 2007 to March 2010. He served as the principal accountant of the office of Suancigou Mine from August 2005 to April 2007 and the head of Finance Department of our Qinhuangdao office from November 1999 to August 2005. Mr. Han acted as the accountant, deputy director, deputy head and the head of Finance Department of the Fengzhen Office of Yimei Group from January 1995 to November 1999. From May 1992 to January 1995, Mr. Han was the accountant of the Tanggongta Mine of Yimei Group. Mr. Han graduated from Ikochao League Finance & Economics School (伊盟財經學院) with a major in business accounting in June 1985 and from China Central Radio and TV University (中央廣播電視大學) with a diploma in accounting in April 2006. Mr. Han has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

1. PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(CONTINUED)*

Wang Sanmin has been a Supervisor of our Company since February 2011. He is also the head of the supply department of our Company since December 2010. Mr. Wang has extensive experience in finance and management. He joined Yimei Group in 1996 and joined us in April 2005. He was the head of our Corporate Management Department from April 2007 to November 2010, deputy administrative general manager of Yitai Pharmatech Co., Ltd. from October 2006 to March 2007. Mr. Wang was the president of the labor union and the deputy general manager of the Shenglong Branch of Yitai Pharmaceutical from April 2005 to September 2006. He was the head of the accounting department of Yitai Group from April 2004 to April 2005. From October 2001 to April 2004, Mr. Wang held various positions in Yitai Pharmaceutical as the head of the Finance Department of Licorice Base, deputy head of the Finance Department, and head of both the Finance Department and Corporate Management Department of Shenglong Branch. He was the head of Finance Department of Ordus Qian Qi Coking Plant from December 2000 to October 2001 and held different positions in Yimei Group as the director of the Marketing Department and the Finance Department of Taifeng Simengou Coke Flour Mill, Taifeng Variety Operating Company, Taifeng Coal Mine, Taifeng Hu City Clean Coal Branch, Taifeng General Company from 1996 to 2000. Mr. Wang graduated from Inner Mongolia Finance & Economics College with a bachelor's degree (correspondence) in accounting in July 2005. Mr. Wang is currently pursuing his EMBA in China University of Mining and Technology. He was granted the qualification of international accountant in July 2010, operating manager and licensed pharmacist in March 2006, senior IT project manager in November 2008. Mr. Wang has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

Ji Zhifu has been a Supervisor of our Company since February 2011. He is also the director of Operation Management Office of Coal Transportation Department of our Company. Mr. Ji has rich experience in finance. He joined Zhundong Railway Company in 2005 and joined our Company in 2006. He was the director of General Affair Office of Coal Transportation and Sales Business Department of our Company from February 2009 to September 2011. He was the deputy head of the Finance Department of our Company from March 2008 to February 2009. Mr. Ji worked in the Finance department of our Company from October 2006 to February 2009 and worked for Zhundong Railway Company from July 2005 to October 2006. He graduated from Inner Mongolia Finance & Economics College (內蒙古財經學院) in July 2004 with a major in management. Mr. Ji has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

Wang Yongliang has been a Supervisor of our Company since February 2011. He is also the director of Inner Mongolia Ikochao League Law Firm since March 2001. Mr. Wang has extensive experience in legal issues. He was the head of Business Department of Ikochao League Law Firm from April 1996 to March 2001 and served as the deputy head of the Correctional Division and office of the Judicial Department of Ikochao League from March 1990 to April 1996. He was a teacher in Ikochao League Politics & Law School (伊盟政法幹校) from December 1986 to March 1990 and a member of Ikochao League Correctional Division from August 1985 to December 1986. Mr. Wang graduated from China University of Political Science and Law with a major in civil and commercial law in May 2003. He has a master's degree and was granted the qualification of Level 2 Lawyer by the Department of Personnel of Inner Mongolia in October 2004. Mr. Wang has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

1. PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(CONTINUED)*

Mr. Wu Qu has been a Supervisor of our Company since February 2011. He is also the head of the Auditing Department of Inner Mongolia Dongshen Accounting Firm Co., Ltd since 2001. Mr. Wu is very experienced in auditing and finance. He was the finance manager of Ordos Rongze Food Co., Ltd. from December 1998 to October 2000, the head of Finance Department of Inner Mongolia Shengyi Plastic Products Co., Ltd. (內蒙古勝億塑料製品有限公司) from October 1994 to December 1998. He acted as the head of Finance Department of Ikochao League Dongsheng Food Industry Company from July 1986 to October 1994. Mr. Wu graduated from Ikochao League Finance & Economics School in July 1986 and from Correspondence Institute of the Party School of the Central Committee of C.P.C (中央黨校函授學院) with a bachelor's degree in economic management in December 1998. Mr. Wu has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

Ji Yongqiang was appointed as the vice president of our Company in February 2010. He joined Ikochao League Coal Company, a predecessor of Yimei Group, in 1990 and joined us in July 1997 during which he gained abundant experience in operational management for coal enterprises. Mr. Ji serves as the general manager of Yizheng Fire Extinguishing since June 2010. From September 2007 to January 2010, Mr. Ji was the president of Inner Mongolia Yitai Real Estate Co., Ltd. He had served as the general manager of Yitai Shengli Energy Co., Ltd. from August 2005 to September 2007, and the vice president of our Company from July 1999 to August 2005. He acted as the deputy general manager of the operation branch company of Yimei Group from February 1993 to July 1999. Mr. Ji was granted the qualification of senior officer of political & ideological affairs by Inner Mongolia Senior Professional Qualification Assessment Committee of Enterprise Ideological & Political Affairs Management Personnel (內蒙古企業思想政治工作人員高級專業職務評審委員會) in December 2007. Mr. Ji has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

Liu Jian has been acting as the deputy general manager of the Company since December 2012. He graduated from the Universitat Duisburg- Essen in July 2004 with a Doctor's degree in cardiology. He acted as the project manager in China of Germany Special Machinery Company (德國迪目根特種機器公司) from August 2004 to June 2005, executive deputy general manager of Inner Mongolia Yitai Pharmaceutical Co., Ltd. from August 2005 to February 2007, the general manager of Inner Mongolia Yitai Pharmaceutical Co., Ltd. from February 2007 to August 2012 and he worked for the Company from August 2012 to December 2012. He graduated from the Universitat Duisburg- Essen in July 2004 with a Doctor's degree in cardiology. Mr. Liu was granted the qualification of fellow senior chief pharmacist by the Department of Personnel of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in July 2006. Mr. Liu has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

1. PARTICULARS ABOUT CHANGES IN THE SHAREHOLDING AND REMUNERATION OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(CONTINUED)*

Zhang Mingliang has been acting as the Chief Engineer of the Company since October 2012. He served as the Supervisor of our Company from April 2002 to October 2012 and the deputy general manager of our Production Department from February 2012 to September 2012. Mr. Zhang has extensive experience in coal mine production, safety and management. He joined Yimei Group and joined us in January 1994 and in November 1997, respectively. He was the director of Jungar Temple dispatching station of our Coal Transportation Department from March 2011 to February 2012, the head of Sujiahao Mine of Yitai Group from June 2009 to March 2011, the deputy head of our Hongjingta Mine from March 2006 to June 2009 and the vice director of our Operation Department from March 2002 to March 2006. He held various positions in our Company as the deputy spot chief of Nalinmiao Mine No. 1 mine, the spot chief of Nalinmiao Mine No. 4 mine, the deputy head and the head of Nalinmiao Mine and the deputy head of Nalinmiao Mine No. 2 mine from November 1997 to June 2009. Mr. Zhang graduated from Datong Coal Industry School (大同煤炭工業學校) with a major in underground coal mining in July 1991 and was granted the qualification of intermediate level engineer by the Department of Personnel of Inner Mongolia in August 2007. Mr. Zhang has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

Lian Tao joined North China Power Corporation and served as an accountant in August 1998. From December 2001 to November 2003, Mr. Lian acted as the head of legal affairs of CapitalBio Corporation (博奧生物芯片有限公司) of Tsinghua University Enterprise Group, the general manager of group legal department of Sunco China Holdings Limited (順馳中國控股有限公司) from November 2003 to October 2006, the general legal counsel and company secretary of Vtion Wireless Technology AG at Frankfurt, Germany from July 2008 to October 2011, the deputy chief accountant of Yitai Group from January 2012 to August 2012 and currently serves as the deputy general manager and secretary to the Board (joint company secretary) of the Company. Mr. Lian has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

2. PARTICULARS ABOUT THE INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Particulars concerning positions held in shareholders' units

Name of incumbent	Name of shareholders' unit	Position held in shareholders' unit	Starting date of term
Zhang Donghai	Yitai Group	Director and General Manager	15 June 2004
Ge Yaoyong	Yitai Group	Director	14 November 2008
Liu Chunlin	Yitai Group	Director and Chief Accountant	15 June 2004
Zhang Dongsheng	Yitai Group	Director	14 November 2008
Li Wenshan	Yitai Group	Chairman of the Board of Supervisors	14 November 2008

(II) Particulars concerning positions held in other units

Name of incumbent	Name of other unit	Position held in other unit	Starting date of term
Xie Xianghua	School of Continuing Education of Inner Mongolia University of Finance & Economics	Dean	11 July 2011
Lian Junhai	Inner Mongolia Zhongtao Bolong Accounting Firm	Deputy general manager	22 Feb 2011
Song Jianzhong	Inner Mongolia Jianzhong Law Firm	Director	15 July 1986
Tam Kwok Ming, Banny	YATA Certified Public Accountants.	Partner	1 July 2011
Wang Yongliang	Inner Mongolia Ikochao League Law Firm	Director	1 March 2001
Wu Qu	Inner Mongolia Dongshen Accounting Firm Co., Ltd.	Head of Auditing Department	1 July 2001

3. PARTICULARS CONCERNING REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) The decision-making procedures and determination basis of the remuneration of the directors, supervisors and senior management

Decision-making procedure for the remuneration of the directors, supervisors and senior management	Considered and approved in general meetings
Basis for determination on the remuneration of the directors, supervisors and senior management	"Measures Management of the Remuneration of Senior Management of the Company" (《公司高級管理人員薪酬管理辦法》) Specific calculation method: annual remuneration return comprises of basic annual salary and performance-based annual salary. Basic annual salary = Service grade coefficient x Scale coefficient of total assets of the Company x (1 + Growth rate of net assets) x10000. Performance-based annual salary = Service grade coefficient x Coefficient of return rate of net assets x (1 + Growth rate of profits during the reporting period) x 10000. All basic annual salaries shall be released on monthly basis, while performance-based annual salaries shall initially be released by 50 percent, the remaining of which shall be released at the end of the year after assessment.
Particulars about remuneration payable to directors, supervisors and senior management	Allowances and remuneration for the directors, supervisors and senior management, which is calculated based on the allowance amount of independent directors determined in general meeting, and the remuneration for the directors, supervisors and senior management determined by remuneration management mechanism of the Company, were paid in full by the Company after deducting individual income tax.
Total remuneration actually obtained by the directors, supervisors and senior management as a whole during the end of the reporting period	RMB13.86 million

3. PARTICULARS CONCERNING REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(CONTINUED)*

(II) Particulars of the assessment mechanism for senior management and of the establishment and implementation of incentive mechanism during the reporting period

Incentive mechanism of the Company has been implemented according to the Measures Regarding the Annual Remuneration for the Directors and Senior Management of the Company (《公司關於董事及高級管理人員年薪報酬的方案》). The Company implemented annual remuneration system for the Directors, Supervisors and Senior Management. Annual remuneration consists of two parts, namely basic annual salaries and performance annual salaries, of which performance annual incentive mechanism is implemented through consideration of annual production, operation and safety performance. Comprehensive assessment is conducted based on the annual results and completion status of the plans of the Company at the end of the year. Performance annual salaries for Senior Management for the year is determined based on the results of the aforesaid assessment. The Company will continue to perfect the existing remuneration distribution and incentive mechanism favourable for the long-term, sustainable and sound development of the Company.

(III) Details of the remuneration of the directors, supervisors and senior management

For the remuneration of the directors, supervisors and senior management of the Company, please refer to the first part of the section "Particulars about changes in the shareholding and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period".

4. PARTICULARS ABOUT THE MOVEMENT OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Way of Change	Reason for change
Xu Pinggui	Chief Engineer	Resigned	Work adjustment
Liu Jiming	Chief Engineer	Resigned	Work adjustment
Zhang Mingliang	Supervisor	Resigned	Work adjustment
Zhang Guisheng	Supervisor	Appointed	Work adjustment
Liu Jian	Deputy General Manager	Appointed	Work adjustment
Lian Tao	Deputy General Manager, Joint Company Secretary and secretary to the Board	Appointed	Work adjustment
Zhang Mingliang	Chief Engineer	Appointed	Work adjustment

5. EMPLOYEE INFORMATION OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES

(I) Employee information

Number of in-service employees in the parent company	6,884
Number of in-service employees in major subsidiaries	2,135
Total number of in-service employees	6,884
Number of employees retired for whom the parent company and major subsidiaries have to pay pension	26

Category	Specialty composition	Headcount
Production		2,658
Sales		2,329
Technician		558
Finance		306
Administration		1,033
Total		6,884

5. EMPLOYEE INFORMATION OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES *(CONTINUED)*

(I) Employee information *(Continued)*

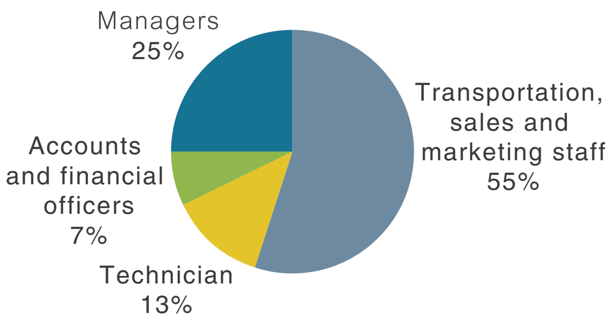
Category	Education level	Headcount (persons)
Postgraduate		177
Undergraduate		2,515
College graduate and secondary technical school		2,702
Below secondary technical school		1,490
Total		6,884

(II) Remuneration policy

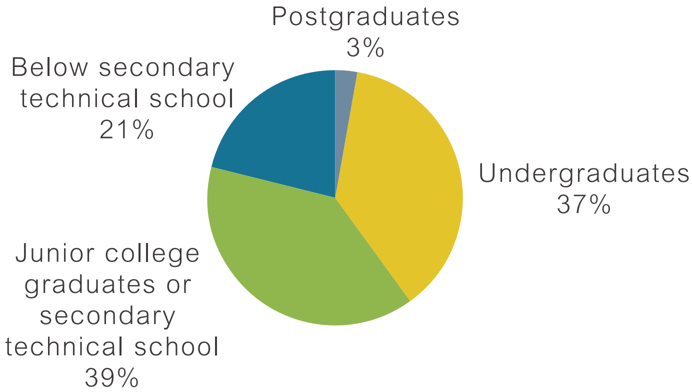
The Company adheres to the making distributions based on performance principally and on various other factors simultaneously and the principle of distribution efficiency as top priority with equal importance to fairness. The Company has established a modern corporation payroll distribution system which can be concluded as “salary is determined by position, salary varies with position”, as well as established a payroll mechanism on the basis of position-points payroll distribution with an emphasis on “value of position as major concern, administrative duties as subordinate”. Incentive and control mechanisms on payroll distribution have been formed. During the reporting period, the total staff remuneration of the Company was RMB960 million. Please refer to Appendix I for other details.

5. EMPLOYEE INFORMATION OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES *(CONTINUED)*

(III) Chart of specialty constitution:



(IV) Chart of education level:



(V) Subcontracting information

Total working hours for subcontracting	1,976,000 hours
Total remuneration paid for subcontracting	RMB26.70 million

5. EMPLOYEE INFORMATION OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES *(CONTINUED)*

(VI) Directors', Supervisors' and Chief Executives' interests and short positions in shares and underlying shares

As at 31 December 2012, the interests of the directors, supervisors and chief executives of the Company in the shares of the Company and its associated corporations, which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code"), to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Long positions in the shares of associated corporation of the Company

Name of director / supervisor	Name of associated corporation	Type of interest	Number of ordinary shares interested	Percentage of the associated corporation's Issued share capital *(%)*
Directors:				
Mr Zhang Donghai	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	10,903,593	1.51
		Interest of spouse	500,000	0.06
		Interest as a trustee	20,437,872[1]	2.84
Mr Liu Chunlin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	6,000,000	0.83
		Interest as a trustee	20,428,000[1]	2.84
Mr Ge Yaoyong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,000,000	0.69
		Interest of spouse	51,250	0.007
		Interest as a trustee	20,428,000[1]	2.84

Name of director / supervisor	Name of associated corporation	Type of interest	Number of ordinary shares interested	Percentage of the associated corporation's Issued share capital (%)
Directors: *(Continued)*				
Mr Zhang Dongsheng	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,000,000	0.69
		Interest of spouse	148,947	0.02
		Interest as a trustee	20,428,000[1]	2.84
Mr Kang Zhi	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,606,644	0.36
		Interest as a trustee	20,428,000[1]	2.84
Mr Zhang Xinrong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,808,514	0.39
		Interest of spouse	114,871	0.01
		Interest as a trustee	20,428,000[1]	2.84
Mr Lv Guiliang	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,200,000	0.30
Supervisors:				
Mr Li Wenshan	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	4,000,000	0.55
		Interest as a trustee	20,428,000[1]	2.84
Mr Zhang Guisheng	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,200,000	0.30
Mr Wang SanMin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	500,000	0.06
Mr Ji Zhifu	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	250,000	0.03
Mr Han Zhanchun	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	250,000	0.03

5. EMPLOYEE INFORMATION OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES *(CONTINUED)*

(VI) Directors', Supervisors' and Chief Executives' interests and short positions in shares and underlying shares *(Continued)*

Note 1: Pursuant to a trust agreement entered into by 31 individuals and a group of employees of Yitai Group, the directors and supervisors listed above together with other members of the 31 individuals hold the entire issued share capital of Inner Mongolia Yitai Investment Co., Ltd. on behalf of a group of employees comprised of 2,300 individuals. Our PRC legal advisors opined that the trust arrangement is valid and binding under the PRC laws.

Save as disclosed above, as at 31 December 2012, none of the directors, supervisors or chief executives of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

(VII) Other significant matters in relation to Directors, Supervisors and Senior Management

The Company has entered into service contracts with all of its directors and supervisors. None of the directors or supervisors has entered into or proposed to enter into any service contracts with the Company which cannot be terminated by the Company within one year without any compensation (other than the statutory compensation).

As at 31 December 2012, the Company had not grated any rights to any directors, supervisors of the Company or their spouses or children under 18 years old to acquire shares or dentures of the Company or its associated corporations.

Save for their service agreements with the Company, none of the directors and supervisors of the Company has any material interests, directly or indirectly, in material contracts entered into by the Company or any of its subsidiaries in 2012 and subsisting during or at the end of the year.

Corporate Governance Structure and Corporate Governance Report

1. RELEVANT INFORMATION OF CORPORATE GOVERNANCE AND MANAGEMENT OF INSIDER REGISTRATION

During the reporting period, the Company standardized its operation, strengthened internal management pursuant to the Company Law (《公司法》), Securities Law (《證券法》) and relevant laws and regulations, thus established a more comprehensive corporate governance system and corporate governance structure with specific authorization and duties among the organ of authority, the organ of decision-making, the organ of supervision and the management of the operations, and their operations standardized.

The Company continued to strengthen information disclosure and investors relations work. During the reporting period, the Company made timely, accurate, truthful and comprehensive disclosure of all key information, which ensured that all shareholders have equal rights to know. The Company formulated the Management System of Information Disclosure Issues Regarding Non-financial Corporate Debt Financing Instruments (《非金融企業債務融資工具信息披露事務管理制度》) to ensure the truthfulness, accuracy and completeness of information disclosure relating to debt financing instruments of the Company. From 10 November 2012 to 12 November 2012, the Company organized large-scale investor reverse road shows which effectively facilitated better communications and exchange of perspectives between the Company and investors and enhanced the Company's reputation and influence in the capital market.

The Company has gradually refined the management system of insider information. During the reporting period, the Company continued to polish the files of insiders. Sufficient notifications are given to relevant personnel by written documents, SMS, mails, the internal OA system of the Company and other methods at the period of sensitive information disclosure, to prevent illegal trading of shares of the Company by relevant personnel.

The Company strictly complied with the Company Law and relevant regulations and requirements stipulated by CSRC in respect of corporate governance system and corporate governance structure. By improving all rules and regulations as well as the internal restriction mechanisms of the ''Three Committees'' (三會), the Company enhanced the level of the practical operation of the corporate governance of the Company.

2. PARTICULARS OF GENERAL MEETINGS

Session of the meeting	Convening date	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designated website for the publication of the proposals	Date of disclosure of the publication of the proposals
Annual general meeting in 2011	8 May 2012	1. To consider the proposal relating to the report of the work of the Board of Directors for 2011; 2. To consider the proposal relating to the report on the work of the Supervisory Committee for 2011; 3. To consider the proposal relating to the work report of independent Directors for 2011; 4. To consider the proposal relating to confirmation of the difference between actual amount and estimated amount of related party transactions in the ordinary course of business of the Company in 2011 and the estimates for 2012 related party transactions in the ordinary course of business; 5. To consider the proposal relating to profit distribution plan of the Company for 2011; 6. To consider the proposal relating to the retained profit distribution plan of the Company; 7. To consider the proposal relating to the annual report of the Company for 2011; 8. To consider the proposal relating to the amendment of the Articles of Association of the Company; 9. To consider the proposal relating to the amendment of the System of the Company on External Guarantee Management; 10. To consider the proposal relating to the engagement of domestic auditor and internal control and auditing institution of the Company for 2012		http://www.sse.com.cn/	9 May 2012

2. PARTICULARS OF GENERAL MEETINGS *(CONTINUED)*

Session of the meeting	Convening date	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designated website for the publication of the proposals	Date of disclosure of the publication of the proposals
The first extraordinary general meeting in 2012	15 October 2012	1. To consider the proposal relating to the issuance of medium term notes of the Company; 2. to consider the proposal relating to the modification of the registered capital of the Company; 3. to consider the proposal relating to the amendments to the articles of associations of the Company; 4. to consider the proposal relating to the replacement of a supervisor; 5. to consider the proposal relating to the adjustment to the allowance of independent non-executive directors; 6. to consider the proposal relating to the allowance of independent non-executive supervisors	All passed	http://www.sse.com.cn/ http://www.hkexnews.hk	16 October 2012

3. DIRECTORS' PERFORMANCE OF THEIR DUTIES

(I) Particulars of Directors' Attendance in Board Meetings and General Meetings

			Attendance of Board meeting (s)					Attendance in general meeting (s)
Name of directors	Whether or not he or she is an independent non-executive director	Mandatory times of attendance in Board meetings during the year	Times of attendance in person	Times of attendance by telecommunication	Times of attendance by proxy	Times of absence	Whether or not he or she has been absent in person for two consecutive times	Times of attendance in general meetings
Zhang Donghai	No	12	3	9	0	0	No	1
Ge Yaoyong	No	12	3	9	0	0	No	1
Liu Chunlin	No	12	3	9	0	0	No	1
Zhang Dongsheng	No	12	3	9	0	0	No	1
Kang Zhi	No	12	3	9	0	0	No	1
Zhang Xinrong	No	12	3	9	0	0	No	1
Lv Guiliang	No	12	3	9	0	0	No	1
Xie Xianghua	Yes	12	3	9	0	0	No	1
Lian Junhai	Yes	12	3	9	0	0	No	1
Song Jianzhong	Yes	12	3	9	0	0	No	1
Tam Kwok Ming, Banny	Yes	12	3	9	0	0	No	1

During the reporting period, none of the directors of the Company was absent for two consecutive times in person at Board meetings.

