



# 内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

# 2013

## Interim Report

\*For identification purposes only

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## IMPORTANT NOTICE AND DEFINITIONS

### I. IMPORTANT NOTICE

- (I) The Board of Directors, and the Supervisory Committee of the Company and its Directors, supervisors and senior management warrant that the information herein contained is true, accurate and complete and there are no false representations, misleading statements contained in or material omissions from this report, and severally and jointly accept full legal responsibility.
- (II) All of the Company's Directors attended the Board meeting.
- (III) The Group's unaudited interim results for the six months ended 30 June 2013 ("Reporting Period") have been reviewed independently by the Company's external auditor Ernst & Young in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Hong Kong Institute of Certified Public Accountants.
- (IV) The Company's Chairman, Mr. Zhang Donghai, Senior Management responsible for finance and accounting, Mr. Lv Guiliang, and Head of Financial Department (accounting chief), Mr. Yang Yonggang, warrant the truthfulness, accuracy and completeness of the financial report set out in the report.
- (V) Were there any non-operational funds appropriated by controlling shareholders and its connected parties?  
  
No
- (VI) Did the Company provide third-party guarantees in violation of stipulated decision-making procedures?  
  
No

## IMPORTANT NOTICE AND DEFINITIONS (Continued)

### II. 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 from time to time
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)
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)



## IMPORTANT NOTICE AND DEFINITIONS *(Continued)*

### II. DEFINITIONS *(CONTINUED)*

#### Definitions of frequently-used terms *(Continued)*

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)

## CORPORATE PROFILE

### I. CORPORATE INFORMATION

Legal name of the Company in Chinese	內蒙古伊泰煤炭股份有限公司
Chinese abbreviation	伊泰煤炭
Legal name of the Company in foreign language	INNER MONGOLIA YITAI COAL CO., LTD.
Abbreviation of the legal name of the Company in foreign language	IMYCC/Yitai Coal
Legal representative	Zhang Donghai
Members of the Board	<i>Executive Directors</i>  Zhang Donghai ( <i>Chairman</i> ) Liu Chunlin Ge Yaoyong ( <i>President</i> ) Zhang Dongsheng Kang Zhi Zhang Xinrong Lv Guiliang  <i>Independent Non-executive Directors</i>  Lian Junhai Song Jianzhong Tam Kwok Ming, Banny Yu Youguang
Members of the Supervisory Committee	Li Wenshan ( <i>Chairman</i> ) Zhang Guisheng Wang Xiaodong Ji Zhifu Han Zhanchun Wang Yongliang Wu Qu
Authorized Representatives	Liu Chunlin Lian Tao Lee Mei Yi ( <i>alternate to Liu Chunlin and Lian Tao</i> )



## CORPORATE PROFILE (Continued)

### II. 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	86-0477-8565642
Facsimile	86-0477-8565415
E-mail	liantaocn@gmail.com

#### Securities Department of the Company

Address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Telephone	86-0477-8565735
Facsimile	86-0477-8565415
E-mail	ir@yitaicoal.com

### III. CHANGE IN 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	<a href="http://www.yitaicoal.com">http://www.yitaicoal.com</a>
E-mail	ir@yitaicoal.com

## CORPORATE PROFILE (Continued)

### IV. INFORMATION DISCLOSURE AND CHANGE IN 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 interim report of the Company	<a href="http://www.sse.com.cn">http:// www.sse.com.cn</a>
Website designated by Hong Kong Stock Exchange for publishing the H share interim report of the Company	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Place of inspection of the Company's interim report	Securities department and principal place of business in Hong Kong

### V. 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	/

### VI. CHANGE IN BUSINESS REGISTRATION OF THE COMPANY DURING THE REPORTING PERIOD

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



## CORPORATE PROFILE (Continued)

### VII. 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

### VIII. KEY BUSINESS DATA

Unit: million tonnes

	From January to June 2013	From January to June 2012 (Restated)	Increase/Decrease
Coal production	21.10	24.97	-15.53%
Coal sales volume	29.35	41.05	-28.50%
Local sales at mines	9.69	13.88	-30.16%
Local sales at loading facilities	3.67	5.66	-35.16%
Sales via direct rail access	1.60	1.65	-2.96%
Sales at ports	14.39	19.87	-27.59%
Huzhun Railway Line	13.73	12.93	6.19%
Zhundong Railway Line	21.30	19.13	11.34%
Coal-related chemical production	0.086	0.083	3.43%

## SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

### 1. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

Unit: '000 Currency: RMB

	As at the end of Reporting Period	As at the end of last year	Increase/ decrease as compared with the end of last year
Total assets	44,030,422	41,367,144	6.44%
Equity attributable to owners of the Company	19,852,936	19,710,091	0.72%
Equity attributable to owners of the Company per share ( <i>Yuan/share</i> )	6.10	6.73	-9.37%



## SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS (Continued)

### 1. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS (CONTINUED)

	From January to June 2013 <i>RMB'000</i>	From January to June 2012 <i>RMB'000</i> (Restated)
<b>Revenue</b>	11,515,904	18,344,263
Cost of sales	<u>(7,321,625)</u>	<u>(11,673,358)</u>
<b>Gross profit</b>	4,194,279	6,670,905
Other income and gains	122,376	174,989
Selling and distribution expenses	(567,365)	(546,360)
Administrative expenses	(586,072)	(471,951)
Other expenses	(31,716)	(23,283)
Finance income	17,805	19,328
Finance costs	(257,620)	(193,599)
Exchange gains, net	1,207	2,158
Share of profits of associates	<u>(1,628)</u>	<u>180</u>
Profit before tax	2,891,266	5,632,367
Income tax expense	<u>(411,952)</u>	<u>(958,359)</u>
Profit for the year	2,479,314	4,674,008
Exchange differences on translation of overseas operations	<u>(339)</u>	<u>—</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>2,478,975</u>	<u>4,674,008</u>
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Owners of the parent	2,176,599	4,270,867
Non-controlling interests	<u>302,376</u>	<u>403,141</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RMB)</b>		
For profit for the year	<u>0.67</u>	<u>1.46</u>

## SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS (Continued)

### 2. DIFFERENCES OF NET PROFIT AND NET ASSETS BETWEEN INTERNATIONAL ACCOUNTING STANDARDS (“IAS”) AND PRC ACCOUNTING STANDARDS

Unit: RMB'000'000

Region	Net profit		Net assets	
	For the period	For the same period of last year	As at the end of the period	As at the beginning of the period
As compared under Accounting Standards	<b>2,176.94</b>	4,288.39	<b>19,852.94</b>	19,699.41
Items and amounts adjusted under IFRSs:				
Depreciation of fixed assets purchased with production maintenance fees	—	-175.18	—	10.68
Under IFRSs	<b>2,176.94</b>	4,270.87	<b>19,852.94</b>	19,710.09



## REPORT OF THE DIRECTORS

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

In the first half of 2013, China's macro economy slowed down its pace of growth. The growth of downstream industries was sluggish, while 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. Meanwhile, coal prices worldwide lingered at low levels, and coal imports of China increased significantly, which had a significant impact on the domestic coal market.

During the Reporting Period, confronted with unfavourable situations such as declining macro economy and sluggish coal market, the Company overcame the difficulties under the guidance of the Board of Directors and senior management. It produced scientifically, organised outwards transport reasonably, standardised the enterprise's operations and enhanced the operational management. It adhered to its objective of integrity and implemented its developmental strategy steadily.

The Company made continuous innovations while improved its coal production. The collaborative mode of underground coal mines production was implemented successfully. It also proactively explored the project management model of disaster management. The Company constantly implemented its safety principle of "safety-foremost with prevention-oriented and comprehensive treatment" (「安全第一、預防為主、綜合治理」). It enhanced its safety-related examinations constantly, strengthened its site management and trainings, optimised the system of safety management and established the safety system of coal mine. As at the end of the Reporting Period, there was no injury, casualty incident or other safety-related incidents. Leveraging systematic tunneling and optimized coal mining designs, the Company solved the problem of continuity in mining and enhanced the efficiency of installment and removal of FM face (綜采工作面). Production was intensified successfully through the optimisation of systemic mining production. The Company maximized the exploitation and recycling of corner coal. It promoted the application of the "four new energy-saving technologies", further perfecting the tunneling technology and the management process. It enhanced various means such as "ventilation and three preventions" in mines, the improvement of fire prevention and the establishment of six major systems of safety refuge. The efficiency of coal production was further improved.

During the first half of 2013, the Company produced a total of 21.10 million tonnes of coal, representing a decrease of 15.53% from the same period last year; the Company sold 29.35 million tonnes of coal, representing a decrease of 28.50% from the same period last year. The Company posted sales revenue of RMB11,515.90 million, representing a decrease of 37.22% from the same period last year, and comprehensive income amounted to RMB2,478.98 million, representing a decrease of 46.96% from the same period last year. Zhundong Railway Line and Huzhun Railway Line transported a total of 35.03 million tonnes of coal, representing an increase of 9.26% from the same period last year; Coal-to-oil Company produced an aggregate of 85,800 tonnes of oil products and chemical products were produced, representing an increase of 3.43% from the same period last year.

The prospect of the second half of 2013 is that China will implement sustainable development through expanding domestic demand and enhancing innovation. The country is undergoing an important period of strategic opportunities of urbanization, industrialization and coordination of the development in different regions. Confronted by complicated international and domestic economic situations, China will seek new economic growth points while transforming its economy. It will transform the form of development of its economy and accelerate the adjustment of industrial structures.

## REPORT OF THE DIRECTORS (Continued)

### I. 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 2013, 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.