Number of Board meetings convened during the year	12
Of which: number of meetings on-site	3
Number of meetings held by teleconference	9
Number of meetings held both on-site and via teleconferencing	0

(II) Issues disagreed by the independent directors with the Company

During the reporting period, the Company's independent directors did not disagree with the proposals put forward by the Board, nor those put forward apart from those of the meetings of the Board held by the Company for the year.

4. IMPORTANT OPINIONS AND RECOMMENDATIONS PROPOSED DURING THE REPORTING PERIOD OF PERFORMING DUTIES BY THE SPECIAL COMMITTEE ESTABLISHED UNDER THE BOARD DURING THE REPORTING PERIOD

The Board of Directors of the Company has established the Strategic Planning Committee, Audit Committee, Nomination Committee, Remuneration and Assessment Committee and Production Committee. During the reporting period, the Strategic Planning Committee convened 3 meetings. At the meeting, the Strategic Planning Committee carried out important planning on subsequent development of the Company after the listing of H shares; in addition, the committee conducted research and proposed recommendations on the issue of medium term notes by the Company.

During the reporting period, the Audit Committee convened 7 meetings in total, provided supervision and proposed opinions on the completeness of the financial statements, quarterly reports, interim reports and annual report. During the reporting period, the Nomination Committee convened 4 meetings in total, the Company intended to make replacement of the secretary to the Board, the chief engineer and the deputy general manager. The Nomination Committee convened meetings and proposed recommendations on the qualification, procedure of appointment and dismissal and term of office for the secretary to the Board, the chief engineer and the deputy general manager. During the reporting period, the Remuneration and Assessment Committee convened 1 meeting in total and proposed recommendations on adjustment to the remuneration of directors and supervisors. During the reporting period, the Production Committee convened 1 meeting in total and given the weak global economy and sluggish coal market, proposed recommendations with regard to coal output adjustment and follow-up adjustment plans of the Company.

5. EXPLANATION ON RISKS OF THE COMPANY DETECTED BY THE SUPERVISORY COMMITTEE

The Supervisors Committee of the Company has no disagreement with supervision matters during the reporting period.

6. EXPLANATION ON UNCERTAINTIES OF INDEPENDENCE AND SELF-OPERATION CAPABILITY BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER WITH RESPECT TO BUSINESS, PERSONNEL, ASSETS, ORGANIZATION AND FINANCE

	Independent and complete?	Descriptions
Independence of Business	Yes	The Company has independent and complete coal production, transportation, sales system and self-operation capability. The Company bears responsibility and risks independently.
Independence of Personnel	Yes	The Company has set up an independent human resources management department and has established sound personnel management system. The Company is fully independent with respect to labor, personnel and payroll management.
Independence of Assets	Yes	The assets of the Company and the controlling shareholder are clearly cut. The Company is fully independent with respect to assets management and operation.
Independence of Organization	Yes	The Company, based on its consideration on its business characteristics and long term development, established a complete organization structure with independent operation, not subordinating to its controlling shareholder.
Independence of Finance	Yes	The Company has set up an independent finance department and has established an independent accounting and audit system and financial management system. The Company opened a separate bank account and operated it in accordance with the laws.

6. EXPLANATION ON UNCERTAINTIES OF INDEPENDENCE AND SELF-OPERATION CAPABILITY BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER WITH RESPECT TO BUSINESS, PERSONNEL, ASSETS, ORGANIZATION AND FINANCE *(CONTINUED)*

Respective solutions, work progress and follow-up planning regarding peer competitions arising from demutualisation reform, industry characteristics, national policy and acquisition and mergers

Problems concerning incompletion of rectification for the year				
Descriptions of the problems	**Person in charge of rectification**	**Reasons for inability to timely complete rectification**	**Present progress of rectification**	**Guaranteed completion time of the whole rectification**
The assets used by the Company for primary public offering is part of the assets of the controlling shareholder of the Company, Yitai Group, which leaded to the problem of peer competitions with the controlling shareholder in coal production, transportation and sales.	Zhang Donghai	The Company succeeded in the issue of H shares on 12 July 2012. Raised proceeds were used for acquisition of coal-related assets of the controlling shareholder, Yitai Group, to cope with the problem of peer competitions. Such issue has not been incorporated into the scope of acquisition of the listing, due to the fact that certain coal mines of Yitai Group are under preliminary preparation stage prior to construction or are currently suspended from operation due to depletion of resources, or are with the occurrence of non-compliance issues.	The Company entered the "Non-competition Agreement" (《避免同業競爭協議》) with the controlling shareholder. Pursuant to this agreement, the Company is entitled to obtain options and pre-emptive rights to acquire any interest in the retained businesses of the controlling shareholder. Further, it is also provided in the Non-competition Agreement that the Company is appointed as the exclusive sales agent for all the coal products produced by Sujiahao Mine for the period from the listing date to the date on which the Company acquires the relevant retained businesses. And all the coal produced by Hongqinghe Mine will be exclusively supplied to the Company for re-sale.	The Company is entitled to obtain options and pre-emptive rights in relation to relevant assets of Yitai Group. Non-competition Agreement has been carried out.

7. CORPORATE GOVERNANCE REPORT OF THE COMPANY

Corporate Governance Practices

The Board of the Company has committed to maintaining high corporate governance standards.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles set out in the CG Code contained in Appendix 14 of the Listing Rules.

The Board is of the view that throughout the period from the date on which H shares were listed to 31 December 2012, the Company has complied with all the code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date to 31 December 2012.

The Company has also adopted the Model Code as the guidelines (the "Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Guidelines by the employees was noted by the Company.

7. CORPORATE GOVERNANCE REPORT OF THE COMPANY *(CONTINUED)*

BOARD OF DIRECTORS

The Board of the Company comprises the following directors:

Executive Directors:
Zhang Donghai *(Chairman)*
Liu Chunlin
Ge Yaoyong *(President)*
Zhang Dongsheng
Kang Zhi
Zhang Xinrong
Lv Guiliang

Independent Non-executive Directors:
Xie Xianghua
Lian Junhai
Song Jianzhong
Tam Kwok Ming, Banny

The biographical information of the directors are set out in the section headed "Directors' Biographical Information" on pages 90 to 98 of the annual report for the year ended 31 December 2012.

Save as disclosed in the section Biographies of Directors, Supervisors and Senior Management in this report, none of the members of the Board is related to one another.

Chairman and President

The positions of Chairman and President are held by Zhang Donghai and Ge Yaoyong respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The President focuses on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

During the year ended 31 December 2012, the Board at all times exceeded the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all Independent Non-executive Directors are independent.

7. CORPORATE GOVERNANCE REPORT OF THE COMPANY *(CONTINUED)*

Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the directors of the Company is appointed for a specific term of 3 years and is subject to retirement by rotation once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All directors, including Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All directors have full and timely access to all the information of Company as well as the services and advice from the company secretary and senior management. The directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

7. CORPORATE GOVERNANCE REPORT OF THE COMPANY *(CONTINUED)*

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for directors will be arranged and reading material on relevant topics will be issued to directors where appropriate. All directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2012, the Company organized four training sessions, three of which were conducted by the lawyers, for all directors. The following directors attended all the aforesaid training sessions with topics set out below:

Directors

Executive Directors
Zhang Donghai
Liu Chunlin
Ge Yaoyong
Zhang Dongsheng
Kang Zhi
Zhang Xinrong
Lv Guiliang

Independent Non-Executive Directors
Xie Xianghua
Lian Junhai
Song Jianzhong
Tam Kwok Ming, Banny

Topic

— Training on the Listing Rules
— Training on the compliance issues after the listing of the Company
— Study on standard operation of the first B+H company
— Training on the compliance issue of companies listed in Hong Kong

In addition, relevant reading materials including legal and regulatory update have been provided to the directors for their reference and studying.

7. CORPORATE GOVERNANCE REPORT OF THE COMPANY *(CONTINUED)*

Continuous Professional Development of Directors *(Continued)*

Board Committees

The Board has established five committees, namely, the Strategic Planning Committee, Audit Committee, Remuneration and Assessment Committee, Nomination Committee and Production Committee, for overseeing particular aspects of the Company's affairs. The terms of reference of the Strategic Planning Committee, Audit Committee, Remuneration and Assessment Committee, and Nomination Committee are established with defined written terms of reference. Except that of the Production Committee, terms of reference of the Board committees are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to shareholders upon request.

The majority of the members of the Audit Committee, Remuneration and Assessment Committee, and Nomination Committee are Independent Non-executive Directors. The list of the chairman and members of each Board committee is set out under "Corporate Profile" on page 4.

Strategic Planning Committee

The primary duties of the Strategic Planning Committee are to formulate the Company's overall development plans and investment decision-making procedures.

The responsibilities of the Strategic Planning Committee include, among others:

- Reviewing the long-term development strategies
- Reviewing major issues affecting the Company's development
- Reviewing significant capital expenditure, investment and financing projects that require approval of the Board

7. CORPORATE GOVERNANCE REPORT OF THE COMPANY *(CONTINUED)*

Continuous Professional Development of Directors *(Continued)*

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held 7 meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2012 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, related party transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the Executive Directors.

Remuneration and Assessment Committee

The primary functions of the Remuneration and Assessment Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, the remuneration policy and structure for all directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his / her associates will participate in deciding his / her own remuneration.

The Remuneration and Assessment Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the Executive Directors and senior management and other related matters.

7. CORPORATE GOVERNANCE REPORT OF THE COMPANY *(CONTINUED)*

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of Independent Non-executive Directors.

The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. External recruitment professionals might be engaged to carry out selection process when necessary.

The Nomination Committee met four times to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors, and to consider the qualifications of the retiring directors standing for election at the Annual General Meeting.

Production Committee

The primary duties of the Production Committee are to supervise and control the production volumes of our coal mines.

The responsibilities of the Production Committee include, among others:

- Determining the annual planned production volumes of the relevant coal mines for the following year with reference to the assessed capacities and market conditions
- Reviewing the Company's actual production volumes on a quarterly basis
- Considering whether the Company needs to revise the annual planned production volumes of the relevant coal mines or to apply to increase the assessed capacities

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

7. CORPORATE GOVERNANCE REPORT OF THE COMPANY *(CONTINUED)*

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2012 is set out in the table below:

	Attendance / Number of Meetings					
Name of Director	Board	Nomination Committee	Remuneration and Assessment Committee	Audit Committee	Annual General Meeting	Other General Meeting (if any)
Zhang Donghai	12/12	4/4	1/1	—	1/1	1/1
Liu Chunlin	12/12	4/4	1/1	—	—	1/1
Ge Yaoyong	12/12	4/4	1/1	—	1/1	1/1
Zhang Dongsheng	12/12	—	—	—	1/1	1/1
Kang Zhi	12/12	—	—	—	1/1	1/1
Zhang Xinrong	12/12	—	—	—	1/1	1/1
Lv Guiliang	12/12	—	—	—	—	1/1
Xie Xianghua	12/12	4/4	1/1	7/7	1/1	1/1
Song Jianzhong	12/12	4/4	1/1	7/7	1/1	1/1
Tam Kwok Ming, Banny	12/12	4/4	1/1	7/7	1/1	1/1
Lian Junhai	12/12	4/4	1/1	7/7	1/1	1/1

Apart from regular Board meetings, the Chairman also held meetings with the Independent Non-executive Directors without the presence of Executive Directors during the year.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2012.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 130 to 131.

Where appropriate, a statement will be submitted by the Audit Committee explaining its recommendation regarding the selection, appointment, resignation or dismissal of external auditors and the reasons why the Board has taken a different view from that of the Audit Committee.

7. CORPORATE GOVERNANCE REPORT OF THE COMPANY *(CONTINUED)*

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, Messrs Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2012 is set out below:

Service Category	Fees Paid / Payable
Audit Services	RMB6.0 million
Non-audit Services	
— Others	0

INTERNAL CONTROLS

During the year under review, the Board conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. Details as follows:

1. The Company established a sound internal control system, an audit committee was set up under the Board to be responsible for the communication, inspection and supervisor on external audit; The in-house audit department of the Company is in charge of the organisation and implementation of internal control and assessment, and to assess on the high-risk areas and entities which are included in the assessment scope; the internal control and assessment group is in charge of the organisation and assessment of the detailed internal control and is accountable to the Board.

2. Further reinforce and standardise on the internal control of the Company, ensure the activities of the Company to be conducted in a standardised and orderly manner, enhance the operation, management and risk prevention capability of the Company and to promote its sustainable development, implement Basic Rules for Internal Control of Companies (《企業內部控制基本規範》) and the relevant requirements of the related guidelines. The Company formulated the Internal Control System of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司內部控制制度》), thereby rectified the core internal control procedures in its management and operation, and prepared the Internal Control Manual of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司內部控制手冊》), thereby established a systematic assurance on the implementation, supervision and assessment of the internal control of the Company.

7. CORPORATE GOVERNANCE REPORT OF THE COMPANY *(CONTINUED)*

INTERNAL CONTROLS *(Continued)*

3. In 2012, the Company engaged Roland Berger Strategy Consultants (Shanghai) Ltd. for the provision of consulting services on the internal control of the Company.

4. The internal control and assessment group will conduct assessment on the reasonableness and operating efficiency of the design of the internal control of the departments and subsidiaries which are included in the assessment scope in accordance with the Internal Control and Assessment Plan of Inner Mongolia Yitai Coal Co., Ltd. 2012 (《內蒙古伊泰煤炭股份有限公司2012年內部控制評價方案》). Please refer to Appendix II 2012 Internal Control Self-assessment Report of Inner Mongolia Yitai Coal Co., Ltd (《內蒙古伊泰煤炭股份有限公司2012年內部控制自我評價報告》) for the details of internal control.

COMPANY SECRETARY

Lee Mei Yi of Tricor Services Limited, external service provider, has been engaged by the Company as its joint company secretary. Its primary contact person at the Company is Lian Tao, joint company secretary of the Company.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors. All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Hong Kong Stock Exchange after each shareholder meeting.

Convening an Extraordinary General Meeting by Shareholders

Extraordinary general meetings may be convened by the Board or if the Board fails to do so, by the Supervisory Committee, on requisition of shareholders, individually or jointly, holding 10% or more of the Company's issued and outstanding voting shares (the "Requisitionist(s)"). The objects of the meeting must be stated in the requisition which must be signed by the Requisitionist(s).

Putting Forward Proposals at General Meetings

Shareholders severally or jointly holding 3% or more of the total number of shares carrying voting rights shall have the right to propose motions to the Company and the Company shall include the matters falling with the scope of functions and powers of the shareholders' general meeting into the agenda of such meeting. Such shareholders can make and deliver the temporary proposals to the convener in writing 10 days or more prior to the shareholders' general meeting.

7. CORPORATE GOVERNANCE REPORT OF THE COMPANY *(CONTINUED)*

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia (For the attention of the Board secretary)
Fax:	(86 477) 8565415
Email:	ir@yitaicoal.com

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at (86) 477-8565731/5734 for any assistance.

7. CORPORATE GOVERNANCE REPORT OF THE COMPANY *(CONTINUED)*

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, all other members of the Board including Independent Non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

Save as the above mentioned, the Company organised large reversal roadshow in November 2012 and invited shareholders, investors and analysts to the Company for in-depth and effective communication with the management and visit to different sections of the Company for their further understanding thereto.

In addition, during routine operation the Company strives to receive visits from shareholders and investors, and arrange visits for them. The management of the Company will also communicate and exchange with investors and analysts outside office.

Through the above means, the Company delivers transparent operation and effective communication with shareholders and investors.

During the year under review, the Company has amended its Articles of Association. Details of the amendments are set in the circular dated 28 August 2012 to the shareholders. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

8. PARTICULARS OF THE ASSESSMENT MECHANISM FOR SENIOR MANAGEMENT AND OF THE ESTABLISHMENT AND IMPLEMENTATION OF INCENTIVE MECHANISM DURING THE REPORTING PERIOD

Incentive mechanism of the Company has been implemented according to the Measures Regarding the Annual Remuneration for the Directors and Senior Management of the Company (《公司關於董事及高級管理人員年薪報酬的方案》). The Company implemented annual remuneration system for the Directors, Supervisors and Senior Management. Annual remuneration consists of two parts, namely basic annual salaries and performance annual salaries, of which performance annual incentive mechanism is implemented through consideration of annual production, operation and safety performance. Comprehensive assessment is conducted based on the annual results and completion status of the plans of the Company at the end of the year. Performance annual salaries for Senior Management for the year is determined based on the results of the aforesaid assessment. The Company will continue to perfect the existing remuneration distribution and incentive mechanism for the long-term, sustainable and sound development of the Company.

I. THE STATEMENT OF ACCOUNTABILITY FOR INTERNAL CONTROL AND THE CONSTRUCTION OF THE INTERNAL CONTROL SYSTEM

The Board and Directors as a whole guarantee that the content in this report does not contain any false representation, misleading statement or material omission, and severally and jointly accept the responsibility for the truthfulness, accuracy and completeness of the content in the report.

To establish and efficiently enforce sound internal control are the responsibility of the Board. The board of supervisors should supervise the formation of the Board as well as the implementation of internal control, while the management is responsible for organizing and leading the daily operation of internal control.

The Audit Committee is set up under the Board, responsible for the coordination, inspection and supervision of internal control audit. The internal audit department under the Company is responsible for the actual organization and implementation of internal control assessment to assess high-risk areas and work units which fall within the scope of assessment. The assessment unit of internal control is accountable to the Board for the organization assessment of actual internal control.

In order to further reinforce and standardize internal control for ensuring that operations are standardized and in order, to enhance our operation and management levels as well as risk prevention ability for sustainability, and to consistently implement relevant requirements of the Basic Rules for Internal Control of Companies (《企業內部控制基本規範》) and the related ancillary guidance, the Company has established a protection system for implementation, supervision and assessment on internal control by formulating the Internal Control System of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司內部控制制度》), refining the core internal control procedures in the operation and management areas, and preparing the Internal Control Handbook of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司內部控制手冊》).

The assessment unit of internal control assesses and reports if the internal control of the departments and subsidiaries fallen in the scope of assessment is designed rationally and operated efficiently, according to the Internal Control Assessment of Inner Mongolia Yitai Coal Co., Ltd. in 2012 (《內蒙古伊泰煤炭股份有限公司2012年內部控制評價方案》). It will also prepare drafts for internal control assessment and the internal control self-assessment report to the Board. The internal control self-assessment reports will be disclosed after consideration and approval in Board meetings.

The Company has appointed RolandBerger Strategy Consultants (Shanghai) Company Limited (羅蘭貝格管理諮詢(上海)有限公司) for consultant's opinions on internal control in 2012.

Please refer to the appendixes for details of the self-evaluation report of internal control.

II. RELEVANT EXPLANATIONS ON THE AUDIT REPORT OF INTERNAL CONTROL

In the sixth meeting of the fifth session of the Board, a resolution regarding appointing Da Hua Certified Public Accountants (Special General Partnership) for auditing our internal control efficiency in 2012 was considered and passed. As a result of its audit, Da Hua Certified Public Accountants (Special General Partnership) has issued its standard unqualified auditor's report for our internal control assessment.

III. PUNISHMENT SYSTEM FOR BLUNDERS IN ANNUAL REPORTS AND RELATED ENFORCEMENT EXPLANATION

The policy of Punishment System for Blunders in Annual Information Disclosure was approved in the twenty fifth meeting of the fourth session of the Board (《年報信息披露重大差錯責任追究制度》). According to the system, for non-performance or incorrect performance of staff participating in annual information disclosure of their duties or obligations or for other personal reasons which have caused material economic loss to the Company or adverse effects on the society, thorough investigation should be conducted and parties involved will be punished based on the level of damage.

During the reporting period, there is no blunder regarding the information in our annual reports.

Five-year Financial Summary

The following financial information is extracted from the regular reports of the Company prepared in accordance with the PRC Accounting Standards.

	As at 31 December				
	2008	2009	2010	2011	2012
	RMB0'000	*RMB0'000*	*RMB0'000*	*RMB0'000*	*RMB0'000*
Revenue and profit					
Revenue	1,604,940.34	1,570,709.89	2,325,591.67	2,788,424.20	**3,246,332.47**
Total operating costs	1,039,419.98	1,055,059.25	1,431,845.17	1,814,077.90	**2,431,062.51**
Operating costs	816,912.09	826,789.48	1,165,025.42	1,481,723.29	**2,023,798.87**
Cost of sales	101,888.81	112,845.61	124,855.78	119,041.38	**117,518.14**
Administrative expenses	62,454.80	66,789.95	95,466.44	112,207.26	**165,039.99**
Finance costs	29,142.58	21,594.51	13,091.77	23,682.05	**43,383.17**
Other operating costs, net	29,021.71	27,039.71	33,405.77	77,423.92	**81,322.33**
Operating profit	558,232.53	515,855.68	894,174.13	976,748.43	**838,418.07**
Total profit	555,643.68	513,425.87	884,020.44	989,666.55	**871,831.71**
Income tax	112,496.58	86,012.22	151,965.19	162,946.72	**139,943.61**
Net profit	443,147.10	427,413.65	732,055.25	826,719.83	**731,888.10**
Profit attributable to the owners of the Company	439,687.19	407,177.75	684,671.46	772,048.91	**662,188.08**
Basic earnings per share	3.00	2.78	4.68	5.27	**4.30**
Assets and Liabilities					
Current assets	673,505.19	605,645.01	721,229.02	782,509.53	**1,117,239.51**
Non-current assets	1,408,094.85	1,892,308.19	2,181,930.12	2,562,001.32	**3,019,474.85**
Current liabilities	677,806.62	523,171.79	457,393.28	558,307.08	**1,039,468.87**
Non-current liabilities	465,160.79	746,956.02	711,840.32	649,426.93	**903,358.70**
Owners' equity	938,632.65	1,227,825.38	1,733,925.54	2,136,776.84	**2,193,886.79**

INDEPENDENT AUDITORS' REPORT

To the shareholders of Inner Mongolia Yitai Coal Company Limited
(Incorporated in the People's Republic of China as a joint stock company with limited liability)

We have audited the consolidated financial statements of Inner Mongolia Yitai Coal Company Limited（內蒙古伊泰煤炭股份有限公司, the "Company") and its subsidiaries (together, the "Group") set out on pages 132 to 231, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

AUDITORS' RESPONSIBILITY *(CONTINUED)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
25 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Notes	**2012** ***RMB'000***	2011 *RMB'000* (Restated)
REVENUE	7	**31,583,528**	27,002,941
Cost of sales		**(20,454,324)**	(14,936,640)
Gross profit		**11,129,204**	12,066,301
Other income and gains	7	**619,345**	344,980
Selling and distribution expenses		**(1,121,967)**	(1,141,049)
Administrative expenses		**(1,629,936)**	(1,167,103)
Other expenses		**(52,866)**	(35,710)
Finance income	8	**35,043**	38,267
Finance costs	9	**(429,613)**	(285,744)
Exchange gains, net		**(32,460)**	17,740
Share of profits of associates		**34,114**	19,799
PROFIT BEFORE TAX	10	**8,550,864**	9,857,481
Income tax expense	12	**(1,399,436)**	(1,628,373)
PROFIT FOR THE YEAR		**7,151,428**	8,229,108
Attributable to:			
Owners of the parent	14	**6,454,428**	7,683,175
Non-controlling interests		**697,000**	545,933
		7,151,428	8,229,108
Exchange differences on translation of foreign operations		**(290)**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,151,138**	8,229,108
Attributable to:			
Owners of the parent		**6,454,138**	7,683,175
Non-controlling interests		**697,000**	545,933
		7,151,138	8,229,108
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(RMB)*			
— For profit for the year	14	**4.19**	5.25

Details of the dividends payable and proposed for the year are disclosed in Note 13 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	16	**24,268,926**	21,610,041
Investment properties	15	**31,382**	33,725
Prepaid land lease payments	17	**322,507**	324,754
Mining rights	18	**419,519**	453,950
Other intangible assets	19	**50,792**	17,735
Investments in associates	22	**345,148**	353,026
Available-for-sale investments	23	**3,808,393**	2,870,590
Deferred tax assets	24	**917,591**	112,225
Other non-current assets	20	**18,297**	17,597
Total non-current assets		**30,182,555**	25,793,643
CURRENT ASSETS			
Inventories	25	**873,374**	1,015,192
Trade and bills receivables	26	**2,689,636**	1,408,457
Prepayments, deposits and other receivables	27	**1,277,199**	933,531
Restricted cash	28	**29,827**	27,425
Cash and short-term deposits	28	**6,314,553**	4,452,660
Total current assets		**11,184,589**	7,837,265
CURRENT LIABILITIES			
Trade and bills payables	29	**1,345,325**	762,103
Other payables and accruals	30	**7,424,105**	2,415,969
Interest-bearing bank borrowings	31	**1,582,419**	2,206,190
Tax payable		**42,840**	203,674
Total current liabilities		**10,394,689**	5,587,936
NET CURRENT ASSETS		**789,900**	2,249,329
TOTAL ASSETS LESS CURRENT LIABILITIES		**30,972,455**	28,042,972

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

31 December 2012

	Notes	**31 December 2012 *RMB'000***	31 December 2011 *RMB'000* (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	31	**7,802,524**	6,100,594
Long term bonds	32	**1,001,296**	—
Other non-current liabilities		**229,768**	393,676
Total non-current liabilities		**9,033,588**	6,494,270
NET ASSETS		**21,938,867**	21,548,702
EQUITY			
Equity attributable to owners of the parent			
Issued capital	33	**1,627,004**	1,464,000
Reserves		**16,049,333**	15,917,106
Proposed final dividend	13	**2,033,754**	2,196,000
		19,710,091	19,577,106
Non-controlling interests		**2,228,776**	1,971,596
Total equity		**21,938,867**	21,548,702

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Attributable to the equity holders of the parent									
	Issued capital	Capital reserve*	Statutory reserve*	Safety and maintenance fund*	Retained earnings*	Proposed final dividend *(Note 12)*	Exchange fluctuation reserve*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012 (as restated)	1,464,000	1,318,656	2,022,836	4,795	12,570,819	2,196,000	—	19,577,106	1,971,596	21,548,702
Profit for the year	—	—	—	—	6,454,428	—	—	6,454,428	697,000	7,151,428
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(290)	(290)	—	(290)
Total comprehensive income for the year	—	—	—	—	6,454,428	—	(290)	6,454,138	697,000	7,151,138
Issuance of H shares (Note 33)	163,004	—	—	—	—	—	—	163,004	—	163,004
Share premium arising from the issurance of H shares (Note 33)	—	5,550,886	—	—	—	—	—	5,550,886		5,550,886
Share issue expenses (Note 33)	—	(168,163)	—	—	—	—	—	(168,163)	—	(168,163)
Consideration for the Acquisition of the Target Business Group (as defined in Note 35)	—	(8,446,545)	—	—	—	—	—	(8,446,545)	—	(8,446,545)
Deferred tax recognised from the acquisition of the Target Business Group (as defined in Note 35)	—	821,068	—	—	—	—	—	821,068	—	821,068
Disposal of a subsidiary	—	(7,368)	—	—	—	—	—	(7,368)	—	(7,368)
Appropriation of general reserve	—	—	449,182	—	(449,182)	—	—	—	—	—
Capital contributions from non-controlling interests	—	—	—	—	—	—	—	—	37,540	37,540
Appropriation to safety and maintenance fund	—	—	—	(4,795)	4,795	—	—	—	—	—
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	(477,360)	(477,360)
Distribution to the owner of the Target Business Group (as defined in Note 35)	—	—	—	—	(2,038,035)	—	—	(2,038,035)	—	(2,038,035)
2011 final dividends declared and paid	—	—	—	—	—	(2,196,000)	—	(2,196,000)	—	(2,196,000)
Proposed final 2012 dividend	—	—	—	—	(2,033,754)	2,033,754	—	—	—	—
At 31 December 2012	1,627,004	(931,466)	2,472,018	—	14,509,071	2,033,754	(290)	19,710,091	2,228,776	21,938,867

* These reserve accounts comprise the consolidated reserves of RMB16,049,333,000 as at 31 December 2012 (2011: RMB15,917,106,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

Year ended 31 December 2012

	Attributable to the equity holders of the parent								
	Issued capital RMB'000	Capital reserve* RMB'000	Statutory reserve* RMB'000	Safety and maintenance fund* RMB'000	Retained earnings* RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011									
As previously reported	1,464,000	1,316,459	1,509,249	—	7,259,766	2,196,000	13,745,474	1,551,042	15,296,516
Adjustment in relation to the acquisition of the Target Business Group (as defined in Note 35)	—	—	—	—	1,942,312	—	1,942,312	321,219	2,263,531
At 1 January 2011 (Restated)	1,464,000	1,316,459	1,509,249	—	9,202,078	2,196,000	15,687,786	1,872,261	17,560,047
Total comprehensive income for the year	—	—	—	—	7,683,175	—	7,683,175	545,933	8,229,108
Appropriation of general reserve	—	—	513,587	—	(513,587)	—	—	—	—
Acquisition of non-controlling interests	—	(500)	—	—	—	—	(500)	—	(500)
Capital contributions from non-controlling interests	—	2,697	—	—	—	—	2,697	164,682	167,379
Appropriation to safety and maintenance fund	—	—	—	4,795	(4,795)	—	—	—	—
Distribution to the owner of the Target Business Group (as defined in Note 35)	—	—	—	—	(1,600,052)	—	(1,600,052)	—	(1,600,052)
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	(611,280)	(611,280)
2010 final dividends declared and paid	—	—	—	—	—	(2,196,000)	(2,196,000)	—	(2,196,000)
Proposed 2011 final dividends	—	—	—	—	(2,196,000)	2,196,000	—	—	—
At 31 December 2011	1,464,000	1,318,656	2,022,836	4,795	12,570,819	2,196,000	19,577,106	1,971,596	21,548,702

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**8,550,864**	9,857,481
Adjustments for:			
Finance costs		**429,613**	285,744
Exchange gains, net		**32,460**	(17,740)
Finance income		**(35,043)**	(38,267)
Share of profits of associates		**(34,114)**	(19,799)
Depreciation of property, plant and equipment	10	**1,642,670**	925,523
Depreciation of investment properties	10	**2,343**	2,343
Amortisation of prepaid land lease payments	10	**12,818**	11,990
Amortisation of mining rights	10	**35,166**	30,665
Amortisation of other intangible assets	10	**14,597**	4,729
Amortisation of other non-current assets	10	**4,346**	3,672
Reversal of impairment of trade and bills receivables	10	**—**	(57,962)
Dividend income from available-for-sale investments		**(5,179)**	—
(Reversal of impairment)/ Impairment of other receivables	10	**(1,524)**	883
Impairment of inventories		**—**	(55)
Loss/(gain) — net on disposal of items of property, plant and equipment, and intangible assets	10	**379,852**	(6,731)
Gain on disposal of a subsidiary	36	**(187,298)**	—
Gain on disposal of unlisted investments	7, 10	**—**	(1,589)
Decrease/(Increase) in inventories		**129,720**	(373,099)
Increase in trade and bills receivables		**(1,305,864)**	(243,722)
Increase in prepayments, deposits and other receivables		**(758,865)**	(54,663)
Increase in trade and bills payables		**626,587**	268,771
Increase in other payables and accruals		**190,599**	105,234
Income tax paid		**(1,543,693)**	(1,877,355)
Net cash flows from operating activities		**8,180,055**	8,806,053

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(4,699,575)	(4,097,143)
Additions to prepaid land lease payments	17	(17,368)	(54,416)
Additions to mining rights	18	(735)	—
Additions to other intangible assets	19	(49,637)	(5,267)
Additions to other non-current assets		(5,046)	(3,244)
Proceeds from disposal of items of property, plant and equipment and intangible assets		22,291	119,803
Investments in associates and available for sale investment		(910,530)	(54,134)
Prepayment for investment in a subsidiary		—	(765,390)
Interest received	8	35,043	38,267
Proceeds from disposal of a subsidiary	36	199,185	—
Proceeds from disposal of a joint venture		—	6,400
Proceeds from disposal of associates		—	500
Proceeds from disposal of held-for-trading investments		—	3,039
Payments for the acquisition of the Target Business Group (as defined in Note 35)		(3,546,665)	—
Decrease in cash and restricted bank deposits	28(a)	(2,402)	6,785
Movement in fixed deposits	28	13,408	(13,541)
Dividend received from an associate		11,993	—
Dividends received from investments		5,179	—
Net cash flows used in investing activities		(8,944,229)	(4,818,341)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling interests		37,540	167,422
Proceeds from public offering	33	5,545,727	—
Proceeds from issuance of long term bonds		997,000	—
Acquisition of non-controlling interests		—	(500)
Proceeds from bank borrowings		3,310,000	1,905,000
Repayment of bank borrowings		(2,219,224)	(1,510,883)
Interest paid		(545,096)	(539,924)
Dividend paid		(2,196,000)	(2,196,000)
Dividends paid to non-controlling interests		(207,360)	(611,280)
Distribution to the owner of the Target Business Group (as defined in Note 35)		(2,038,035)	(1,600,052)
Net cash flows from/(used in) financing activities		2,684,552	(4,386,217)
NET DECREASE IN CASH AND CASH EQUIVALENTS		1,920,378	(398,505)
Effect of foreign exchange rate changes, net		(45,077)	—
Cash and cash equivalents at beginning of year	28	4,430,719	4,829,224
CASH AND CASH EQUIVALENTS AT END OF YEAR	28	6,306,020	4,430,719

STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**6,368,356**	4,795,857
Investment properties	15	**31,382**	33,725
Prepaid land lease payments	17	**173,171**	137,448
Mining rights	18	**231,736**	66,610
Other intangible assets	19	**28,850**	12,287
Investments in subsidiaries	21	**6,862,099**	5,117,704
Investments in associates	22	**261,111**	242,109
Available-for-sale investments	23	**3,667,300**	2,771,675
Deferred tax assets	24	**824,266**	3,426
Other non-current assets		**4,661**	—
Total non-current assets		**18,452,932**	13,180,841
CURRENT ASSETS			
Inventories	25	**678,833**	541,598
Trade and bills receivables	26	**2,320,868**	669,445
Prepayments, deposits and other receivables	27	**3,050,437**	1,188,877
Restricted cash	28	**19,431**	17,076
Cash and short-term deposits	28	**5,543,553**	2,272,541
Total current assets		**11,613,122**	4,689,537
CURRENT LIABILITIES			
Trade and bill payables	29	**2,250,398**	375,472
Other payables and accruals	30	**5,543,034**	1,151,126
Interest-bearing bank borrowings	31	**44,000**	80,000
Income tax payable		**16,508**	152,148
Total current liabilities		**7,853,940**	1,758,746
NET CURRENT ASSETS		**3,759,182**	2,930,791
TOTAL ASSETS LESS CURRENT LIABILITIES		**22,212,114**	16,111,632

STATEMENT OF FINANCIAL POSITION *(Continued)*

31 December 2012

	Notes	**2012** **RMB'000**	2011 RMB'000
NON-CURRENT LIABILITIES			
Interest bearing bank borrowings	31	**2,036,000**	80,000
Long term bonds	32	**1,001,296**	—
Financial guarantee contracts	21	**97,265**	88,945
Other non-current liabilities		**21,450**	18,977
TOTAL NON-CURRENT LIABILITIES		**3,156,011**	187,922
NET ASSETS		**19,056,103**	15,923,710
EQUITY			
Issued capital	33	**1,627,004**	1,464,000
Reserves	34	**15,395,345**	12,263,710
Proposed final dividend	13	**2,033,754**	2,196,000
TOTAL EQUITY		**19,056,103**	15,923,710

Director *Director*

1. CORPORATE INFORMATION

Inner Mongolia Yitai Coal Company Limited (the "Company") conducted initial public offering of domestic listed foreign shares (the "B shares") on the Shanghai Stock Exchange on 8 August 1997. Upon the completion of the B shares offering, the Company was incorporated as a joint stock company with limited liability on 23 September 1997, with registered capital of RMB366,000,000, 54.64% of which was held by Inner Mongolia Yitai Group Co., Ltd. ("Yitai Group") and 45.36% of which was held by the public investors of the B shares. On 16 September 2007, the Company increased the issued share capital to RMB732,000,000 through the conversion of capital reserve and proposed dividend. On 5 May 2010, the Company increased the issued capital to RMB1,464,000,000 through the conversion of proposed dividend.

On 12 July 2012, the Company consummated its global offering of 162,667,000 H shares with HK$43 per share and listed on the main board of The Stock Exchange of Hong Kong Limited. After the global offering, the issued capital increased to RMB1,626,667,000. On 8 August 2012, the over-allotment of 336,500 H Shares was exercised, the issued capital further increased to RMB1,627,003,500, of which, 49.17% shares are held by Yitai Group. Yitai (Group) Hong Kong Co, Ltd ("Yitai Group HK"), a wholly-owned subsidiary of Yitai Group held 8.90% of shares of the Company. The direct and indirect shareholding of the Company by Yitai Group is 58.07% as at 31 December 2012.

The registered office of the Company is located at Yitai Building, Tianjiao North Road, Dongsheng District, Ordos City, Inner Mongolia, the PRC. The Group is principally engaged in the production and sale of coal, the provision of railway and road transportation services, the production and sale of coal-related chemical.

In the opinion of the directors, the parent of the Company is Yitai Group and the ultimate holding company is Yitai Investment Co., Ltd., an enterprise incorporated in Inner Mongolia, the PRC, which equity interests are held via a trust agreement by 31 individuals, comprising the senior management members and key technicians of Yitai Group, on behalf of a group of employees of Yitai Group.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2012

1. CORPORATE INFORMATION *(CONTINUED)*

Particulars of principal subsidiaries and associates

As at the end of reporting period, the Company had investments in the following principal subsidiaries and associates, all of which are private companies with limited liability, the particulars of which are set out below:

Company name	Place and date of incorporation /operations	Type of legal entity	Nominal value of issued and fully paid-up capital *RMB'000*	Percentage of equity interest attributable to the Company *%*	Principal activities
Subsidiaries					
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	Inner Mongolia, the PRC 5 October 1998	Limited company	1,496,000	100.0	Railway transportation
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	Inner Mongolia, the PRC 17 March 2006	Limited company	1,500,000	80.0	Coal-to-oil production
Inner Mongolia Jingyue Suancigou Mining Co., Ltd. (內蒙古京粵酸刺溝礦業有限責任公司)	Inner Mongolia, the PRC 18 September 2007	Limited company	1,080,000	52.0	Coal mining
Inner Mongolia YItai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Inner Mongolia, the PRC 26 February 2003	Limited company	1,360,000	76.5	Railway transportation
Ordos Yitai Motor Transport Co., Ltd. (鄂爾多斯伊泰汽車運輸有限責任公司)	Inner Mongolia, the PRC 1 December 2004	Limited company	38,560	100.0	Motor transportation
Inner Mongolia Yitai Transport Co., Ltd. (內蒙古伊泰汽車運輸有限責任公司)	Inner Mongolia, the PRC 20 March 2007	Limited company	5,000	100.0	Motor transportation
Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd. (內蒙古伊泰鐵東儲運有限責任公司)	Inner Mongolia, the PRC 3 September 2008	Limited company	169,000	51.0	Storage and transportation
Hohhot Yitai Coal Sales Co., Ltd. (呼和浩特市伊泰煤炭銷售有限公司)	Inner Mongolia, the PRC 3 September 2009	Limited company	50,000	100.0	Coal wholesale
Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限責任公司)	Xinjiang, the PRC 24 September 2009	Limited company	100,000	100.0	Coal technology development and consulting
Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)	Inner Mongolia, the PRC 29 October 2009	Limited company	100,000	100.0	Chemical production and sale
Yitai Share (Hong Kong) Co., Ltd. (伊泰(股份)香港有限公司)	Hong Kong, the PRC 27 June 2011	Limited company	18,903	100.0	Coal imports and international trade
Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)	Xinjiang, the PRC 26 February 2012	Limited company	100,000	90.0	Chemical production and sale
Yitai Yili Mining Co., Ltd (伊泰伊犁礦業有限公司)	Xinjiang, the PRC 13 March 2012	Limited company	50,000	90.0	Investment in coal mining
Beijing Yitai Biotechnology Co., Ltd. (北京伊泰生物科技有限公司)	Beijing, the PRC 15 March 2004	Limited company	10,000	100.0	Biotechnology
Yitai (Beijing) Pharmatech Co., Ltd. (伊泰(北京)合成技術有限公司)	Beijing, the PRC 22 December 2006	Limited company	10,000	51.0	Pharmatech
Yitai Energy (Shanghai) Co., Ltd. 伊泰能源(上海)有限公司	Shanghai, the PRC 23 July 2012	Limited company	50,000	100.0	Coal trading

1. CORPORATE INFORMATION *(CONTINUED)*

Company name	Place and date of incorporation /operations	Type of legal entity	Nominal value of issued and fully paid-up capital *RMB'000*	Percentage of equity interest attributable to the Company *%*	Principal activities
Subsidiaries *(continued)*					
Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司)	Inner Mongolia, the PRC 10 April 2006	Limited company	30,000	73%	Coal mining
Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司)	Inner Mongolia, the PRC 10 April 2006	Limited company	70,000	73%	Coal mining
Associates					
Ordos Tiandi Huarun Mine Equipment Co., Ltd. (鄂爾多斯天地華潤煤礦裝備有限責任公司)	Inner Mongolia, the PRC 5 February 2007	Limited company	100,000	31.5	Mining equipment production and sale
Inner Mongolia Jingtai Electronic Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司)	Inner Mongolia, the PRC 29 November 2007	Limited company	570,000	29.0	Gangue Power Plant construction
Jinhuaji Petro Equipment (Inner Mongolia) Co., Ltd. (錦化機石化裝備(內蒙古) 有限責任公司)	Inner Mongolia, the PRC 12 October 2006	Limited company	218,300	39.0	Chemical equipment production and sale
Ordos Yizheng Coal Mine Fire-proof Project Co., Ltd. (鄂爾多斯市伊政煤田滅火工程有限責任公司)	Inner Mongolia, the PRC 14 July 2010	Limited company	50,000	30.0	Coal mine fire-proof project, land restoration, and ecological treatment

All the above subsidiaries are directly held by the Company.

The English names of certain companies above represent the best efforts by the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

All the above companies are limited liability companies.

2.1 BASIS OF PREPARATION

The financial statement has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board, the International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared on the historical cost convention, except for certain buildings classified as property, plant and equipment and financial assets, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, income and expenses, unrealised gains and losses and dividend resulting from intra-group transactions are eliminated in full.

Total comprehensive income which in a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) Derecognises the cumulative translation differences, recorded in equity, and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

The consolidation policy of the acquisition among the entities under common control is dealt with with reference to the principles set out in Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the Hong Kong Institute of Certificate Public Accountant ("AG 5") as if the acquisition had occurred from the date when the combining entities first came under the control of the ultimate holding company.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures - Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes - Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised IFRSs has had no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL STANDARDS

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in the financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards - Government Loans*[2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*[2]
IFRS 9	*Financial Instruments*[4]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL STANDARDS (CONTINUED)

IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 - *Transition Guidance*[2]
IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – *Investment Entities*[3]
IFRS 13	*Fair Value Measurement*[2]
IFRS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[1]
IAS 19 (2011)	*Employee Benefits*[2]
IAS 27 (2011)	*Separate Financial Statements*[2]
IAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*[3]
IFRIC-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	*Amendments to a number of IFRSs issued in June 2012*[2]

1 Effective for annual periods beginning on or after 1 July 2012

2 Effective for annual periods beginning on or after 1 January 2013

3 Effective for annual periods beginning on or after 1 January 2014

4 Effective for annual periods beginning on or after 1 January 2015

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL STANDARDS (CONTINUED)

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In November 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 and (SIC)-Int 12 Consolidation - Special Purpose Entities. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in (SIC)-Int 12. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

IFRS 11 replaces IAS 31 Interests in Joint Ventures and (SIC)-Int 13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL STANDARDS (CONTINUED)

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in IAS 27 Consolidated and Separate Financial Statements, IAS 31 Interests in Joint Ventures and IAS 28 Investments in Associates. It also introduces a number of new disclosure requirements for these entities.

In July 2012, the IASB issued amendments to IFRS 10, IFRS 11 and IFRS 12 which clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or (SIC)-Int 12 at the beginning of the annual period in which IFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

The amendments to IFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011), IAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

The IAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL STANDARDS (CONTINUED)

IAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt IAS 19 (2011) from 1 January 2013.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The Annual Improvements to IFRSs 2009-2011 Cycle issued in June 2012 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) IAS 1 Presentation of Financial Statements: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) IAS 32 Financial Instruments: Presentation: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividend received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

The results of associates are included in the Company's income statement to the extent of dividend received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discounted Operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method, except for acquisition involving entities under common control. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations and goodwill *(Continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Merger accounting for business combinations under common control

Business combinations under common control are accounted for with reference to AG5. In applying merger accounting, financial statement items of the combining entities or businesses to which common control combination occurs are included in the consolidated financial statements as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined profit or loss includes the results of each of the combining entities or businesses from 1 January 2012 or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in these financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or, where the combining entities first came under common control on a later date, at that later date.

All significant intra-group transactions and balances have been eliminated on combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to other expenses in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a) (i) 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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Except for mining structures, depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life, as follows:

Buildings	5 to 20 years
Plant and machinery	3 to 20 years
Motor vehicles	4 to 8 years
Railway	8 to 45 years
Road	20 years
Office equipment and others	3 to 5 years

Where parts of an item of property, plant and equipment, other than mining structures, have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Mining structures (including the main and auxiliary mine shafts and underground tunnels) are depreciated on a unit-of-production basis over the economically recoverable reserves of the mine concerned.

Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment and depreciation *(Continued)*

Construction in progress representing buildings and other assets under construction is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Exploration and evaluation expenditure

Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing coal bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. Exploration and evaluation assets acquired in a business combination are initially recognised at fair value. They are subsequently stated at cost less accumulated impairment. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to tangible or intangible assets according to the nature of the exploration and evaluation assets. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

Investment properties

Investment properties are interests in buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment properties to its residual value over its estimated useful life of 20 years.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses and are amortised on a unit-of-production basis over the economically recoverable reserves of the mine concerned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with finite useful life are reviewed at least at each financial year end.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives receivable from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments represent upfront prepayments made for the land use rights. Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms ranging from 40 to 70 years.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include trade and bills receivables, financial assets include in prepayments, deposits, and other receivables, restricted cash and cash and short-term deposits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income. The loss arising from impairment is recognised in the income statement in finance cost for loans and in other expense for receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(Continued)*

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. They are included in current assets if they mature within 12 months of the end of the reporting period. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income. The loss arising from impairment is recognised in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in other expenses and removed from the available-for-sale investment revaluation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement;
- and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlated with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets *(Continued)*

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that the investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, long term bonds and interest-bearing bank loans.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial liabilities *(Continued)*

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

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 upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortisation cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial liabilities *(Continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Rehabilitation provision

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related coals. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognised in finance costs. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognised immediately in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income tax *(Continued)*

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when such services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the Group;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the loan costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividend proposed by the directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Employee benefits

Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC.

Contributions to these plans are expensed as incurred. Details of the contributions are set out in Note 10 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Impairment provision of receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(CONTINUED)*

Judgements *(Continued)*

Impairment of non-financial assets

The Group has to exercise judgements in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continuing use of the asset or disposal; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates and the growth rate assumptions in the cash flow projections, could materially affect the net present value result in the impairment test.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgements and estimates of the outcome of future events.

Production start date

The Group assesses the stage of each mine under construction to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and is reclassified from “Construction in progress” to “Mining structures”. Some of the criteria will include, but are not limited, to the following:

- The level of capital expenditure compared to the construction cost estimates
- Completion of a reasonable period of testing of the mine plant and equipment
- Ability to produce coals in saleable form (within specifications)
- Ability to sustain ongoing production of coal

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(CONTINUED)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Current income tax

The Group is subject to income taxes in numerous jurisdictions in the PRC. Judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax provisions in the periods in which such differences arise.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilised. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with tax planning strategies.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of items of property, plant and equipment. The estimation of the useful life of an item of property, plant and equipment is based on historical experience of the Group with similar assets that are used in a similar way.

Depreciation amounts will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at least at the end of each reporting period, based on changes in circumstances.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(CONTINUED)*

Estimation uncertainty *(Continued)*

Mine rehabilitation provision

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates (3.24%), and changes in discount rates (10%). Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16 Property, Plant and Equipment. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the income statement.

Coal reserve and resource estimates

Coal reserves are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. The Group estimates its coal reserves and mineral resources based on reserve reports compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and this requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the coal body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

Units-of-production depreciation for mine specific assets

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure.

5. RESTATEMENT

As a result of the acquisition of the Target Business Group (as defined in Note 35), the relevant line items in the consolidated statement of comprehensive income and the consolidated statement of financial position have been restated as follows:

	The Group (as previously reported) *RMB'000*	The Target Business Group as acquired *RMB'000*	Elimination *RMB'000*	The Group (Restated) *RMB'000*
Consolidated statement of comprehensive income for the year ended 31 December 2011:				
Revenue	16,515,775	10,848,936	(361,770)	27,002,941
Profit for the year attributable to equity holders	5,463,964	2,034,946	184,265	7,683,175
Consolidated statement of financial position as at 31 December 2011:				
Non-current assets	24,248,697	1,360,681	184,265	25,793,643
Current assets	5,819,915	2,048,998	(31,648)	7,837,265
Total assets	30,068,612	3,409,679	152,617	33,630,908
Current liabilities	4,797,402	822,182	(31,648)	5,587,936
Non-current liabilities	6,487,830	6,440	—	6,494,270
Total liabilities	11,285,232	828,622	(31,648)	12,082,206
Net assets	18,783,380	2,581,057	184,265	21,548,702
Equity attributable to equity holders of the parent	17,015,636	2,377,205	184,265	19,577,106
Non-controlling interests	1,767,744	203,852	—	1,971,596
Total equity	18,783,380	2,581,057	184,265	21,548,702

6. OPERATING SEGMENT STATEMENT

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the coal segment is engaged in the mining and sale of coal products;

(b) the transportation segment provides road and railway transportation services to coal companies;

(c) the coal-related chemical segment is to produce and sell coal-based synthetic fuel;

(d) the "others" segment comprises, principally, the development, production and sale of traditional Chinese medicine.

Management monitors the results of the Group's operating segments separately for the purpose of making decision about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit and is measured consistently with the Group's profit in the consolidated financial statements.

Intersegment revenues are eliminated on consolidation. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

6. OPERATING SEGMENT STATEMENT *(CONTINUED)*

Year ended 31 December 2012	Coal *RMB'000*	Transportation *RMB'000*	Coal-related chemical *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Segment revenue:					
External customers	29,955,518	242,752	1,361,833	23,425	31,583,528
Intersegment sales	227,895	1,274,172	678	—	1,502,745
	30,183,413	1,516,924	1,362,511	23,425	33,086,273
Reconciliation					
Elimination of intersegment sales					(1,502,745)
Total revenue					31,583,528
Segment results:					
Profit/(loss) before tax	8,174,133	554,086	(151,649)	(25,706)	8,550,864
Income tax expense	(1,328,214)	(100,279)	29,057	—	(1,399,436)
	6,845,919	453,807	(122,592)	(25,706)	7,151,428
Net profit for the year					7,151,428
Segment assets	29,427,007	9,617,888	5,312,899	385,308	44,743,102
Elimination of intersegment receivables					(3,375,958)
Total assets					41,367,144

6. OPERATING SEGMENT STATEMENT (CONTINUED)

Year ended 31 December 2012	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Others RMB'000	Consolidated RMB'000
Segment liabilities	13,614,937	5,136,307	3,721,335	331,656	22,804,235
Elimination of intersegment payables					(3,375,958)
Total liabilities					19,428,277
Other segment information:					
Finance income	31,119	2,113	1,795	16	35,043
Finance expense	(119,218)	(157,112)	(153,283)	—	(429,613)
Depreciation and amortisation	(1,313,050)	(241,556)	(153,955)	(3,379)	(1,711,940)
Share of profits of associates	30,995	—	3,119	—	34,114
Reversal of impairment losses recognised	1,524	—	—	—	1,524
Investments in associates	258,644	—	86,504	—	345,148
Capital expenditure*	2,343,082	1,162,208	985,414	359,353	4,850,057

* Capital expenditure consists of additions to property, plant and equipment, mining rights, other intangible assets and prepaid land lease payments.

6. OPERATING SEGMENT STATEMENT *(CONTINUED)*

Year ended 31 December 2011	Coal *RMB'000*	Transportation *RMB'000*	Coal-related chemical *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
(Restated)					
Segment revenue:					
External customers	26,046,212	242,599	677,848	36,282	27,002,941
Intersegment sales	220,253	898,442	—	—	1,118,695
	26,266,465	1,141,041	677,848	36,282	28,121,636
Reconciliation					
Elimination of intersegment sales					(1,118,695)
Total revenue					27,002,941
Segment profit:					
Profit/(loss) before tax	9,317,608	556,011	29,052	(31,572)	9,871,099
Income tax expense	(1,597,070)	(29,749)	(1,555)	—	(1,628,374)
Net profit for the year	7,720,538	526,262	27,497	(31,572)	8,242,725
Reconciliation					
Elimination of intersegment results					(13,617)
Net profit for the year					8,229,108
Segment assets	20,092,583	9,251,604	4,949,052	110,999	34,404,238
Elimination of intersegment receivables					(759,713)
Unrealised profit included in assets					(13,617)
Total assets					33,630,908

6. OPERATING SEGMENT STATEMENT *(CONTINUED)*

Year ended 31 December 2011	Coal *RMB'000*	Transportation *RMB'000*	Coal-related chemical *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Segment liabilities	4,382,567	5,217,260	3,188,684	53,408	12,841,919
Elimination of intersegment payables					(759,713)
Total liabilities					12,082,206
Other segment information:					
Finance income	35,187	2,099	937	44	38,267
Finance expense	(99,761)	(104,661)	(81,322)	—	(285,744)
Depreciation and amortisation	(712,238)	(195,397)	(65,714)	(5,573)	(978,922)
Share of profits of associates	20,428	—	(629)	—	19,799
Reversal of impairment losses recognised	44,422	6,051	5,040	1,621	57,134
Investments in associates	235,060	—	117,966	—	353,026
Capital expenditure*	1,865,566	1,270,568	452,123	5,426	3,593,683

* Capital expenditure consists of additions to property, plant and equipment, mining rights, other intangible assets and prepaid land lease payments.

The Group's revenue from external customers is derived solely from its operation in Mainland China, and no non-current assets of the Group are located outside Mainland China.

During the years ended 31 December 2012 and 2011 respectively, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue for the year.

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for goods returns and trade discounts and the value of services rendered during the year.

	2012 RMB'000	2011 RMB'000 (Restated)
Revenue		
Sale of goods	**31,340,776**	26,760,342
Rendering of services	**242,752**	242,599
	31,583,528	27,002,941
Other income and gains		
Gain on disposal of unlisted investments	**—**	1,589
Gain on disposal of items of property, plant and equipment and intangible assets	**5,965**	8,857
Gain on disposal of a subsidiary	**187,298**	—
Income from sale of other materials	**4,992**	463
Income from rendering of other services	**70,030**	131,109
Government grants	**35,102**	14,863
Indemnities received	**4,533**	903
Compensation received*	**307,992**	180,919
Others	**3,433**	6,277
	619,345	344,980

* It represents receipts from an unrelated, third-party coal mining company as compensation for the dismantlement of certain mining properties and the consequent business disruption caused to us arising from the agreed construction of a railway and other related facilities by this company on two of the Group's mines.

8. FINANCE INCOME

The Group's finance income is as follows:

	2012 **RMB'000**	2011 RMB'000 (Restated)
Interest income	**35,043**	38,267

9. FINANCE COSTS

Analysis of the Group's finance costs is as follows:

	Group	
	2012 **RMB'000**	2011 RMB'000 (Restated)
Interest on bank borrowings	**549,754**	541,043
Interest on 5-year corporate bonds	**1,296**	—
Total interest	**551,050**	541,043
Less: Interest capitalised	**(121,437)**	(255,299)
	429,613	285,744

10. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Group	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
			(Restated)
Cost of inventories sold		**20,338,776**	14,645,710
Cost of services provided		**115,548**	290,930
Depreciation of investment properties	15	**2,343**	2,343
Depreciation of property, plant and equipment	16	**1,642,670**	925,523
Amortisation of prepaid land lease payments	17	**12,818**	11,990
Amortisation of mining rights	18	**35,166**	30,665
Amortisation of other intangible assets	19	**14,597**	4,729
Amortisation of other non-current assets	20	**4,346**	3,672
Total depreciation and amortisation		**1,711,940**	978,922
Reversal of impairment of trade and bills receivables		**—**	(57,962)
(reversal of impairment)/impairment of other receivables		**(1,524)**	883
Impairment of inventories		**—**	(55)
Gain on disposal of unlisted investments		**—**	1,589
Gain/(loss) on disposal of items of property, plant and equipment and other intangible assets		**(379,852)**	6,731
Wages, salaries and other employees' benefits (excluding directors' and chief executive's remuneration (Note 11))		**1,282,145**	1,099,136
Pension scheme contributions (defined contribution scheme)		**67,601**	49,043
		1,349,746	1,148,179
Auditors' remuneration		**7,609**	8,462

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors and chief executive's remuneration

Directors' and chief executive's remuneration for the year disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Salaries and allowances	**11,386**	8,991
Discretionary bonuses	**1,299**	2,267
Pension	**507**	400
Total	**13,192**	11,658

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

(a) Directors and chief executive's remuneration *(Continued)*

The remuneration of each of the directors and chief executive of the Group for the years ended 31 December 2012 and 2011 is as follows:

	Salaries, housing benefits, other allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
2012				
Executive directors:				
Zhang Donghai	2,400	66	47	2,513
Liu Chunlin	1,627	64	47	1,738
Zhang Dongsheng	1,086	12	47	1,145
Ge Yaoyong	1,153	64	47	1,264
Zhang Xinrong	1,070	118	47	1,235
Kang Zhi	993	65	47	1,105
Lv Guilliang	778	12	47	837
	9,107	401	329	9,837
Independent non-executive directors:				
Tam Kwok Ming, Banny	—	153	—	153
Song Jianzhong	—	77	—	77
Xie Xianghua	—	77	—	77
Lian Junhai	—	77	—	77
	—	384	—	384
Supervisors:				
Li Wenshan	1,020	7	47	1,074
Wang Sanmin	232	106	28	366
Ji Zhifu	198	116	28	342
Han Zhanchun	174	90	23	287
Zhang Guisheng[1]	100	23	8	131
Zhang Mingliang[2]	555	92	44	691
Wang Yongliang	—	40	—	40
Wu Qu	—	40	—	40
	2,279	514	178	2,971
	11,386	1,299	507	13,192

1 Zhang Guisheng was appointed as supervisor in October 2012.

2 Zhang Mingliong resigned as supervisor in November 2012.

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

(a) Directors and chief executive's remuneration *(Continued)*

	Salaries, housing benefits, other allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
2011				
Executive directors:				
Zhang Donghai	1,830	523	41	2,394
Liu Chunlin	1,220	402	41	1,663
Ge Yaoyong	1,077	98	41	1,216
Zhang Xinrong[1]	635	427	34	1,096
Zhang Dongsheng	927	12	41	980
Kang Zhi[1]	695	122	34	851
Lv Guiliang[1]	635	39	34	708
Li Chengcai[2]	120	2	6	128
Qi Wenbin[2]	120	2	6	128
	7,259	1,627	278	9,164
Independent non-executive directors:				
Tam Kwok Ming, Banny	—	120	—	120
Song Jianzhong	—	68	—	68
Xie Xianghua	—	68	—	68
Lian Junhai	—	68	—	68
	—	324	—	324
Supervisors:				
Li Wenshan	1,139	7	41	1,187
Wang Sanmin[3]	164	77	22	263
Ji Zhifu[3]	154	82	19	255
Han Zhanchun[3]	133	78	18	229
Zhang Mingliang	125	7	16	148
Wang Yongliang[3]	—	30	—	30
Wu Qu[3]	—	30	—	30
Deng Yuxin[4]	13	1	3	17
Zhang Ruilian[4]	4	1	3	8
Bai Zailiang[4]	—	1	—	1
Yuan Bing[4]	—	1	—	1
Sui Guoqing[4]	—	1	—	1
	1,732	316	122	2,170
	8,991	2,267	400	11,658

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

(a) Directors and chief executive's remuneration *(Continued)*

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2012 and 2011.

[1] Zhang Xinrong, Kang Zhi and Lv Guiliang were appointed as executive directors in March 2011.

[2] Li Chengcai and Qi Wenbin resigned as executive directors in March 2011.

[3] Wang Sanmin, Ji Zhifu, Han Zhanchun, Wang Yongliang and Wu Qu were appointed as executive supervisors in March 2011.

[4] Deng Yuxin, Zhang Ruilian, Bai Zailiang, Yuan Bing and Sui Guoqing resigned as supervisors in March 2011.

(b) Five highest paid employees

The five highest paid employees during the years ended 31 December 2012 and 2011 were all directors or supervisors.

12. INCOME TAX EXPENSE

		Group	
	Notes	**2012** ***RMB'000***	2011 *RMB'000* (Restated)
Group:			
Income tax			
Current tax - Mainland China		**1,383,734**	1,692,039
Deferred income tax	24	**15,702**	(63,666)
Total tax charge for the year		**1,399,436**	1,628,373

12. INCOME TAX EXPENSE *(CONTINUED)*

PRC corporate income tax ("CIT") was provided at a rate of 25% on the taxable income as reported in the statutory accounts of the companies comprising the Group, which were prepared in accordance with the relevant PRC accounting standards, as adjusted for income and expense items which are not assessable or deductible for income tax purposes.

The Company and its certain subsidiaries are entitled to a preferential CIT rate of 15% for the 10 years ended 31 December 2010 based on the following issued documents:

i) Caishui (2001) No. 202 issued by the Treasury Department of the National Taxation Department, which was related to the notice of the preferential tax rate in the Western Development.

ii) Guonei Shuiwai (2003) No.11 issued by the Inner Mongolia Taxation Department, which was related to the approval given to selected entities to enjoy the preferential tax rate in the Western Development.

iii) Ordos Guoshui (2003) No.57 issued by the Ordos National Taxation Department, which was related to the approval given to the Company to enjoy tax benefits resulted from the Western Development.

According to Caishui (2011) No.58 issued by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation, selected entities in Western China that falling into the Catalogue of Encouraged Industries in Western China（西部地區鼓勵類產業目錄, "CEIWC"）can enjoy the preferential income tax rate of 15% from 1 January 2011 to 31 December 2020.

According to the notice (2011) No.2 issued by the Inner Mongolia State Administration Taxation of China, selected entities in Inner Mongolia that had enjoyed the preferential tax rate before 2010 in the Western Development and falling into encouraged projects in the Guidance Catalogue for Adjustment of Industrial Structure（產業結構調整指導目錄（2011））are entitled to a preferential tax rate of 15% to prepay tax in the year ending 31 December 2011.

12. INCOME TAX EXPENSE *(CONTINUED)*

As at the approval date of these financial statement, CEIWC has not been promulgated. According to Caishui (2012) No.12 issued by the State Administration of Taxation, before CEIWC is promulgated, selected entities falling into encouraged projects in the Guidance Catalogue for Industry Structural Adjustment (2011) are entitled to a preferential tax rate of 15%. If CEIWC is promulgated and the companies mentioned above do not meet the condition of CEIWC, then income tax should be redeclared according to the applicable tax rate.

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profits derived from or earned in Hong Kong during the years ended 31 December 2012 and 2011.

A reconciliation of the tax expense applicable to profit before tax at the statutory income tax rate to the tax expense at the Group's effective income tax rate for each of the years ended 31 December 2012 and 2011 is as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Profit before tax	**8,550,864**	9,857,481
Tax at the statutory income tax rate of 25% for the years ended 31 December 2012 and 2011	**2,137,716**	2,464,371
Effect of lower tax rate	**(740,555)**	(777,294)
Entertainment expenses not deductible for tax purposes	**20,986**	13,080
Tax losses not recognised	**10,083**	11,136
Tax losses utilised from previous years	**(20,643)**	(45,151)
Others	**(8,151)**	(37,769)
Tax charge at the Group's effective rate	**1,399,436**	1,628,373

13. DIVIDENDS

	Group/Company	
	2012	2011
	RMB'000	*RMB'000*
Proposed final cash dividend	**2,033,754**	2,196,000

13. DIVIDENDS *(CONTINUED)*

The board of directors of the Company recommended on 25 March 2013 to propose a final cash dividend of RMB12.5 per 10 ordinary shares, and a stock dividend of 10 ordinary shares per 10 ordinary shares. The above-mentioned proposed final dividends to the year ended 31 December 2012 are subject to the approval of the Company's shareholder at the forthcoming annual general meeting.

The proposed final cash dividend for the year ended 31 December 2011 was based on RMB1.5 per ordinary share. It was declared in May 2012 and subsequently paid to share holders in July 2012.

Pursuant to Article 16.05 of the Company's Articles of Association, where the financial statements prepared in accordance with the PRC accounting standards differ from those prepared under International Financial Reporting Standards, distributable profit for the relevant accounting period shall be deemed to be lesser of the amount shown in the two different financial statements. Distributable reserves of the Company (before the 2012 dividends) as of 31 December 2012, calculated based on the above principle, amounted to approximately RMB14,146,835,000.

14. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

		Group	
	Notes	**2012** ***RMB'000***	2011 *RMB'000* (Restated)
Earnings			
Profit for the year attributable to ordinary equity holders of the parent		**6,454,428**	7,683,175
Shares			
Weighted average number of ordinary shares in issue during the year (in thousand)	33	**1,540,788**	1,464,000

The calculation of the basic earnings per share amount is based on the profit for the years ended 31 December 2012 and 2011 attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the years ended 31 December 2012 and 2011.

The consolidated profit attributable to owners of the parent for the year ended 31 December 2012 includes a profit of RMB4,349,481,000 (2011: RMB5,103,185,000) which has been dealt with in the financial statement of the Company (Note 34).

The Company had no dilutive potential ordinary shares for the years ended 31 December 2012 and 2011.

15. INVESTMENT PROPERTIES

		Group/Company	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
Cost:			
At 1 January		**39,361**	39,361
Additions		**—**	—
Disposals		**—**	—
At 31 December		**39,361**	39,361
Depreciation:			
At 1 January		**(5,636)**	(3,293)
Additions	10	**(2,343)**	(2,343)
Disposals		**—**	—
At 31 December		**(7,979)**	(5,636)
Net carrying amount at 31 December		**31,382**	33,725

Included in the Group's and the Company's investment properties are buildings situated in Mainland China, which are leased to third parties under operating leases.

In the opinion of the management, the carrying amounts of the Company's investment properties approximate to their fair values.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings *RMB'000*	Mining structures *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Railway *RMB'000*	Road *RMB'000*	Office equipment and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:									
At 1 January 2011	2,247,444	1,282,277	2,645,163	440,819	3,884,158	531,903	395,403	8,131,631	19,558,798
Acquisition of the Target Business Group (as defined in Note 35)	387,049	291,903	564,887	9,705	–	24,476	48,138	25,607	1,351,765
At 1 January 2011 (Restated)	2,634,493	1,574,180	3,210,050	450,524	3,884,158	556,379	443,541	8,157,238	20,910,563
Additions	437,997	92,163	226,368	142,798	63,037	80	112,763	2,783,726	3,858,932
Transfers	715,432	175,191	2,756,901	–	2,336,547	64,326	9,101	(6,057,498)	–
Disposals	(6,633)	–	(4,176)	(25,777)	(70,423)	–	(23,803)	–	(130,812)
At 31 December 2011 (Restated)	3,781,289	1,841,534	6,189,143	567,545	6,213,319	620,785	541,602	4,883,466	24,638,683
Additions	43,075	916,912	287,373	58,958	1,395	–	217,865	3,256,739	4,782,317
Transfers	73,476	1,335	36,390	–	26,229	1,800	31,930	(171,160)	–
Disposal of a subsidiary (Note 36)	(24,531)	–	(12,760)	(483)	–	–	(39,713)	–	(77,487)
Disposals	(92,914)	–	(321,625)	(19,649)	(58,523)	–	(3,527)	–	(496,238)
At 31 December 2012	3,780,395	2,759,781	6,178,521	606,371	6,182,420	622,585	748,157	7,969,045	28,847,275

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Buildings RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Railway RMB'000	Road RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Depreciation and impairment:									
At 1 January 2011	(256,583)	(168,610)	(567,824)	(131,609)	(425,251)	(132,573)	(178,133)	–	(1,860,583)
Adjustment in relation to the acquisition of the Target Business Group (as defined in Note 35)	(28,265)	(84,587)	(156,374)	(5,371)	–	(3,432)	(22,384)	–	(300,413)
At 1 January 2011 (Restated)	(284,848)	(253,197)	(724,198)	(136,980)	(425,251)	(136,005)	(200,517)	–	(2,160,996)
Depreciation charged for the year	(115,829)	(87,042)	(407,309)	(63,058)	(129,438)	(28,712)	(94,135)	–	(925,523)
Disposals	5,004	–	3,665	23,644	17,139	–	8,425	–	57,877
At 31 December 2011 (Restated)	(395,673)	(340,239)	(1,127,842)	(176,394)	(537,550)	(164,717)	(286,227)	–	(3,028,642)
Depreciation charged for the year	(138,018)	(411,652)	(645,696)	(50,767)	(158,212)	(30,187)	(208,138)	–	(1,642,670)
Disposals	2,155	–	19,713	13,101	6,561	–	3,010	–	44,540
Disposal of a subsidiary (Note 36)	10,334	–	5,969	1,189	–	–	30,931	–	48,423
At 31 December 2012	(521,202)	(751,891)	(1,747,856)	(212,871)	(689,201)	(194,904)	(460,424)	–	(4,578,349)
Net carrying amount									
At 31 December 2011 (Restated)	3,385,616	1,501,295	5,061,301	391,151	5,675,769	456,068	255,375	4,883,466	21,610,041
At 31 December 2012	3,259,193	2,007,890	4,430,665	393,500	5,493,219	427,681	287,733	7,969,045	24,268,926

16. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

As at the approval date of these financial statements, the Group is in the process of applying for or changing the registration of the title certificates for certain of its buildings with an aggregate net carrying amount of approximately RMB135,473,000. The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2012.

Company

	Buildings *RMB'000*	Mining structures *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Railway *RMB'000*	Road *RMB'000*	Office equipment and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:									
At 1 January 2011	1,225,988	344,993	1,515,894	136,552	–	440,837	152,076	703,590	4,519,930
Additions	410,999	–	158,524	37,238	–	–	33,632	877,170	1,517,563
Transfers	2,641	–	248,128	–	–	64,325	–	(315,094)	–
Disposals	(1,330)	–	(1,365)	(3,765)	–	–	(17,713)	–	(24,173)
At 31 December 2011	1,638,298	344,993	1,921,181	170,025	–	505,162	167,995	1,265,666	6,013,320
Additions	21,575	698,306	259,614	25,431	–	–	79,722	821,476	1,906,124
Transfers	15,312	–	–	–	–	306	–	(15,618)	–
Acquisition of the Target Business Group (as defined in Note 35)	208,092	144,423	337,698	8,003	–	1,552	24,985	70,101	794,854
Disposals	(4,091)	–	(28,646)	(12,516)	–	–	(3,181)	–	(48,434)
At 31 December 2012	1,879,186	1,187,722	2,489,847	190,943	–	507,020	269,521	2,141,625	8,665,864

16. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Company

	Buildings RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Railway RMB'000	Road RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Depreciation and impairment:									
At 1 January 2011	(154,077)	(152,198)	(349,191)	(55,051)	–	(105,676)	(67,959)	–	(884,152)
Depreciation charged for the year	(57,507)	(26,055)	(183,725)	(27,636)	–	(22,512)	(28,451)	–	(345,886)
Disposals	472	–	1,140	3,299	–	–	7,664	–	12,575
At 31 December 2011	(211,112)	(178,253)	(531,776)	(79,388)	–	(128,188)	(88,746)	–	(1,217,463)
Depreciation charged for the year	(73,065)	(216,344)	(397,114)	(32,899)	–	(25,293)	(59,834)	–	(804,549)
Acquisition of the Target Business Group (as defined in Note 35)	(27,740)	(91,456)	(172,309)	(5,307)	–	(607)	(12,013)	–	(309,432)
Disposals	2,154	–	18,209	10,769	–	–	2,804	–	33,936
At 31 December 2012	(309,763)	(486,053)	(1,082,990)	(106,825)	–	(154,088)	(157,789)	–	(2,297,508)
Net carrying amount									
At 31 December 2011	1,427,186	166,740	1,389,405	90,637	–	376,974	79,249	1,265,666	4,795,857
At 31 December 2012	1,569,423	701,669	1,406,857	84,118	–	352,932	111,732	2,141,625	6,368,356

17. PREPAID LAND LEASE PAYMENTS

		Group	
		2012	2011
	Note	***RMB'000***	*RMB'000*
			(Restated)
Carrying amount at 1 January		**336,924**	302,420
Additions		**17,368**	54,416
Disposals		**—**	(7,922)
Disposal of a subsidiary (Note 36)		**(6,773)**	—
Amortisation for the year	10	**(12,818)**	(11,990)
Carrying amount at 31 December		**334,701**	336,924
Current portion		**12,194**	12,170
Non-current portion		**322,507**	324,754

The carrying amount of the Group's prepaid land lease payments represents land use rights in Mainland China with land held under the following lease terms:

	Group	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Long term leases (≥50 years)	**159,727**	165,279
Medium term leases (<50 years)	**174,974**	171,645
	334,701	336,924

17. PREPAID LAND LEASE PAYMENTS *(CONTINUED)*

	Company	
	2012	2011
	RMB'000	*RMB'000*
Carrying amount at 1 January	**143,163**	95,461
Additions	**9,458**	53,416
Acquisition of the Target Business Group (as defined in Note 35)	**32,616**	—
Disposals	**—**	—
Amortisation for the year	**(6,054)**	(5,714)
Carrying amount at 31 December	**179,183**	143,163
Current portion	**6,012**	5,715
Non-current portion	**173,171**	137,448

The carrying amount of the Company's prepaid land lease payments represents land use rights in Mainland China with land held under the following lease terms:

	Company	
	2012	2011
	RMB'000	*RMB'000*
Long term leases (≥50 years)	**51,256**	51,775
Medium term leases (<50 years)	**127,927**	91,388
	179,183	143,163

18. MINING RIGHTS

	Note	Group 2012 RMB'000	Group 2011 RMB'000 (Restated)
Cost as at 1 January, net of accumulated amortisation		**453,950**	484,615
Additions		**735**	—
Amortisation for the year	10	**(35,166)**	(30,665)
Cost as at 31 December, net of accumulated amortisation		**419,519**	453,950
As at 31 December :			
Cost		**603,951**	603,216
Accumulated amortisation		**(184,432)**	(149,266)
Net carrying amount		**419,519**	453,950

	Company 2012 RMB'000	Company 2011 RMB'000
Cost as at 1 January, net of accumulated amortisation	**66,610**	72,161
Acquisition of the Target Business Group (as defined in Note 35)	**178,143**	—
Amortisation for the year	**(13,017)**	(5,551)
Cost as at 31 December, net of accumulated amortisation	**231,736**	66,610
As at 31 December:		
Cost	**385,595**	132,976
Accumulated amortisation	**(153,859)**	(66,366)
Net carrying amount	**231,736**	66,610

19. OTHER INTANGIBLE ASSETS

	Note	Group 2012 RMB'000	Group 2011 RMB'000 (Restated)
Cost as at 1 January, net of accumulated amortisation		**17,735**	17,197
Additions		**49,637**	5,267
Disposals		**(1,983)**	—
Amortisation for the year	10	**(14,597)**	(4,729)
Cost as at 31 December, net of accumulated amortisation		**50,792**	17,735
As at 31 December:			
Cost		**78,044**	30,390
Accumulated amortisation		**(27,252)**	(12,655)
Net carrying amount		**50,792**	17,735

	Company 2012 RMB'000	Company 2011 RMB'000
Cost as at 1 January, net of accumulated amortisation	**12,287**	9,049
Additions	**20,315**	5,181
Amortisation for the year	**(3,752)**	(1,943)
Cost as at 31 December, net of accumulated amortisation	**28,850**	12,287
As at 31 December:		
Cost	**38,456**	18,141
Accumulated amortisation	**(9,606)**	(5,854)
Net carrying amount	**28,850**	12,287

Other intangible assets primarily comprise of computer software.

20. OTHER NON-CURRENT ASSETS

		Group	
		2012	2011
	Note	***RMB'000***	*RMB'000*
Cost as at 1 January, net of accumulated amortisation		**17,597**	18,025
Additions		**5,046**	3,244
Amortisation for the year	10	**(4,346)**	(3,672)
Cost as at 31 December, net of accumulated amortisation		**18,297**	17,597
As at 31 December:			
Cost		**36,839**	31,793
Accumulated amortisation		**(18,542)**	(14,196)
Net carrying amount		**18,297**	17,597

	Group	
	2012	2011
Analysed into:	***RMB'000***	*RMB'000*
Water use right	**13,348**	13,941
Others	**4,949**	3,656
	18,297	17,597

Water use right was the payment to local water resources bureau to obtain the use right of water.

21. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	2011
	RMB'000	*RMB'000*
Unlisted investments, at cost	**6,764,834**	5,028,759
Financial guarantee contracts	**97,265**	88,945
	6,862,099	5,117,704

Particulars of the principal subsidiaries of the Company are set out in Note 1.

The amounts of the financial guarantee contracts included in investments in subsidiaries represented the fair value of the recognised obligation of financial guarantees granted to the subsidiaries. For details of the financial guarantees, please refer to Note 41.

22. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted investments, at cost	**—**	—	**261,111**	242,109
Share of net assets	**345,148**	353,026	**—**	—
	345,148	353,026	**261,111**	242,109

Particulars of the principal associates are set out in Note 1.

22. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

The following table illustrates the summarised financial information of the Group's associates:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Share of the associates' assets and liabilities:		
Current assets	**167,443**	336,081
Non-current assets	**941,084**	859,977
Current liabilities	**(308,705)**	(484,587)
Non-current liabilities	**(454,674)**	(358,445)
Equity	**345,148**	353,026
Share of the associates' results:		
Revenue	**380,773**	310,164
Profit	**34,114**	19,799
Carrying amount of the investment	**345,148**	353,026

23. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2012	2011
	RMB'000	*RMB'000*
Unlisted equity investments, at cost	**3,808,393**	2,870,590

	Company	
	2012	2011
	RMB'000	*RMB'000*
Unlisted equity investments, at cost	**3,667,300**	2,771,675

The unlisted equity investments are equity securities issued by private entities established in the PRC. They are measured at cost less impairment at the end of each reporting period as such investments do not have quoted market prices in an active market and their fair values cannot be reliably measured.

23. AVAILABLE-FOR-SALE INVESTMENTS *(CONTINUED)*

Particulars of the principal available-for-sale investments of the Group are set out as follows:

	Percentage of equity interest attributable to the Group	Group 2012 RMB'000	Group 2011 RMB'000
Mengji Railway Co., Ltd. (蒙冀鐵路有限責任公司)	9%	**1,980,000**	1,440,000
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	15%	**532,800**	382,800
Zhunshuo Railway Co., Ltd. (准朔鐵路有限公司)	19%	**796,320**	675,790
Nanbu Railway Co., Ltd. (南部鐵路有限責任公司)	10%	**200,000**	200,000
Mengxi-Huazhong Railway Co., Ltd. (蒙西華中鐵路股份有限公司)	10%	**100,000**	—
Others	—	**199,273**	172,000
		3,808,393	2,870,590

24. DEFERRED TAX ASSETS

Group

The movements in deferred tax are as follows:

	Note	Group 2012 RMB'000	Group 2011 RMB'000 (Restated)
At 1 January, net		**112,225**	48,559
Deferred tax (charged)/credited to the income statement	12	**(15,702)**	63,666
Deferred tax recognised from the acquisition of the Target Business Group (as defined in Note 35)		**821,068**	—
At 31 December, net		**917,591**	112,225

24. DEFERRED TAX ASSETS *(CONTINUED)*

The principal components of the Group's deferred income tax are as follows:

Deferred tax assets:

	Provision	Deferred compensation	Payables and accruals	Acquisition* of the Target Business Group (as defined in Note 35)	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2010 and 1 January 2011 (Restated)	18,607	—	855	—	29,097	48,559
(charged)/credited to the consolidated statements of comprehensive income during the year	(15,181)	43,183	(855)	—	36,519	63,666
At 31 December 2011 (Restated)	3,426	43,183	—	—	65,616	112,225
(charged) /credited to the consolidated statement of comprehensive income or equity during the year	(229)	(23,199)	—	821,068	7,726	805,366
At 31 December 2012	3,197	19,984	—	821,068	73,342	917,591

24. DEFERRED TAX ASSETS *(CONTINUED)*

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Tax losses	**10,083**	11,136

The above tax losses are available for a maximum of 5 years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Company

The movements in deferred tax are as follows:

	Company	
	2012	2011
	RMB'000	*RMB'000*
At 1 January, net	**3,426**	9,425
Deferred tax (charged)/credited to income statement during the year	**(228)**	(5,999)
Deferred tax recognised from the acquisition of the Target Business Group (as defined in Note 35)*	**821,068**	—
At 31 December, net	**824,266**	3,426

* Deferred tax assets recognised mainly from acquired intangible assets and property, plant and equipment.

25. INVENTORIES

	Group	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Materials and supplies	**493,470**	432,098
Work in progress	**9,388**	8,922
Finished goods	**373,467**	577,123
Less: Provision for impairment	**(2,951)**	(2,951)
	873,374	1,015,192

	Company	
	2012	2011
	RMB'000	*RMB'000*
Materials and supplies	**349,819**	295,315
Finished goods	**329,014**	246,283
	678,833	541,598

26. TRADE AND BILL RECEIVABLES

Group

	Group	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Trade receivables	**2,640,290**	1,355,303
Amounts due from associates	**23,136**	10,000
Less: Provision for impairment	**—**	—
	2,663,426	1,365,303
Bill receivable	**26,210**	43,154
	2,689,636	1,408,457

Company

	Company	
	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**2,304,658**	637,445
Less: Provision for impairment	**—**	—
	2,304,658	637,445
Bill receivable	**16,210**	32,000
	2,320,868	669,445

26. TRADE AND BILL RECEIVABLES *(CONTINUED)*

The Group requires most of its customers to pay in advance and makes provision for the doubtful trade receivables balance at the end of each reporting period. The carrying amounts of the trade receivables and bills receivable approximate to their fair values.

The maximum exposure to credit risk at the end of each reporting period is the carrying value of the Group's total trade receivables.

Bills receivable are bills of exchange with maturity of less than six months.

An aged analysis of the Group's trade and bills receivables as at the end of the reporting period, based on invoice date and net of provisions, is as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Within six months	**2,644,082**	1,382,751
Over six months but within one year	**45,554**	20,880
Over one year but within two years	**—**	4,826
Over two years but within three years	**—**	—
Over three years	**—**	—
	2,689,636	1,408,457

Movements in the Group's provision for impairment of trade receivables are as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
At 1 January	**—**	57,962
Impairment losses reversed	**—**	(57,962)
At 31 December	**—**	—

26. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

An aged analysis of the Company's trade and bills receivables, net of provisions, is as follows:

Company

	Company	
	2012	2011
	RMB'000	*RMB'000*
Within six months	**2,275,314**	669,445
Over six months but within one year	**45,554**	—
Over one year but within two years	**—**	—
Over two years but within three years	**—**	—
Over three years	**—**	—
	2,320,868	669,445

Movements in the Company's provision for impairment of trade receivables are as follows:

	Company	
	2012	2011
	RMB'000	*RMB'000*
At 1 January	**—**	26,844
Impairment losses reversed	**—**	(26,844)
At 31 December	**—**	—

The trade receivables of the Group and the Company that are not considered to be impaired at the end of each reporting period are receivables that were neither past due nor impaired, which relate to a large number of diversified customers for whom there was no recent history of default.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Amounts due from related parties:	**—**	—
Associates	**8,609**	2,571
Yitai Group	**30,129**	—
	38,738	2,571
Advances to suppliers	**825,006**	699,169
Prepayments	**319,014**	85,124
Staff advances	**36,093**	22,172
Deposits	**37,180**	90,543
Other receivables	**42,484**	56,792
	1,298,515	956,371
Less: Provision for impairment	**(21,316)**	(22,840)
	1,277,199	933,531

Movements in the provision for impairment of other receivables are as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
At 1 January	**22,840**	21,957
Impairment for the year	**—**	8,943
Impairment losses reversed	**(1,524)**	(8,060)
At 31 December	**21,316**	22,840

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(CONTINUED)*

	Company	
	2012	2011
	RMB'000	*RMB'000*
Amounts due from related parties:		
Associates	**8,135**	—
Subsidiaries	**2,229,594**	681,105
	2,237,729	681,105
Advances to suppliers	**520,213**	337,589
Prepayments	**225,772**	82,241
Staff advances	**20,107**	20,833
Deposits	**37,180**	85,579
Other receivables	**30,752**	25,430
	3,071,753	1,232,777
Less: Provision for impairment	**(21,316)**	(43,900)
	3,050,437	1,188,877

Movements in the provision for impairment of other receivables are as follows:

	Company	
	2012	2011
	RMB'000	*RMB'000*
At 1 January	**43,900**	35,948
Impairment for the year	**—**	7,952
Written off	**(22,584)**	—
At 31 December	**21,316**	43,900

28. CASH AND SHORT-TERM DEPOSITS AND RESTRICTED CASH

	Notes	Group 2012 RMB'000	Group 2011 RMB'000 (Restated)
Cash and bank balances		**6,335,847**	4,458,144
Time deposits		**8,533**	21,941
		6,344,380	4,480,085
Less: Restricted cash	(a)	**(29,827)**	(27,425)
Cash and short-term deposits		**6,314,553**	4,452,660
Denominated in RMB	(b)	**2,958,267**	4,451,964
Denominated in other currencies		**3,356,286**	696
		6,314,553	4,452,660

	Note	Company 2012 RMB'000	Company 2011 RMB'000
Cash and bank balances		**5,554,583**	2,281,216
Time deposits		**8,401**	8,401
		5,562,984	2,289,617
Less: Restricted cash		**(19,431)**	(17,076)
Cash and short-term deposits		**5,543,553**	2,272,541
Denominated in RMB	(b)	**2,229,227**	2,271,847
Denominated in other currencies		**3,314,326**	694
		5,543,553	2,272,541

28. CASH AND SHORT-TERM DEPOSITS AND RESTRICTED BANK DEPOSITS *(CONTINUED)*

Notes:

(a) As at 31 December 2012 and 2011, the Group's bank balances of approximately RMB29,827,000 and RMB27,425,000 were deposited at banks as a mine geological environment protection guarantee fund pursuant to the related government regulations. Such guarantee deposit will be released when the obligations of environment protection is fulfilled and accepted by the competent government agencies.

(b) The RMB is not freely convertible into other currencies, however, under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and restricted bank deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the restricted bank deposits approximate to their fair values.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Cash and short-term deposits	**6,314,553**	4,452,660
Less: Time deposits	**(8,533)**	(21,941)
Cash at banks and on hand	**6,306,020**	4,430,719

29. TRADE AND BILLS PAYABLES

	Group 2012 RMB'000	Group 2011 RMB'000 (Restated)
Trade payables to third parties	**1,333,920**	757,332
Trade payables to associates	**5,448**	4,771
Trade payables to Yitai Group	**5,957**	—
	1,345,325	762,103

An aged analysis of the Group's trade and bills payables, based on the invoice dates, is as follows:

	Group 2012 RMB'000	Group 2011 RMB'000 (Restated)
Within six months	**1,171,845**	681,472
Over six months but within one year	**91,881**	63,628
Over one year but within two years	**81,599**	8,307
Over two years but within three years	**—**	8,133
Over three years	**—**	563
	1,345,325	762,103

29. TRADE AND BILLS PAYABLES *(CONTINUED)*

The trade payables are non-interest-bearing and have an average credit term of 30 to 90 days. The credit terms granted by the related parties are similar to those offered by the related parties to their major customers.

	Company	
	2012	2011
	RMB'000	*RMB'000*
Trade payables to third parties	**858,405**	356,825
Trade payables to associates	**430**	—
Trade payables to the subsidiaries	**1,391,563**	—
Bills payable	**—**	18,647
	2,250,398	375,472

	Company	
	2012	2011
	RMB'000	*RMB'000*
Within six months	**2,122,391**	300,688
Over six months but within one year	**67,319**	60,836
Over one year but within two years	**60,688**	5,876
Over two years but within three years	**—**	8,072
	2,250,398	375,472

30. OTHER PAYABLES AND ACCRUALS

	Group 2012 RMB'000	Group 2011 RMB'000 (Restated)
Advances from customers	**384,030**	544,497
Accrued salaries, wages and benefits	**212,024**	300,975
Other tax payables	**26,159**	(3,792)
Accrued interest	**48,755**	21,707
Dividends payable	**270,000**	—
Payables for property, plant and equipment	**1,251,631**	1,384,874
Accruals	**105,922**	90,513
Dividends payable due to Yitai Group	**730,000**	—
Amounts due to Yitai Group	**4,307,013**	—
Amounts due to associates	**1,445**	814
Other payables	**87,126**	76,381
	7,424,105	2,415,969

	Company 2012 RMB'000	Company 2011 RMB'000
Advances from customers	**209,165**	343,491
Accrued salaries, wages and benefits	**118,897**	157,846
Other taxes payable	**(11,292)**	(31,604)
Accrued interest	**30,354**	340
Payables for property, plant and equipment	**780,747**	533,459
Accruals	**258**	70,613
Amounts due to the Yitai Group	**4,267,811**	—
Amounts due to subsidiaries	**95,835**	72,367
Amounts due to associates	**856**	—
Other payables	**50,403**	4,614
	5,543,034	1,151,126

The above amounts are unsecured, interest-free and have no fixed terms of repayment.

31. INTEREST-BEARING BANK BORROWINGS

	Group 2012 RMB'000	Group 2011 RMB'000
Current:		
Bank loans — secured	**328,000**	218,000
Bank loans — unsecured	**—**	650,000
Total bank loans	**328,000**	868,000
Current portion of long term bank loans — guaranteed	**710,419**	1,258,190
Current portion of long term bank loans — unsecured	**544,000**	80,000
Total current portion of long term bank loans	**1,254,419**	1,338,190
Total current loans	**1,582,419**	2,206,190
Non-current:		
Bank loans — guaranteed	**5,766,524**	5,520,594
Bank loans — unsecured	**2,036,000**	580,000
Total non-current loans	**7,802,524**	6,100,594
Total loans	**9,384,943**	8,306,784
Denominated in RMB	**9,142,400**	8,026,600
Denominated in USD	**38,639**	43,977

31. INTEREST-BEARING BANK BORROWINGS *(CONTINUED)*

	Company	
	2012	2011
	RMB'000	*RMB'000*
Current:		
Bank loans — secured	**—**	—
Bank loans — unsecured	**44,000**	—
Total bank loans	**44,000**	—
Current portion of long term bank loans — secured	**—**	—
Current portion of long term bank loans — unsecured	**—**	80,000
Total current portion of long term bank loans	**—**	80,000
Total current loans	**44,000**	80,000
Non-current:		
Bank loans — guaranteed	**—**	—
Bank loans — unsecured	**2,036,000**	80,000
Total non-current loans	**2,036,000**	80,000
Total loans	**2,080,000**	160,000
Denominated in RMB	**2,080,000**	160,000

The ranges of the effective interest rates on the Group's and the Company's loans are as follows:

	2012	2011
	%	%
Group (Restated)		
Fixed-rate loans	**3.80-6.56**	3.80-9.09
Floating-rate loans	**5.99-7.05**	5.76-7.05
Company		
Fixed-rate loans	**N/A**	N/A
Floating-rate loans	**6.65-6.90**	6.50-6.90

31. INTEREST-BEARING BANK BORROWINGS *(CONTINUED)*

The maturity profile of the loans is as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,582,419**	2,206,190
In the second year	**737,419**	1,131,190
In the third to fifth years, inclusive	**3,759,324**	2,204,317
Beyond five years	**3,305,781**	2,765,087
	9,384,943	8,306,784

	Company	
	2012	2011
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**44,000**	80,000
In the second year	**44,000**	40,000
In the third to fifth years, inclusive	**1,992,000**	40,000
Beyond five years	**—**	—
	2,080,000	160,000

31. INTEREST-BEARING BANK BORROWINGS *(CONTINUED)*

Certain loans were supported by guarantees provided from the following parties:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Yitai Group	**380,000**	404,000
Independent third parties	**39,020**	31,452
Other related parties	**723,660**	665,222
	1,142,680	1,100,674

In the opinion of the directors, the carrying amounts of the Group's and the Company's of current loans and non-current loans based on market rates approximate to their fair values.

32. LONG TERM BONDS

	Group/Company	
	2012	2011
	RMB'000	*RMB'000*
Corporate bonds	**1,001,296**	—
Less: Current portion of long term bonds	**—**	—
	1,001,296	—

On 25 December 2012, the Group issued 5-year corporate bonds, with a nominal value of RMB100.00 per bond, amounting to RMB1,000 million. The bonds carry interest at a fixed coupon rate of 5.53% per annum, which is payable annually in arrears on 25 December, and the maturity date is 25 December 2017.

33. ISSUED CAPITAL

	Group/Company	
	2012	2011
	RMB'000	*RMB'000*
Authorised, issued and fully paid:		
800,000,000 B shares owned		
by Yitai Group of RMB1.00 each	**800,000**	800,000
664,000,000 B shares of RMB1.00 each	**664,000**	664,000
163,003,500 H shares of RMB1.00 each	**163,004**	—
Ordinary shares of RMB1.00 each	**1,627,004**	1,464,000

During the year, the movements in share capital were as follows:

In July 2012, the Company issued 162,667,000 H shares, pursuant to the Company's prospectus dated 29 June 2012, to the public at a price of HK$43 per share and such H shares, were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 12 July 2012.

In August 2012, as a result of the exercise of the over-allotment option as detailed in the Company's prospectus dated 29 June 2012, the Company issued 336,500 new H shares to the public at a price of HK$43 per share and such H shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 8 August 2012.

After deducting the share issue expenses of approximately RMB168,163,000, the Company raised net proceeds of approximately RMB5,545,726,500 from issuing the total of 163,003,500 H shares. The excess of the net proceeds over the paid-up capital of RMB163,003,500, amounting to RMB5,382,723,000,was credited to capital reserve (Note 34).

34. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2012 and 2011 are presented in the consolidated statement of changes in equity.

(b) Company

	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
As at 31 December 2010 and 1 January 2011	166,170	1,509,249	7,681,148	9,356,567
Comprehensive income for the year	—	—	5,103,185	5,103,185
Appropriation of general reserve	—	513,587	(513,587)	—
2010 final dividends declared and paid	—	—	—	—
Proposed final 2011 dividends	—	—	(2,196,000)	(2,196,000)
Others	(42)	—	—	(42)
As at 31 December 2011 and 1 January 2012	166,128	2,022,836	10,074,746	12,263,710
Comprehensive income for the year	—	—	4,349,481	4,349,481
Issuance of H shares	—	—	—	—
Share premium arising from the H shares	5,550,886	—	—	5,550,886
Share issue expenses	(168,163)	—	—	(168,163)
Acquisition of Target Business Group (as defined in Note 35)	(5,447,310)	(103,421)	171,790	(5,378,941)
Disposal of a subsidiary (Note 36)	(8,942)	—	—	(8,942)
Appropriation of general reserve	—	449,182	(449,182)	—
Deferred tax arose from the acquisition of the Target Business Group (as defined in Note 35)	821,068	—	—	821,068
2011 final dividends declared and paid	—	—	—	—
Proposed final 2012 dividends	—	—	(2,033,754)	(2,033,754)
As at 31 December 2012	913,667	2,368,597	12,113,081	15,395,345

219

35. BUSINESS COMBINATION

The Company entered into an assets transfer agreement (the "Assets Transfer Agreement") with Yitai Group on 29 May 2012, to acquire from Yitai Group the production and sale of coal operation, together with the related assets and liabilities (the "Acquisition"), which comprises the following:

- Certain divisions and branches principally engaged in coal related operation, directly operated and owned by Yitai Group, together with the related assets and liabilities therein: Baijialiang Mine (白家梁煤礦), Dadijing Mine (大地精煤礦), Chengyi Mine (誠意煤礦), Xiyingzi Collection and Transportation Centre (西營子發運站), Dongxing Collection and Transportation Centre (東興發運站), Baoshen Line Collection and Transportation Centre (包神線發運站), Zhunge'erzhao Collection and Transportation Centre (准格爾召發運站), Storage and Transportation Centre(儲運分公司), Baotou Sales Branch (包頭銷售分公司), Beijing Payment Centre (北京交費中心), Jingtang Port Collection and Transportation Centre (京唐港轉運站), Caofeidian Representative Office (曹妃甸辦事處), Qinhuangdao Representative Office (秦皇島辦事處), Tianjin Representative Office (天津辦事處), Tanggongta Payment Centre (唐公塔交費中心), Datong Representative Office (大同辦事處), Baotou Payment Centre (包頭交費中心) and certain departments at the headquarters of Yitai Group (collectively referred to as the "Target Business"); and

- Two subsidiaries of Yitai Group principally engaged in coal related business: Inner Mongolia Yitai Baoshan Coal Co., Ltd. (內蒙古伊泰寶山煤炭有限責任公司, "Yitai Baoshan") and Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司) ("Yitai Tongda"), in which Yitai Group owns 73% equity interests each.

The Target Business, Yitai Baoshan and Yitai Tongda are collectively referred to as the "Target Business Group". The Assets Transfer Agreement was satisfied after the listing of the Company's H Shares on The Stock Exchange of Hong Kong Limited on 12 July 2012.

The consideration under the Assets Transfer Agreement was RMB8,446.5 million in cash. During the year ended 31 December 2012, the Company has paid RMB4,151.1 million (including a non-cash settlement in an aggregate amount of RMB604.5 million (Note 40)), according to the Assets Transfer Agreement.

As the Company and the Target Business Group are under common control of Yitai Group before and after the Acquisition, the Acquisition falls under the category of business combinations among entities under common control, which is not dealt with by IFRS3 Business Combinations. The Company chose to refer to the principles set out in AG5 when preparing the consolidated financial statements of the Group as if the Acquisition had occurred from the date when the combining entities first came under the control of Yitai Group, and the consideration was regarded as the deemed distribution to Yitai Group. The Group distributed the amounts of RMB1,600 million and RMB2,038 million for the year ended 31 December 2011 and 2012, respectively to the owner of the Target Business Group prior to the closing date of the Acquisition.

35. BUSINESS COMBINATION *(CONTINUED)*

Please refer to Note 5 for the reconciliation of the results of operations for the year ended 31 December 2011 and the financial position, as at 31 December 2011 previously reported by the Group and the restated amounts presented in these financial statements.

36. DISPOSAL OF A SUBSIDIARY

On 8 August 2012, the Company entered into an equity transfer agreement with Zhejiang CONBA Pharmaceutical Co.,Ltd. ("Zhejiang CONBA") to transfer 88% equity interest in Inner Mongolia Yitai Pharmaceutical Co.,Ltd. (a wholly-owned subsidiary of the Company, "Yitai Pharmaceutical") to Zhejiang CONBA with a cash consideration of RMB200,000,000. After the equity transfer, the Company retains 12% equity interest in Yitai Pharmaceutical.

The carrying amount of identifiable assets and liabilities of Yitai Pharmaceutical as at the disposal date is set out as follows:

	2012 ***RMB'000***
Net assets disposed of:	
Property, plant and equipment	**25,706**
Intangible assets	**9,131**
Cash and bank balances	**815**
Inventory	**12,097**
Trade receivables	**24,685**
Prepayments and other receivables	**(40,167)**
Trade payables	**(2,878)**
Accruals and other payables	**10,879**
Tax payables	**(293)**
	39,975
Gain on disposal of a subsidiary	**187,298**
Less: Retained interest in the subsidiary (remeasured to fair value in the consolidated statement of financial position)	**27,273**
	200,000
Satisfied by cash	**200,000**

36. DISPOSAL OF A SUBSIDIARY *(CONTINUED)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2012 *RMB'000*
Cash consideration	**200,000**
Cash and bank balances disposed of	**(815)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiary	**199,185**

37. OPERATING LEASE ARRANGEMENTS

As lessee

The Group had no significant future minimum lease payments under non-cancellable operating leases.

38. COMMITMENTS

The Group and the Company had the following capital commitments at the end of the reporting period:

	Group	
	2012 *RMB'000*	2011 *RMB'000* (Restated)
Contracted, but not provided for:		
Property, plant and equipment	**1,351,335**	1,517,658
Available-for-sale investments	**54,775**	168,530
	1,406,110	1,686,188

	Company	
	2012 *RMB'000*	2011 *RMB'000*
Contracted, but not provided for:		
Property, plant and equipment	**447,207**	517,479
Available-for-sale investments	**48,000**	153,625
	495,207	671,104

39. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Significant related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the years ended 31 December 2012 and 2011:

		Group	
	Note	**2012**	2011
		RMB'000	*RMB'000*
			(Restated)
Sales of goods to Yitai Group	(i)	**25,411**	31,460
Purchase of goods from the Yitai Group	(i)	**35,895**	—
Sales of goods to an associate	(i)	**218,333**	198,665
Purchase of goods from an associate	(i)	**34,615**	4,352
Procurement of service from an associate	(i)	**—**	16,400

Notes:

(i) In the opinion of the directors of the Group, the transactions between the Group and the related parties were conducted in the ordinary and usual course of business and on normal commercial terms, the pricing terms were at the prevailing market prices.

39. RELATED PARTY TRANSACTIONS AND BALANCES *(CONTINUED)*

(b) Outstanding balances with related parties

	Note	Group 2012 RMB'000	Group 2011 RMB'000 (Restated)
Trade and bills receivables	(i)	**23,136**	10,000
Prepayments, deposits and other receivables	(i)	**38,738**	2,571
Trade payables	(i)	**(11,405)**	(4,771)
Other payables and accruals	(i)	**(4,308,458)**	(814)

(i) The above balances are unsecured, non-interest-bearing and repayable on demand.

(c) Guarantees received from related parties

As at 31 December 2012 and 31 December 2011, bank loans of RMB1,103,660,000 and RMB1,069,222,000 were guaranteed by the related parties, respectively.

(d) Guarantees given to banks for loans of related parties

As at 31 December 2012 and 31 December 2011, guarantees of RMB20,860,000 and RMB17,056,000 were given to banks for loans of related parties, respectively.

(e) Compensation of key management personnel of the Group:

	Group 2012 RMB'000	Group 2011 RMB'000 (Restated)
Short term employee benefits	**11,960**	10,801
Post-employment benefits	**467**	386
Total compensation paid to key management personnel	**12,427**	11,187

Further details of directors' and the chief executive's emoluments are included in Note 11 to financial statements.

The related party transactions above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions:

In relation to the acquisition of the Target Business Group from Yitai Group in 2012, part of the cash consideration payable to Yitai Group, in an aggregate amount of RMB604,468,000, was settled through netting off with the Group's other receivables from Yitai Group.

41. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided for:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Guarantees given to banks in connection with loans granted to associates	**20,860**	17,056
	20,860	17,056

	Company	
	2012	2011
	RMB'000	*RMB'000*
Guarantees given to banks in connection with loans granted to subsidiaries	**5,662,263**	5,896,111
Guarantees given to banks in connection with loans granted to associates	**20,860**	17,056
	5,683,123	5,913,167

42. FINANCIAL INSTRUMENTS BY CATEGORY

	Group	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Financial assets		
Available-for-sale investments	**3,808,393**	2,870,590
Trade and bills receivables	**2,689,636**	1,408,457
Financial assets included in prepayments, deposits and other receivables	**117,315**	81,535
Restricted cash	**29,827**	27,425
Cash and short-term deposits	**6,314,553**	4,452,660
Financial liabilities		
Trade and bills payables	**1,345,325**	762,103
Financial liabilities included in other payables and accruals	**7,040,075**	1,871,472
Interest-bearing bank borrowings	**9,384,943**	8,306,784
Long term bonds	**1,001,296**	—

	Company	
	2012	2011
	RMB'000	*RMB'000*
Financial assets		
Available-for-sale investments	**3,567,300**	2,771,675
Trade and bills receivables	**2,320,868**	669,445
Financial assets included in prepayments, deposits and other receivables	**2,288,588**	727,368
Restricted cash	**19,431**	17,076
Cash and short-term deposits	**5,543,553**	2,272,541
Financial liabilities		
Trade and bills payables	**2,250,398**	375,472
Financial liabilities included in other payables and accruals	**5,333,869**	807,635
Interest-bearing bank borrowings	**2,080,000**	160,000
Long term bonds	**1,001,296**	—
Financial guarantee contracts	**97,265**	88,945

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The carrying amounts of the Group's financial instruments approximated to their fair values. Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, commodity price risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk of fluctuations of fair values on future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing cash flow interest rate risk, and fixed interest rate instruments will result in the Group facing fair value interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate loans) and the Group's and the Company's equity.

	Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *RMB'000*
Year ended 31 December 2012	**100**	**(80,324)**
	(100)	**80,324**
Year ended 31 December 2011	100	(70,429)
	(100)	70,429

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Interest rate risk *(continued)*

	Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *RMB'000*
Year ended 31 December 2012	**100**	**(20,800)**
	(100)	**20,800**
Year ended 31 December 2011	100	(800)
	(100)	800

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and short-term deposits, available-for-sale investments and prepayments, deposits and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Commodity price risk

The Group is exposed to commodity price risk through fluctuations of the price of coal sold by the Group. The Group has accepted the exposure to commodity price risk and has not used forward contracts to eliminate the commodity price exposures on individual transactions.

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents and the Group has available funding through an adequate amount of committed credit facilities to meet its commitments.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Liquidity risk *(continued)*

The table below summarises the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments.

Group

	On demand *RMB'000*	Less than 1 year *RMB'000*	1 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*
Year ended 31 December 2012					
Interest-bearing bank borrowings	**—**	**2,054,501**	**5,572,234**	**4,464,236**	**12,090,971**
Long term bonds	**—**	**55,300**	**1,221,200**	**—**	**1,276,500**
Trade and bills payables	**1,345,325**	**—**	**—**	**—**	**1,345,325**
Other payables and accruals	**87,126**	**6,952,949**	**—**	**—**	**7,040,075**
	1,432,451	**9,062,750**	**6,793,434**	**4,464,236**	**21,752,871**
Year ended 31 December 2011 (Restated)					
Interest-bearing bank borrowings	—	2,652,175	4,511,978	3,642,957	10,807,110
Trade and bills payables	762,104	—	—	—	762,104
Other payables and accruals	322,914	1,548,557	—	—	1,871,471
	1,085,018	4,200,732	4,511,978	3,642,957	13,440,685

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Liquidity risk *(continued)*

The table below summarises the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments.

Company

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Year ended 31 December 2012					
Interest-bearing bank borrowings	**—**	**172,916**	**2,259,425**	**—**	**2,432,341**
Long term bonds	**—**	**55,300**	**1,221,200**	**—**	**1,276,500**
Trade and bills payables	**2,250,398**	**—**	**—**	**—**	**2,250,398**
Other payables and accruals	**50,403**	**5,283,466**	**—**	**—**	**5,333,869**
Guarantees given to banks in connection with facilities granted to subsidiaries	**97,265**	**—**	**—**	**—**	**97,265**
	2,398,066	**5,511,682**	**3,480,625**	**—**	**11,390,373**
Year ended 31 December 2011 (Restated)					
Interest bearing bank borrowings	—	91,020	88,460	—	179,480
Trade and bills payables	375,472	—	—	—	375,472
Other payables and accruals	4,614	803,021	—	—	807,635
Guarantees given to banks in connection with facilities granted to subsidiaries	88,945	—	—	—	88,945
	469,031	894,041	88,460	—	1,451,532

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2012.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Capital management *(continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. Net debt includes interest-bearing bank borrowings, trade, bills and other payables, accruals, less cash and short-term deposits. Capital represents equity attributable to owners of the parent.

The Group's strategy was to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The gearing ratios were as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Interest-bearing bank borrowings	**9,384,943**	8,306,784
Long term bonds	**1,001,296**	—
Trade and bills payables	**1,345,325**	762,103
Other payables and accruals	**7,040,075**	1,871,472
Less: Cash and cash equivalents	**(6,314,553)**	(4,452,660)
Net debt	**12,457,086**	6,487,699
Equity attributable to equity holders of the parent	**19,710,091**	19,577,106
Capital and net debt	**32,167,177**	26,064,805
Gearing ratio	**63%**	33%

44. EVENTS AFTER THE REPORTING PERIOD

No significant events after the reporting period are noted.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of the directors on 25 March 2013.

Appendix I

Note: The report is prepared in accordance with the China Accounting Standards for Business Enterprises

INNER MONGOLIA YITAI COAL CO., LTD.* SOCIAL RESPONSIBILITY REPORT FOR THE YEAR 2012

The Board of Directors of the Company together with all the Directors thereof warrant that there are no false representations, misleading statements contained in or material omissions from this report, and we will be severally and jointly liable for the truthfulness, accuracy and completeness of the information herein contained.

As basic energy of the PRC, coal accounts for approximately 70% of the primary energy, which determines its long-term predominance in the production and consumption of primary energy in the PRC. Inner Mongolia Yitai Coal Co., Ltd.* (hereinafter referred to as "Yitai" or the "Company") a large enterprise with coal production as its principal business and railway transportation and coal-related chemical business as its extension of business, has consistently insisted on its objective of integrity and contribution to the community and society whilst pursuing its rapid and steady development.

This report systematically summarizes the Company's work in social responsibilities in 2012, including economic responsibility, environmental responsibility, work safety responsibility, employee responsibility, to give a truthful presentation on the Company's endeavors in promoting comprehensive, healthy and sustainable development in 2012.

I. CORPORATE OVERVIEW AND CORPORATE VALUES

1. Corporate overview

Inner Mongolia Yitai Coal Co., Ltd. is a B-share and H-share listed company that was solely promoted by Inner Mongolia Yitai Group Co., Ltd.. The Company was established in August 1997 and listed in the Shanghai Stock Exchange in the same year under the stock abbreviation of "Yitai B Share" (stock code: 900948). The Company was listed in The Hong Kong Stock Exchange in July 2012 under the stock abbreviation of "Yitai Coal" (stock code: 3948). At present, the total share capital of the Company is 1,627,003,500 shares, of which 800,000,000 domestic legal person shares are held by Inner Mongolia Yitai Group Co., Ltd., representing 49.17% of the total share capital of the Company, a total of 664,000,000 shares are tradable B shares, representing 40.81% of the Company's total share capital, and a total of 163,003,500 H shares were issued, representing 10.02% of the total share capital. The Company is a large enterprise with coal production as its principal business, railway transportation as its supplementary business and coal-related chemical business as extension of its business.

The Company is the largest coal enterprise in Inner Mongolia Autonomous Region and one of the largest coal enterprises in the PRC. Inner Mongolia Yitai Group Co., Ltd., to which the Company is a core member, has ranked 237th at the Top 500 Enterprises in China (中國企業500強) for a consecutive 8 years, ranked 19th at the Top 100 Chinese Coal Enterprises (中國煤炭企業100強) and 1st at the Top 50 Coal Enterprises in Inner Mongolia Autonomous Region (內蒙古自治區煤炭企業50強). It is also selected as one of the 14 major large coal base enterprises in national planning and development by the State Council.

Note: The report is prepared in accordance with the China Accounting Standards for Business Enterprises

I. CORPORATE OVERVIEW AND CORPORATE VALUES *(CONTINUED)*

1. Corporate overview *(Continued)*

At present, the Company directly owns and controls a total of 12 mechanized coal mines with production capacity of 50.0 Mtpa. All the mines are equipped with imported or domestic fully mechanized coal mining equipment. The mechanization rate of mining reaches 95%. Two of those mines are under development, the design production capacity of which are 7.2 Mtpa.

As at 31 December 2012, the Company recorded net profit attributable to owners of the Company of RMB6,622 million. Its revenue from operation amounted to RMB32,463 million, representing an increase of 16.42% over last year; taxes paid amounted to RMB6,049 million, representing an increase of 21.69% over last year; total assets amounted to RMB41,367 million, representing an increase of RMB7,922 million and 23.69% over last year. In 2012, the Company's production of coal developed steadily. The Company produced 49.76 million tonnes of commercial coal and saled 73.20 million tonnes of coal in 2012; Zhundong Railway transported 39.00 million tonnes of coal and Huzhun Railway transported 25.69 million tonnes of coal, both the total amount of sales of coal and that of railway transportation hit a record high. The coal-to-oil pilot project with production capacity of 0.16 Mtpa has produced an aggregate of 172,000 tonnes of various oil and chemical products which has exceeded its design capacity, becoming the first one of the pilot coal-related chemical projects in the "Eleventh Five-Year" Plan of the PRC that reached production design. The issue of H shares of Yitai in July 2012 has raised total proceeds of HKD7,009 million, which was one of the largest IPOs in the stock market of Hong Kong in 2012 in terms of funds raised. In addition, the Company successfully issued medium term notes of RMB1,000 million, further increasing the Company's capital for development.

2. Corporate values

The corporate spirit of Yitai: Integrity, Fidelity, Innovation, Dedication (誠信、盡責、創新、奉獻).

The corporate principles of Yitai: The principle of "Four Constants" ("四個不變"), that is, "the enhancement of the leadership of the Communist Party of China to the enterprise; the Party Committee of the Company remains constant as the core leadership; the insistence of legal operation and compliant tax payment and the constant coordinated development of two civilization; the insistence of relying on all the employees and of fully respecting them as masters of the Company; the insistence of actively contributing to the local and national socialist development".

With health, safety and environment as primary objective of Yitai's development. Yitai undertakes to operate in a way that is responsible to the environment and the community. As such, Yitai insists on the following in its operation: Being no harm to the human beings; protecting environmental and efficiently developing and utilizing resources; complying with all the laws and regulations regarding health, safety and environmental protection; striving to achieve the social responsibility objective of "Integrity to Everything, Sowing for Future".

Note: The report is prepared in accordance with the China Accounting Standards for Business Enterprises

I. CORPORATE OVERVIEW AND CORPORATE VALUES *(CONTINUED)*

2. Corporate values *(Continued)*

In Yitai's long-term operation, the Company always advocates that employees are the resource and capital of an enterprise, that satisfaction from customers is the only source of profit and that success comes from teamwork. It takes social responsibility as its core corporate values and mission, incorporates it in its development strategy. The Company devotes to develop itself as an international industrial group integrating production, transportation and trading of coal and coal-related chemical products.

II. PRODUCTION SAFETY RESPONSIBILITY OF THE COMPANY

The Company constantly adheres to the principle of "safety-foremost with prevention-oriented and comprehensive treatment" ("安全第一、預防為主、綜合治理") and insists "one safety concept, two basic points and three basic principles". The one safety concept means "to reduce the production of coal by 1 million tonnes, rather than expending one person", "to increase investment by 10 million, rather than expending one person"; the two basic points mean the reliance on management and investment; the three basic principles is safety, is the most important policy of the Company, is the biggest welfare of the employees and is the maximum benefits of the Company. The Company advocates to start from advanced culture of safety to create an atmosphere that concerns about safety and cares about lives, so as to enhance the development of the safety culture, material culture, system culture and behaviors culture.

In 2012, no fatality occurred in the mining production of the Company; no dangerous and major transportation incident occurred in Zhundong Railway and Huzhun Railway; no serious personal injury or major equipment damage occurred in the Coal-to-oil Company. The Company reached all the targets of production safety set at the beginning of the year and maintained the overall safety of production. In addition, the Company has continuously produced 223.36 million tonnes of raw coal for 12 years since 2001 with no fatality occurred per million tonnes, which is a leading record of production safety in the industry. No major transportation incident or serious personal injury has occurred to Inner Mongolia Yitai Zhundong Railway Co., Ltd. for a consecutive of 4,399 days since the commencement of its operation in 2000, nor to Inner Mongolia Yitai Huzhun Railway Co., Ltd. for a consecutive of 2,208 days since the commencement of its operation in 2007.

Note: The report is prepared in accordance with the China Accounting Standards for Business Enterprises

III. ECONOMIC RESPONSIBILITY OF THE COMPANY

By adopting, designing and implementing a corporate development strategy based on the laws of circular economy, the Company enhanced the capacity and efficiency of its production and the convertibility of resources, increased the added value of its products and improved its market competitiveness, thereby created value and wealth for the society and promoted the sustainable development of the local economy as well as the industry.

By proceeding technical upgrade to its existing mines and advanced construction of its new mines, the Company has achieved significant progress in its industrial technology. It also continued to explore on technology to make breakthroughs. Thereby, the Company effectively improved the utilization of resources and realized safe and efficient production.

In respect of internal management, the Company has adopted thorough budget management, controlling costs and increasing efficiency as well as improving the corporate management and control ability. It has also adopted the SAP system in each division of its production and operation to apply digital management to increase its working efficiency.

With an aim to provide quality and efficient products and services in the market, the Company enhanced the process of control on the quality of its products by boosting the sense of quality management. The Company adheres to the operating concept of "maximizing the value of the Company on the foundation of customer value and strategic synergy value", operates by integrity, strictly controls quality and performs its contracts and strives to improve post-sale services, so as to build up favorable reputation in the market.

IV. ENVIRONMENTAL LIABILITIES OF THE COMPANY

1. Environmental concept

The Company strictly complied with the environmental laws and regulations of the PRC in its business development, actively undertook the environmental liabilities and facilitated technological innovation so as to increase resource utilization. It further implemented the environmental protection policy of "A Hundred Years of Yitai, Green Energy Resource" ("百年伊泰‧綠色能源") under the guidance of the concept of "Protection First, Prevention and Governance Combined, Cleaner Production and Whole Process Control" ("預防為主、防治結合、清潔生產、全過程控制"), insisted on the combination of the development of circular economy, environmental protection, energy saving, emission reduction and resource conservation, aiming to establish a sound system of environmental protection management.

The Company always adheres to the concept of scientific development and the direction of sustainable development. Whilst pursues its own development, the Company also concerns the coordinated development of coal and coal related industries and that of coal exploration and ecological environment. The Company protected and treated the environment of the mining areas, so as to create a coordinated integration of corporate development, community and environment.

Note: The report is prepared in accordance with the China Accounting Standards for Business Enterprises

IV. ENVIRONMENTAL LIABILITIES OF THE COMPANY *(CONTINUED)*

2. Measures of environmental protection

The Company conscientiously complied with relevant laws and regulations of the PRC and strictly followed the systems of environmental impact assessment of the construction projects, "Three-simultaneous System" ("三同時") of water and soil conservation. It actively communicated with different levels of competent administrative departments in charge of environmental protection, water protection and land and resources, achieved greater progress in the approval of its projects and satisfactorily finished the missions of environmental protection, approval of water and soil conservation and inspection of its projects. No incident of environment pollution or complaint on environment pollution by the public against the Company occurred in 2012.

In 2012, the Company completed filing of a construction project, the Protection and Recovery Plan for the Geology Environment of Talahao Mine (塔拉壕煤礦的礦山地質環境保護與恢復治理方案), with the Ministry of Land and Resources; 8 approvals of environmental impact assessment for its construction projects; 7 approvals of water and soil conservation plans for its construction projects. It also actively supervised the units of the projects to strictly implement the "Three-simultaneous system". The Company completed 2 inspections on environmental protection by the environmental protection department of the Inner Mongolia Autonomous Region (內蒙古自治區環保廳) for its projects; 2 inspections on environmental protection by the Ordos City Environment Protection Bureau (鄂爾多斯市環保局); 1 inspection on water and soil conservation by the water resources department of the Inner Mongolia Autonomous Region (內蒙古自治區水利廳).

In 2012, the production and operation units of the Company has planted a total of 687,800 trees of various species, 7,955,600 bushes and 2,666,700 square meters of lawn with a total investment of RMB40,542,400.

In accordance with the requirements of emission reduction in the PRC, the Company obtained a special funding for environmental protection of RMB8 million from the environmental protection department of the Inner Mongolia Autonomous Region in 2012 through its initiatives and effort. The funding was to be used for its upgrade project of smoke de-sulphurization for 200t/h circulated fluidized bed boiler (200t/h 循環硫化床鍋爐煙氣脱硫改造項目). In 2012, RMB25,044,000 and RMB39,148,400 was used by the Company as the fee of disposal of gangue and the ecological recovery expenditure respectively.

Appendix I *(Continued)*

Note: The report is prepared in accordance with the China Accounting Standards for Business Enterprises

V. EMPLOYEES LIABILITY

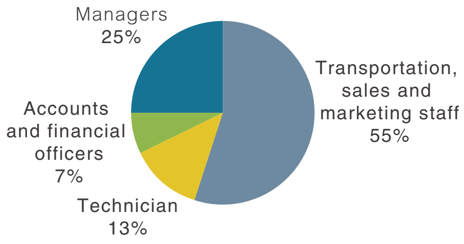
(I) Protection on the rights of employees

1. Employees

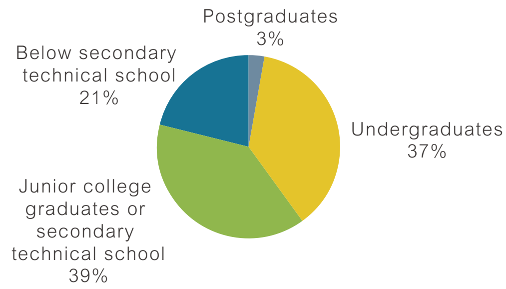
The Company values the selection, development and incentive of human resources. It actively promoted the strategy of building a strong enterprise by talents, satisfactorily performed in the three areas of attracting, training and deploying of talents, accelerated the development of a team with high-caliber and highly skilled talents, established a team of talents that is well-structured, professional-supporting, superior and in line with the development strategy of the Company.

As at the end of 2012, the Company had a total of 6,884 employees, of which 40% possessed undergraduate degree or above and 13% was technicians.

Position of Employees



Education Level of Employees



2. Protection for rights and interests

The Company always insisted on a fair, impartial and transparent labor policy, conscientiously implemented the compliance with laws and regulations, such as the Labor Law (《勞動法》), Employment Contract Law (《勞動合同法》) and Implementation Rules of the Employment Contract Law (《勞動合同法實施條例》), and enhanced the management of employment contracts. The employment of the employees of the Company is established by their signing of annual employment contracts with the Company.

The Company established labor union organization in accordance with the Labor Union Law (《工會法》). The labor union organization of different levels conscientiously performed their duties in protecting the legitimate rights and interests of the employees and in encouraging the employees to participate in the decision making process of the management to achieve the economic goals of the Company together, as well as in helping with mediating the disputes between the employees and the Company.

V. EMPLOYEES LIABILITY *(CONTINUED)*

(I) Protection on the rights of employees *(Continued)*

2. Protection for rights and interests *(Continued)*

The Company highly values the health and safety of its employees. The Company and all its subsidiaries have established protection mechanisms for the health and safety of the employees, including conducting regular health check for all employees as well as special health check for the employees in disease hazard occupations. In addition, the Company has also established an internal medical risk fund for serious illness, which covers the expenditure of stipulated 10 serious illnesses excluding the reimbursement from national medical insurance. According to the actual situation, the Company grants welfare of employee protection at an irregular and non-specified quantitative basis.

3. Incentive and protection

The Company insists on the concept of "Respect to Past Contribution, Regard to Position Advancement, Leading to Future Development" ("尊重歷史貢獻、註重崗位提升、引導未來發展") for its employees and has established an ideal platform for their career development. The Company has established a mechanism of employment based on competition and elimination, whereby the basic salary is determined by job position and the distribution of bonus is linked with the result of performance appraisal. It also gives fair choices of career for its employees and optimized the allocation of employees at every position, thereby provides a sound platform for the career development of its employees. In the meantime, contribution was based on performance appraisal, the results of which determines the distribution of income, thereby established a sound incentive mechanism and harmonious labor relationship.

The Company actively facilitates its system of corporate social security in accordance with the laws and regulation regarding social security, whereby pension insurance, basic medical insurance, large medical insurance, unemployment insurance, occupational injury insurance, maternity insurance and housing accumulation fund. In the meantime, it has also purchased commercial insurance for its employees such as supplementary medical and accident insurance. The Company also promoted standardization of the Company's annuity, cared about the work and life of its employees and gave aids and assistance to the employees in difficulties.

Note: The report is prepared in accordance with the China Accounting Standards for Business Enterprises

V. EMPLOYEES LIABILITY *(CONTINUED)*

(II) Facilitating the self-development of employees

The Company values training of its employees. It developed multi-level, multi-channel and multi-direction training system for its employees by fully utilizing the training resources of the Company and by enhancing cooperation with external training organizations. The Company promoted the concept of lifelong learning to its employees and developed an culture and mechanism for lifelong learning among all its employees as well as strived to improve their overall capabilities.

As at the end of 2012, a total of 256 training sessions were organized by the Company, including business writing, logistics management, human resources management, corporate strategy, statistics, finance management for non-financial staff, admission to coal mine. An aggregate of 16,830 employees have received the training and the accumulated cost of training was RMB7,260,000.

The Company values the establishment of platform for its employees' development so as to achieve joint development of the employees and the Company. It provided a platform for the advancement of its outstanding staff through the establishment of the "Advancement by Competition, Recruitment by Selection" mechanism to develop the multi-level competition of skills and assessment. In addition, the Company enhanced the development of the team of professionals by improving the system of the administration of professional qualification as well as the selection of experts and recommendation of senior professionals. As at the end of 2012, 230 employees have been advanced to professional qualification.

VI. SOCIAL RESPONSIBILITY OF THE COMPANY

Since its establishment, the Company has been taking actions to repay the community. It actively helped the poor and needy, donated for education and supported the social and charitable activities in relation to the hygiene and education in Ordos. According to the statistics of Ordos Federation of Industry & Commerce, the amount used by Company and the Inner Mongolia Yitai Group Co., Ltd. (內蒙古伊泰集團有限公司) in social and charitable activities in relation to disaster relief, education and health care amounted to an aggregate of RMB409 million since their respective establishment.

The Company has always been insisting on the corporate principle of "Four Constants". It enhanced the leadership of the Communist Party of China to the enterprise and the development of the Party's work in the Company, insisted on the core leadership of the Company with the Party Committee and improved the structure of the Party's organization and harmonious relationship between the Party and the public. At present, there is 1 general league branch and 39 league branches of the Party. In 2012, there were 18 newly joined members of the Party and the total number of members of the Party was 911.

Since its listing, the Company has been legally operating and paying taxes in accordance with relevant requirements. It has accumulated various tax payments of RMB21,653 million to the government, of which RMB6,049 million was paid in 2012, becoming the biggest taxpayer among the local enterprises in Ordos.

Note: The report is prepared in accordance with the China Accounting Standards for Business Enterprises

VI. SOCIAL RESPONSIBILITY OF THE COMPANY *(CONTINUED)*

To implementing its operation policies of maximizing both its corporate value and shareholders' interests, the Company values reasonable return to its investors and has formulated reasonable profit distribution policy to actively repay its shareholders. In the past 15 years from its initial listing in 1997 to 2012, the Company made dividends every year with the only exception of the year 1999, in which the profit was very slight. The accumulated dividend, including the stock dividend, reached RMB11,441 million.

The Company has been pursuing a culture of "Sincerity and Harmony (誠和)". It has enhanced the communication with the stakeholders as well as establishment of cooperation in property rights of the upstream and downstream industries with the major electricity customers through enhancing the technical cooperation with the large coal enterprises. It also dealt with shareholders, regulatory authorities, intermediaries and the media with integrity, thereby creating satisfactory public and investor relations, utilizing the vantages of one another, gathering the strengths for development and coordinating and facilitating the sustainable development for both the enterprise and the community.

VII. FUTURES OF THE COMPANY

In the future, the Company will learn and improve its system of social responsibility management in the course of its operation and management and will insist on operation with integrity, paying taxes in accordance with statutory requirements and further optimizing the structure of its business. It will also develop circular economy, promote clean production as well as the conservation of energy and resources, and support charity activities for the community. In addition, the Company will fully utilize the technological advancement and technical innovation to boost the standard of its safety management, launch major ecological development and environmental rectification projects and improve the ecological environment and the working conditions of the employees in the mines, with an aim to achieve joint victory with its customers, suppliers and other stakeholders as well as to achieve healthy interaction and joint development between the enterprise and the community so as to contribute to the acceleration of the development of a resource-saving and environmental-friendly community.

In 2012, the Company recorded net profit attributable to owners of the Company of RMB6,622 million for its shareholders and paid taxes of RMB6,049 million to the government. It also paid RMB960 million, RMB550 million and RMB34 million as salary and bonus to its employees, loan interest and external donation respectively. The Company spent an aggregate of RMB663 million on the fees in relation to pollutant discharge, forestation, water and soil conservation and ecological recovery compensation so as to develop forestation, protect the ecological balance in the community affected by development and prevent environmental pollution. As a result, the value of the social contribution created by the Company for its shareholders, employees, customers, creditors, community and the society as a whole was RMB8.33 per share.

Appendix I *(Continued)*

Note: The report is prepared in accordance with the China Accounting Standards for Business Enterprises

VII. FUTURES OF THE COMPANY *(CONTINUED)*

Calculation of the contribution value per share

Unit: RMB0'000

Item	Amount
Net profit attributable to owners of the Company	662,188.08
Taxes paid	604,900.00
Salary and bonus paid to employees	96,000.00
Loan interest paid	55,000.00
External donation	3,400.00
Community cost	66,355.35
Of which:	
Environmental protection and pollutant discharge expenditure	616.81
Forestation fee	700.71
Water and soil conservation fee	1,732.84
Ecological recovery compensation fee	14,870.12
Relocation compensation fee	28,490.45
Mineral resource compensation fee	10,387.51
Water resources construction fund	2,860.70
Forestation fee	332.53
Tree planting fee	2,996.45
Rejection fee	3,367.23
Total number of shares	162,700.35
Contribution value per share = (Net profit attributable to owners of the Company + Taxes paid + Salary and bonus paid to employees + Loan interest paid + External donation - Community cost)/Total number of shres	RMB8.33 /share

Board of Directors
Inner Mongolia Yitai Coal Co., Ltd.
25 March 2013

Appendix II

2012 INTERNAL CONTROL SELF-ASSESSMENT REPORT OF INNER MONGOLIA YITAI COAL CO., LTD.

Dear Shareholders,

According to the requirements of the Basic Rules for Internal Control of Companies (《企業內部控制基本規範》), the Guidance on Implementation of Internal Control of Companies (《企業內部控制應用指引》), the Guidance on Assessment of Internal Control of Companies (《企業內部控制評價指引》), the Guidance of the Shanghai Stock Exchange on Internal Control of Listed Companies (《上海證券交易所上市公司內部控制指引》), the Company conducted self-assessment of the effectiveness of the internal control in 2012.

I. STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors (the “Board”) and all directors warrant that there are no false representations, misleading statements contained in or material omissions from this report, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the information herein contained.

It is the responsibility of the Board to put in place a sound and effective internal control mechanism, the establishment and implementation of which shall be overseen by the Supervisory Committee. The management shall be responsible for the day-today operation of this mechanism.

The objectives of the internal control: to reasonably ensure that the Company’s business operation is in compliance with laws and regulations and that the financial report and relevant information are true and accurate; to guarantee assets safety; to improve efficiency and effect of operation and management, and to facilitate achievement of the Company’s development strategies. Given its intrinsic limitations, internal control can only provide reasonable assurance for the above objectives.

II. OVERVIEW OF THE INTERNAL CONTROL ASSESSMENT

The Board established an Audit Committee to take charge of the communication between internal and external auditors, audit examination and supervision; the internal audit department, tasked with the implementation of the internal control assessment, shall evaluate the high-risk fields and units within the assessment scope; the internal control assessment team is responsible for the organization of internal control assessment and reports to the Board.

In order to further strengthen and regulate internal control, ensure the standardized and orderly proceeding of all work, enhance the Company’s operation and management level and ability to prevent risks, promote the sustainable development of the Company and meet the relevant requirements of the Basic Rules for Internal Control of Companies and relevant supporting guidance, the Company has set up the Internal Control System of Inner Mongolia Yitai Coal Co., Ltd.(《內蒙古伊泰煤炭股份有限公司內部控制制度》), sorted the core internal control processes of operation and management, and prepared the Internal Control Handbook of Inner Mongolia Yitai Coal Co., Ltd.(《內蒙古伊泰煤炭股份有限公司內部控制手冊》), providing institution guarantee for the implementation, monitoring and assessment of the Company’s internal control.

II. OVERVIEW OF THE INTERNAL CONTROL ASSESSMENT *(CONTINUED)*

The internal control assessment team evaluates and summarizes the reasonableness of design and effectiveness of operation of internal control of all divisions and subsidiaries within the scope of assessment according to the 2012 Internal Control Assessment Plan of Inner Mongolia Yitai Coal Co., Ltd.(《內蒙古伊泰煤炭股份有限公司2012年內部控制評價方案》), prepares working paper for internal control assessment, writes internal control assessment report and reports to the Board. The internal control assessment report will be disclosed after being considered and approved at the Board meeting.

In 2012, the Company engaged Roland Berger Strategy Consultants (Shanghai) Co., Ltd. (羅蘭貝格管理諮詢(上海)有限公司) to provide consulting services on internal control. The sixth meeting of the fifth Session of the Board considered and approved the engagement of Da Hua Certified Public Accountants Co., Ltd (大華會計師事務所) (special general partnership) to audit the effectiveness of the Company's internal control.

III. BASIS FOR INTERNAL CONTROL ASSESSMENT

This assessment report is prepared on the reasonableness of design and effectiveness of operation of the Company's internal control as at 31 December 2012 pursuant to the requirements of the Basic Rules for Internal Control of Companies ("Basic Rules"), Guidance on Implementation of Internal Control of Companies("Implementation Guidance"), Guidance on Assessment of Internal Control of Companies(" Assessment Guidance"), Guidance of the Shanghai Stock Exchange on Internal Control of Listed Companies jointly issued by the Ministry of Finance of the People's Republic of China and other four ministries and commissions, according to the Company's internal control system and evaluation methods and based on the day-to-day monitoring and special supervision of internal control.

IV. PROCEDURES AND METHODS OF INTERNAL CONTROL ASSESSMENT

(I) Assessment procedures

The internal control assessment shall be carried out in strict compliance with the procedures prescribed in the Basic Rules, Assessment Guidance and the Company's internal control appraisal methods. Assessment procedures mainly include:

1. Formulate internal control assessment plan

The internal audit department leads the formulation of the internal control assessment plan and specifies relevant issues such as assessment scope, tasks, staffing and scheduling, which is subject to consideration and approval by the internal control assessment team.

2. Set up the internal control assessment team

The internal control assessment team is composed of directors, senior managers and key employees of operational departments.

IV. PROCEDURES AND METHODS OF INTERNAL CONTROL ASSESSMENT *(CONTINUED)*

(I) Assessment procedures *(Continued)*

3. Organize training on internal control assessment

The internal audit department requests the internal control assessment team to provide training on the Assessment Guidance, Implementation Guidance and internal control assessment procedures and methods.

4. Conduct on-site testing of the design and operation of internal control

The assessment team ascertains the basic information about the appraisal target, judges whether there are deficiencies in design and operation against the standard control measures, evaluates identified defects, puts forth suggestions for correction, formulates working paper on internal control assessment and prepares summary sheet on deficiencies appraisal, effectively materializing the internal control assessment.

5. Prepare internal control assessment report

The internal control assessment team prepared, based on the implementation and examination results of the Company's internal control practice, the 2012 Internal Control Assessment Report of Inner Mongolia Yitai Coal Co., Ltd. (draft)(《內蒙古伊泰煤炭股份有限公司2012年度內部控制評價報告》(草案)), submitted it to the audit committee for consideration and, upon approval, to the Board for consideration by all directors.

6. Disclose the internal control self-assessment report

(II) Assessment methods

During the assessment process, we adopted appropriate approaches including individual interviews, seminars, walk-through test, on-site inspection, sampling and comparative analysis to collect a wide range of evidences on whether the design and operation of the Company's internal control mechanism was effective, and then truthfully prepared assessment working paper to identify and analyze defects in internal control.

V. SCOPE OF INTERNAL CONTROL ASSESSMENT

This internal control assessment covered the Company's headquarter, 17 controlled subsidiaries and 4 indirectly controlled subsidiaries with focus on high risks involving capital flow, assets management, procurement, sales and money collection management, contract management and accounting information.

Business and matters within the scope of this assessment include: organizational structure, development strategy, human resources, social responsibility, corporate culture, capital management, procurement business, asset management, production management, transportation and sales of coal, engineering project, financial report, budget management, contract management and information system.

Internal control over the above business and matters covered the major aspects of the Company's operation and management with no material omission.

VI. COMPREHENSIVE ASSESSMENT OF INTERNAL CONTROL

The internal control assessment team conducted comprehensive evaluation around five major factors, namely "internal environment, risk assessment, control activities, information and communication, internal oversight". The evaluation results are elaborated as follows:

(I) Internal environment

1. Organizational structure

In strict accordance with the requirements of the Company Law of the People's Republic of China, the Governance Standards for Listed Companies(《上市公司治理準則》) and the Articles of Association, the Company established the shareholders' general meeting, the Board and the Supervisory Committee, and set up the strategy committee, production committee, audit committee, nomination committee, remuneration and appraisal committee under the Board, built up a sound governance system with the Articles of Association as the basis and the Detailed Rules on the Work of General Manager and the rules of procedure for all special committees as specific rules; specified the authority and obligation of the shareholders' general meeting, the Board and the Supervisory Committee and the management in decision making, execution and supervision as well as relevant procedures; scientifically divided the work of the authority, decision making, operation and monitoring bodies and formed the corporate governance structure with effective check and balance; made sure that each body and employee could exercise his rights and perform his duties in line with systems and regulations.

VI. COMPREHENSIVE ASSESSMENT OF INTERNAL CONTROL *(CONTINUED)*

(I) Internal environment *(Continued)*

1. Organizational structure *(Continued)*

The Company regularly combed and evaluated the corporate governance structure and internal organization establishment. In 2012, the Company hired Roland Berger Strategy Consultants (Shanghai) Co., Ltd. for optimization and standardization of the Group's management structure. In light of the practical needs of operation and management and the requirements of Company's strategic development, functional departments were designed and optimized to ensure the scientific division of work and effective coordination of the overall operation and management.

The Company placed great emphasis on the management of authorization relating to business matters, specified the level of authorization for different business matters, effectively avoiding authorization ambiguity, power exceeding and dereliction of duty by all levels of managers.

2. Development strategy

The Company established the Strategy Management System to make clear the strategic planning and organizational system, strategy formulation, objective analysis and the processes for strategy implementation, appraisal and adjustment, standardized the content of strategy planning in a bid to adapt to the Company's needs for business scale expansion and rapid development, enhance our core competitiveness and sustainable development ability and to guarantee the accomplishment of our strategic goals.

The Board has a strategy committee comprised of 11 directors, which is responsible for strategy management, conducts research on the Company's long-term development strategy and material investment decisions and provides relevant recommendations. The strategy committee has an investment evaluation panel in charge of up-front preparation for strategic decision making and provision of relevant information of the Company.

The Company cultivated strategic awareness and strategic thinking among directors, supervisors and senior management and brought into full play their lead role in strategy formulation and implementation. The management broke down the development strategic goals, set up incentive and constraint mechanisms for development strategy implementation, and incorporated the performance of each unit in annual budget goals achievement into the financial responsibility-based appraisal system, giving rewards and punishments according to individual merits to promote the accomplishment of the Company's development strategy.

VI. COMPREHENSIVE ASSESSMENT OF INTERNAL CONTROL *(CONTINUED)*

(I) Internal environment *(Continued)*

3. Human resources

Pursuant to the Company Law of the Peoples Republic of China, the Labor Law and relevant laws and regulations, the Company built the Human Resources Management System, the Recruitment Management System, the Remuneration Management System and the Employees Performance Appraisal System to elaborate requirements for employee recruitment, salary and remuneration, performance evaluation, training management, staff promotion and dismissal.

Meanwhile, the Company defined the function and power, job qualifications and requirements of each functional positions to make sure that each post was established for specific duties and as the basis for employee recruitment and that each employee is qualified for his position. The Company attached great importance to the quality training of employees and adopted professional ethics and professional competence as important criteria in employee election and recruitment. The Company provided various forms of follow-up training and education for different positions according to practical work demands so that each employee was qualified for his job in the long run.

The Company put in place a scientific performance appraisal indicator system. The appraisal was carried out by the human resources department, business management department and other relevant divisions by using a combination of organizational and individual appraisal to evaluate the performance of managers at all levels and all employees.

The optimization and improvement of the human resources management system provided strong support for the Company’s efforts to attract and retain highly-competent people.

VI. COMPREHENSIVE ASSESSMENT OF INTERNAL CONTROL *(CONTINUED)*

(I) Internal environment *(Continued)*

4. Social Responsibility

Our management places great emphasis on corporate social responsibility, fostering the awareness of social responsibility, developing the corporate value and corporate culture of performing social responsibility, and incorporating it into our development strategy.

As for production safety, the Company has always adhered to the "guideline of safety-first, prevention-oriented comprehensive management", rather investing another RMB10 million or producing 1 million tonnes less coal than risking one life. We have established a supervision and inspection mechanism on production safety, designating special posts and persons in charge of production safety inspection. By delegating relevant responsibilities to specific persons and clearly defining related accountability to the persons and departments concerned, the Company ensured thorough implementation of and compliance with its production safety systems. During 2012, by closely centering on the "unrelenting, careful and un-self-satisfied" guideline, we fully improved the safety management system, introduced the Regulations on the Reporting, Investigation and Disposal of Safety Accidents (《安全事故報告和調查處理規定》), effectively avoiding accidents of the same nature; prepared the Preliminary Plan for Accident Emergency Rescue (《事故應急救援預案》) and conducted drillings, remarkably enhancing our emergency rescue capability; issued the Regulation on Further Strengthening Fundamental Safety Management among Coal Mining Entities (《進一步加強煤礦單位安全管理基礎工作的規定》), and carried out centralized on-site fundamental safety management, fostering an all-staff, all-round and full-process safety management atmosphere.

As for product quality management, the Company reinforced coal quality management, strictly complied with the requirements of the ISO9001:2008 Standards, Quality Manual of the Company (《公司質量手冊》), Program Documents of the Quality Management System (《質量管理體系程序文件》) and the Three-Tier Documents of the Quality Management System of the Company (《公司質量管理體系三層文件》), implemented process control and feedback control over product quality, and carried out regular coal quality spot-checks and quality supervision to identify and resolve coal quality issues in a timely manner.

VI. COMPREHENSIVE ASSESSMENT OF INTERNAL CONTROL *(CONTINUED)*

(I) Internal environment *(Continued)*

4. Social Responsibility *(Continued)*

As for environmental protection, in accordance with the Measures for Environmental Management of Inner Mongolia Yitai Group Co., Ltd. (《內蒙古伊泰集團有限公司環境管理辦法》), the Company continuously stepped up internal monitoring, regulated the environmental protection work of all production and operating entities, cultivated the employees' awareness of environmental protection, and fully boosted its environmental management level. Based on the work needs of Yitai Group in respect of the environmental management system, the Company prepared detailed work rules. In September 2012, the Company smoothly passed the annual supervision review of the ISO14001 environmental management system.

As for safeguarding of employees' rights and interests, we established a scientific employee remuneration system and incentive mechanism, and the mechanism on normal increase of remunerations for senior management and ordinary employees, and realized performance-based distribution and equal pay for equal work. The Company bought social insurance for all its staff and paid social insurance expenses in full.

We took a variety of measures to strengthen management of production safety, product quality, environmental protection, employment enhancement, protection of employees' rights and interests, etc., well coordinated economic benefits and social benefits, short-term interest and long-term interest, self-development and social development, and fulfilled healthy and harmonious development between the enterprise and the staff, the enterprise and the society, and the enterprise and the environment.

During the reporting period, there were no production safety accidents, product quality disputes, penalty for environmental pollution, or employee complaints about the Company.

VI. COMPREHENSIVE ASSESSMENT OF INTERNAL CONTROL *(CONTINUED)*

(I) Internal environment *(Continued)*

5. Corporate Culture

The Company set up the framework for building the corporate culture under the guidance of the "Four-Adherence" principle (adhering to strengthened leadership of the Party over the enterprise and central leadership of the party committee of the Company; adhering to lawful business operation, tax payment according to law, coordinated development of two civilizations; adhering to reliance on the staff and respect for the ownership position of the staff; adhering to the guideline of making positive contributions to the construction of a socialist country at regional and national levels). Basing its ethos on "integrity, responsibility, innovation, dedication", with "honesty and harmony" as its cultural pillar, "people-oriented honest operation" as its business philosophy, and "energy transmission with devotion for an ever-stronger Yitai" as its corporate slogan, the Company prepared the Cultural Manual for the Employees of the Company (《公司員工文化手冊》), and defined its corporate image, spirit, values, and code of conduct for employees, integrating cultural construction into day-to-day operations, and purposefully steering its employees to develop consistent behavioral habits. By way of quarterly and annual performance assessment, the Company launched the competition for advanced workers and advocated the benchmark culture.

By organically combining cultural construction with its development strategy, the Company built its unique and characteristic corporate culture adapted to its development needs, and brought into full play the value of employees during enterprise development.

(II) Risk Assessment

By combining relevant risk assessment requirements of the Basic Rules, and adopting related guidelines as the basis, the Company established uniform and standard risk assessment procedures, defined the basis and standards for risk assessment, collected information relating to risk assessment while establishing and implementing internal control from the prospective of risk possibility and impact degree and based on routine management and supervision, internal and external audits, and carried out risk management through risk identification, risk analysis, risk assessment and countermeasures.

VI. COMPREHENSIVE ASSESSMENT OF INTERNAL CONTROL *(CONTINUED)*

(III) Control Activities

The Company prepared the Preliminary Plan for Emergency Rescue of Significant Accidents (《重大事故應急救援預案》), and established the emergency early warning and reporting mechanism for production safety accidents, putting risks within a controllable range. According to the requirements of the Basic Rules and related guidelines, by means of preventive and discoverable controls, the Company formulated corresponding control measures on the basis of its internal environment and principal businesses, and conducted regular checks and analyses of their implementation.

1. Capital activities

The Company has always stuck to the principle of centralized capital management by specified departments, enhanced the uniform capital control and allocation mechanism, fully boosted capital operation efficiency, and reduced financial risks. By way of the Management System for Monetary Capital and Bills (《貨幣資金及票據管理制度》), the Company stepped up systematic control of the operating capital, and strictly regulated the conditions, procedures and approval authority for incoming and outgoing capital.

The finance department of the Company is in charge of fundraising. To reinforce internal control of fundraising activities and ensure the legitimacy and effectiveness of the same, the Company has clearly specified the approval authority over fundraising in its Articles of Association and the Fundraising Management System (《籌資管理制度》).

2. Procurement business

To promote reasonable procurement, satisfy production and operation needs, and prevent fraud risks in respect of procurement, the Company clarified relevant process standards and control requirements for key controls during procurement management, mainly including management of procurement plans, classified and graded management of suppliers, procurement supervision and quality management, examination and approval management of purchase prices, contracts and payments, as well as bid and tender management.

As for management of procurement plans, the Company made procurement plans in strict compliance with production and operation needs, strictly controlled the purchase and purchase request process, reduced irrational procurement, prevented and avoided inventory backlog and occupation of working capital.

The Company put in place a classified and graded management mechanism for suppliers, strictly selected and assessed suppliers, and further optimized and improved its procurement system, which helped to forge a mutually-benefiting and win-win partnership between the Company and its suppliers.

VI. COMPREHENSIVE ASSESSMENT OF INTERNAL CONTROL *(CONTINUED)*

(III) Control Activities *(Continued)*

2. Procurement business *(Continued)*

By establishing the supervision and quality inspection system over the procurement process, and designating different departments and entities to conduct process supervision and product quality inspection to suppliers, the Company specified product acceptance standards and warehouse entry procedures, and ensured the final products put into the warehouse met its requirements.

By strictly controlling the authority approval procedure over purchase prices, purchase contracts and payments, the Company standardized confirmation of purchase prices, approval of purchase contracts and prevention of risks. Through the step of confirmation of approval of purchase payments, the Company effectively contained such problems as too high purchase prices, risk relating to purchase contracts and irregular payments.

The Company formulated the Bid and Tender Management System (《招投標管理制度》), and raised strict requirements on the bid and tender principles for major procurement projects, the issuance of tender procedures, tender documents, appraisal rules and letters of acceptance, and other matters. For procurement projects that comply with the Bid and Tender Management System, the departments in charge of procurement shall organize the tender appraisal committee (including representatives of the handling departments, requesting departments, and the finance department, technical experts and the audit department) to appraise and open tenders before opening of tender. The above measures effectively reduced procurement costs, avoided fraudulent practices, and enhanced the Company's flexibility in the market and its competitive capacity.

3. Asset management

The Company formulated the Inventory Management System (《存貨管理制度》) and other asset management systems, and revised the Measures for Fixed Assets Management (《固定資產管理辦法》) in 2012. As for fixed assets management, the Company clarified procedural standards and restraints in respect of the purchase, acceptance, registration, internal transfer, maintenance and scrapping of fixed assets. As for inventory management, the Company conducted clear-cut management and control over purchase reporting, acceptance and warehouse entry, taking and delivery, and storage of raw materials. As for intangible assets management, the Company specified its management requirements and standard restraints over the land assets, patent assets and trademark assets in order to protect the safety and maintain the value of its intangible assets.

To step up management of assets stocktaking, the Company took the measures of regular checks and irregular spot checks to ensure consistency between the book and the physical condition of assets and the safety and completeness of its assets.

VI. COMPREHENSIVE ASSESSMENT OF INTERNAL CONTROL *(CONTINUED)*

(III) Control Activities *(Continued)*

4. Sales business

The Company exercised full control management of the sales process, with focus on sales plans, client credit, coal prices, and sales contracts.

The Company made in-depth analysis and forecast of the market, and formulated and broke down sales plans according to the strategic development requirements of the Company and based on its previous actual sales conditions so as to guide its sales work. Meanwhile, the Company made exquisite investigations into its clients' credit and capabilities, and only cooperated with those with certain credit and capital capacities. Based on the actual market conditions and pricing policies of competitors, the Company flexibly adjusted sale prices of coal.

5. Engineering projects

To strengthen management of capital construction, the Company formulated the Management System on Capital Construction Projects (《基本建設項目管理制度》), established standard project initiation and approval, project implementation, final settlement of account, acceptance and payment procedures for major engineering projects, defined the duties and approval authority of the engineering management department, construction cost center, audit department and other related departments, ensured separation of incompatible functions such as feasibility study and decision making, budget preparation and examination, project implementation and payment of relevant prices, final settlement of account and audit, and ensured the viability of construction of engineering projects, controllability of the construction process, standard acceptance of projects, and transparency of final account of projects.

6. Financial report

The Company gave top priority to the truthfulness and completeness of the data in its financial reports, and exercised strict control and management of accounting, preparation and disclosure of financial reports. The Company set reasonable posts, and authority over duties in respect of financial management and accounting, appointed special personnel to ensure functioning of finance and accounting. With clear division of labor among its staff, the accounting department implemented the post accountability system, clarifying and separating incompatible functions.

VI. COMPREHENSIVE ASSESSMENT OF INTERNAL CONTROL *(CONTINUED)*

(III) Control Activities *(Continued)*

6. Financial report *(Continued)*

To avoid falsehood and material omissions in the financial reports, the Company stepped up process control over the preparation of financial reports, consolidation of financial statements and external supply of financial statements. Specifically, financial reports shall be prepared in strict accordance with the accounting system and policies as required by the state; nobody shall change the existing accounting policies and accounting estimates of the Company without permission; the preparation, review and approval of financial statements are separated to ensure the accuracy and truthfulness of the financial data; before formally providing its financial statements, the Company shall appoint an accounting firm to conduct an audit to ensure there is no false information or material omission in such financial statements.

The Company perfected the authorization approval system for the preparation, disclosure, analysis and use of its financial reports, including the approval of preparation plans, approval of accounting policies and accounting estimates, approval of accounting of major transactions and matters, and approval of the contents of financial reports. Meanwhile, the Company established the system for the analysis of financial reports, and provided decision-makers with ample and effective decision-making basis by analyzing and studying all the operating data and financial data of the Company.

7. Comprehensive budget

The Company has implemented budget management on financial matters in accordance with its strategic development plan and annual business plans. Budgeting is generally carried out according to the procedures of "combining all levels, preparing and summarizing at each level and being unified and coordinated" (上下結合、分級編制、逐級匯總、統一協調). Annual business objectives are given to each budget execution unit which shall proposes its financial budget plan by reference to its own characteristics and predictable execution conditions. The budget department of the Company then reviews and summarizes these plans, makes recommendations in respect thereof and prepares a financial budget plan (draft) which, after being considered and approved by the Board of Directors, shall be implemented by each execution unit and employee.

The Company carries out management and control over the decomposition of budgeting, implementation and process control, budget adjustment as well as assessment and other aspects to ensure that its budget plan is scientific and effective and the budget management process is controllable and traceable, thus ensuring the thorough implementation of budget management.

VI. COMPREHENSIVE ASSESSMENT OF INTERNAL CONTROL *(CONTINUED)*

(III) Control Activities *(Continued)*

8. Contract management

In order to regulate contract management, prevent and control contract risks and effectively safeguard the legitimate interests of the Company, the Company has established the Contract Management Measures, which specifies the subjects, form and contents, signing, execution, alteration, transfer and termination of a contract as well as the mediation, arbitration and proceedings of any dispute arising from a contract and establishes internal review and countersign mechanism for contracts. Each level of the Company performs its approval authority within its scope of authorization as prescribed by the Contract Management Measures.

During the implementation of a contract, the Company strictly follows the principle of good faith to perform the contract and at the same time effectively monitors the performance of the contract by the counterparty by enhancing inspection, analysis and acceptance of the performance of the contract to ensure the overall effective performance of the contract.

9. Information system

The information management department, which is responsible for the management of the information systems throughout the Company, has established routine development and maintenance mechanisms for information systems and secures the continuing normal running of the information systems through the development, maintenance and day-to-day management of the information systems. The Company has specified the following development direction for its information systems according to its strategic development requirements and current operation and management situation: while securing the stable operation of business systems, continue to actively assist relevant business units in promoting information construction, increase information technology training and publicity work and enhance information awareness throughout the Company. The Company's information systems will be expanded, upgraded and updated as planned and the Company's information technology-based management level will be enhanced. The authority administration requirements of the Company's information systems will be defined so as to achieve effective control over the powers, responsibilities and information of the Company by use of information systems.

VI. COMPREHENSIVE ASSESSMENT OF INTERNAL CONTROL (CONTINUED)

(III) Control Activities (Continued)

10. Production Management

The Company attaches importance to the all-round management and control of coal production and has worked out the Coal Production Management Rules (《煤炭生產管理制度》) so as to thoroughly execute the State's guidelines and policies related to coal industry and coal production, enhance production management and regulate production management activities. The management rules sets out the regulatory requirements and control constraints for production planning and control, production technology management, supervision of production process, mechanical and electrical equipment management, transportation management as well as the quality inspection and control of parts and final products.

In 2012, the Company maintained its honours in the national production safety, with 12 mines being named as "national standardized mine of safety and quality (國家級安全質量標準化煤礦)", 8 mines being named as "safe and efficient mines in the coal industry of PRC (全國煤炭工業安全高效礦井)" (7 as super-level safe and efficient mines and one as second-level safe and efficient mine), 1 mine being named as a double "top 10" coal mine in the coal industry of PRC (中國煤炭工業雙十佳煤礦), 1 employee being named as a double "top 20" mine managers in the coal industry of PRC (中國煤炭工業雙十佳礦長), 8 mines being named as advanced coal mines in the coal industry of PRC(中國煤炭工業先進煤礦), 3 employees being named as outstanding coal mine managers in the coal industry of PRC (中國煤炭工業優秀礦長), 1 fully mechanized excavation team (綜掘隊) being named as an advanced team in the coal industry of PRC (全國煤炭工業先進集體) , 1 employee being named as a model worker in the coal industry of PRC (全國煤炭工業勞動模範) and 2 rescue squadrons being named as national first-level quality and standardized rescue team (全國一級質量標準化救護隊).

(IV) Information and communication

1. Internal information and communication

With the information management systems such as SAP system and OA system, the Company has materialized the network-based and information technology-based internal communication, the transmission of information among the management levels, various departments and business units and between the employees and management thus become more quickly and smoothly and communication is more convenient and effective.

In the daily management, information and communication channels such as regular meetings per month, regular business analysis and report as well as special work reports have been established to facilitate the Company's employees at all levels to understand the information relating to the Company's operation and management in a timely and efficient manner.

VI. COMPREHENSIVE ASSESSMENT OF INTERNAL CONTROL *(CONTINUED)*

(IV) Information and communication *(Continued)*

2. External information and communication

The Company makes use of various channel and mechanisms to maintain smooth communication and liaison with investors, media and regulatory agencies, makes regular and irregular disclosure of relevant reports and accepts inquiries from and checks by various regulatory agencies.

At the same time, the Company insists on the principle of emphasizing punishment and precaution with focus on prevention and has established anti-fraud communication channels between the employees or external related parties and the management and the audit committee through informants' hot-line telephone, complaint mailbox and internal audit, thus creating a corruption-free business environment.

(V) Internal supervision

The audit committee under the Board of Directors of the Company was established to conduct special audit and supervision on the major economic behaviours of the Company in accordance with the requirements of the Board of Directors.

The audit department of the Company, defined as the department in charge of the testing and supervision of the operational state of the internal control system, is equipped with special internal control oversight officers who audit the internal economic events of the Company on an irregular basis, check the implementation of internal controls and exercise overall supervision and control over the business management process of the Company. Through the day-to-day oversight and special supervision, the audit department is able to check, supervise and evaluate the truthfulness and completeness of the Company's financial information and the effectiveness of establishment and implementation of the Company's internal control system.

The Company conducts legal audit on the terms of every contract involving the companywide management through the Legal Affairs Division of the General Manager's Office to ensure that its various types of contracts are free from legal risks.

VII. INTERNAL CONTROL DEFICIENCIES AND IDENTIFICATION THEREOF

The Board of Directors of the Company has established the identification criteria for internal control deficiencies that are more appropriate for the Company through adjustments and studies according to the Basic Rules, Assessment Guidance and the Guidance of the Shanghai Stock Exchange on Internal Control of Listed Companies (《上海證券交易所上市公司內部控制指引》) and with reference to the size of the Company, industry characteristics, risk appetite and risk tolerance, the possibility of risk, the possible impact of risk incidents and other factors.

1. Classification of internal control deficiencies

The internal control deficiencies of the Company are classified as crucial, important and ordinary deficiencies in accordance with the severity of their impact on the fulfilment of internal control objectives:

(1) Crucial deficiencies: the combination of one or more control deficiencies, which may lead to a serious deviation from the control objectives of the Company;

(2) Important deficiencies: the combination of one or more control deficiencies, which may lead to a deviation from the control objectives of the Company though the severity of its impact and the resulting economic outcome are less worse than those of crucial deficiencies;

(3) Ordinary deficiencies: those deficiencies other than the crucial deficiencies and important deficiencies.

2. Quantitative and qualitative criteria for identifying internal control deficiencies

(1) Quantitative and qualitative criteria for identifying deficiencies in internal control over financial reporting

In the case of quantitative criteria, if the misstated amount in a financial report as may be resulted from a deficiency alone or together with other deficiencies is less than 0.5% of the Company's total assets or 3% of the Company's pre-tax profit, such deficiency is identified as ordinary deficiency; if the misstated amount is more than 0.5% (including 0.5%) but less than 1% of the Company's total assets or more than 3% (including 3%) but less than 5% of the Company's pre-tax profit, such deficiency is identified as important deficiency; and if the misstated amount is more than 1% (including 1%) of the Company's total assets or 5% (including 5%) of the Company's pre-tax profit, such deficiency is identified as crucial deficiency.

VII. INTERNAL CONTROL DEFICIENCIES AND IDENTIFICATION THEREOF *(CONTINUED)*

2. Quantitative and qualitative criteria for identifying internal control deficiencies *(Continued)*

(1) Quantitative and qualitative criteria for identifying deficiencies in internal control over financial reporting *(Continued)*

In the case of qualitative criteria, the following situations are at least usually identified as "crucial deficiencies": restating a previously published financial statement to reflect the correction of errors or misstatements resulting from fraud; the failure of the audit committee to supervise the Company's external financial reporting and internal control over financial reporting; discovery of any fraud involving senior management; the failure of the management to correct an important deficiency that has been reported to them within a reasonable period.

The Company specifies that an internal control deficiency involving any of the following aspects shall be at least identified as an "important deficiency": deficiencies in internal control over unconventional or non-systematic transactions; deficiencies in internal control over selection of generally accepted accounting principles and application of accounting policies; and deficiencies in internal control over connected transactions and material reorganization.

(2) Quantitative and qualitative criteria for identifying deficiencies in internal control over non-financial reporting

If a deficiency alone or together with other deficiencies may directly result in an asset loss in the amount of less than RMB1 million (including 1 million), or a punishment from the authorities at the provincial level and below but do not have any negative impact on the disclosure of the Company's regular reports, such deficiency is identified as ordinary deficiency.

If a deficiency alone or together with other deficiencies may directly result in an asset loss in the amount of more than RMB1 million but less than RMB10 million (including 10 million), or a punishment from the relevant State authorities but do no have any negative impact on the disclosure of the Company's regular reports, such deficiency is identified as important deficiency.

If a deficiency alone or together with other deficiencies may directly result in an asset loss in the amount of more than RMB10 million, or has been officially disclosed and has a negative impact on the disclosure of the Company's periodic report, such deficiency is identified as important deficiency.

According to the above identification criteria and with reference to day-to-day supervision and special supervision, no crucial or important deficiencies were found existing during the reporting period in the internal control assessment process.

VIII. RECTIFICATION OF INTERNAL CONTROL DEFICIENCIES

During the reporting period, the Company did not find any crucial or important deficiencies in its internal controls, the design of which is reasonable and the operation of which is effective.

IX. CONCLUSIONS ON THE EFFECTIVENESS OF INTERNAL CONTROLS

The Company has assessed the effectiveness of the design and operation of its internal controls for the year ended 31 December 2012 according to the Basic Rules, Assessment Guidance and other relevant laws and regulations.

During the reporting period, the Company established internal controls for business activities and events included in the assessment scope. As such internal controls were implemented effectively, the Company's internal control objectives were fulfilled and no crucial deficiency was found.

The Company will further improve its internal control system and perfect the long-term effective mechanism for internal controls according to the Basic Rules, supporting guidelines and the requirements of regulatory documents. More efforts will be made in supervision and audit and in enhancing risk prevention. The Company will duly adjust its internal control system according to new policies, requirements of regulatory agencies, changes in business environment and the actual needs of the Company's development, so as to align its internal controls with its business size, business scope, competition situation and risk level, thereby further improving its internal control system, promoting the deepening of various internal control tasks and thus facilitating the healthy and sustainable development of the Company.

The Board of Directors of Inner Mongolia Yitai Coal Co., Ltd.*
25 March 2013