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

##### 1. Analysis of changes in items of the financial statement

Unit: RMB'000'000

Item	Amount for the Reporting Period	Amount for the same period last year	Changes
Sales revenues	11,516	18,344	-37.22%
Costs of sales	(7,322)	(11,673)	-37.28%
Selling and distribution expenses	(567)	(546)	3.84%
Administrative expenses	(586)	(472)	24.18%
Finance costs	(258)	(194)	33.07%
Net cash flow from operating activities	2,227	3,257	-31.62%
Net cash flow from investing activities	(2,509)	(2,196)	14.25%
Net cash flow from financing activities	1,039	(2,457)	-142.29%



## REPORT OF THE DIRECTORS (Continued)

### I. 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 (Continued)

##### 2. Revenue

##### (1) Analysis of factors causing changes in business revenue

Yitai	From January to June 2013		From January to June 2012	
	Volume (million tonnes)	Unit price (excluding tax) (RMB yuan/ tonne)	Volume (million tonnes)	Unit price (excluding tax) (RMB yuan/ tonne)
Sales at ports	14.39	486	19.87	558
Sales via direct rail access	1.60	477	1.65	512
Local sales at mines	9.69	216	13.88	288
Local sales at loading facilities	3.67	289	5.66	350
<b>Total</b>	<b>29.35</b>	<b>372</b>	<b>41.05</b>	<b>436</b>

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

Yitai	From January to June 2013 Volume (million tonnes)	From January to June 2012 Volume (million tonnes)
Self-produced coal	19.78	25.49
Coal purchased externally	9.57	15.56

## REPORT OF THE DIRECTORS (Continued)

### I. 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 (Continued)

##### 2. Revenue (Continued)

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

Company-owned railways	From January to June 2013		From January to June 2012	
	Total throughput (million tonnes)	Freight volume for the Company	Total throughput (million tonnes)	Freight volume for the Company
Zhundong Railway Line	21.30	19.61	19.13	18.11
Huzhun Railway Line	13.73	10.21	12.93	9.07

##### (3) Analysis of orders

Yitai	From January to June 2013		From January to June 2012	
	Volume (million tonnes)	Unit price (RMB yuan/ tonne)	Volume (million tonnes)	Unit price (RMB yuan/ tonne)
Long-term contracts	14.84	415	14.89	484
Spot market	14.51	327	26.16	409
Total	29.35	372	41.05	436



## REPORT OF THE DIRECTORS (Continued)

### I. 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 (Continued)

##### 3. Cost

##### (1) Cost analysis

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

Unit: RMB/tonne

Cost item	From January to June 2013	From January to June 2012
Labor costs	13.19	12.49
Raw materials, fuel and energy	9.78	8.04
Depreciation and amortization	7.93	6.18
Other production-related costs	56.16	66.82
<b>Total cost for production of coal</b>	<b>87.06</b>	<b>93.53</b>

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

##### (2) Information on major suppliers

Unit: RMB'000'000

Inner Mongolia Huineng Coal Group Yangshita Coal Co., Ltd. (內蒙古匯能煤電集團羊市塔煤炭有限責任公司)	165.88
Shenchi Branch of Shanxi Ju'ao Coal Transportation and Sales Co., Ltd. (山西巨奧煤炭運銷有限公司神池分公司)	157.33
Inner Mongolia Yihe Energy Group Co., Ltd. (內蒙古怡和能源集團有限公司)	138.81
Inner Mongolia Hengdong Energy Group Co., Ltd. (內蒙古恒東能源集團有限責任公司)	134.30
Tianjin Guanglutong Coal Sales Co., Ltd. (天津市廣路通煤炭銷售有限公司)	108.27

For the half year ended 30 June 2013, 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 30 June 2013 respectively.

## REPORT OF THE DIRECTORS (Continued)

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

#### (II) Operating Segment

For the six months ended 30 June 2013	Coal RMB in thousand	Transportation RMB in thousand	Coal-related chemical RMB in thousand	Others RMB in thousand	Consolidated RMB in thousand
<b>Segment revenue:</b>					
External customers	10,656,613	154,514	701,253	3,524	11,515,904
Internal segments	95,658	786,652	7,723	—	890,033
	10,752,271	941,166	708,976	3,524	12,405,937
<i>Reconciliation</i>					
Elimination of intersegment sales					(890,033)
Total revenue					11,515,904
<b>Segment results:</b>					
Profit/(loss) before tax	2,322,480	500,799	81,486	(13,499)	2,891,266
Income tax expense	(339,939)	(50,801)	(21,212)	—	(411,952)
	1,982,541	449,998	60,274	(13,499)	2,479,314
<i>Reconciliation</i>					
Elimination of intersegment results					—
Net profit for the period					2,479,314
<b>Segment assets as at 30 June 2013</b>	29,835,527	9,841,551	4,414,384	296,299	44,387,761
Elimination of intersegment receivables					(357,339)
Segment assets as at 30 June 2013					44,030,422
<b>Segment liabilities as at 30 June 2013</b>	14,081,049	5,109,510	2,625,076	145,770	21,961,405
Elimination of intersegment payables					(357,339)
Total liabilities as at 30 June 2013					21,604,066



## REPORT OF THE DIRECTORS *(Continued)*

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

#### **(III) 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.

## REPORT OF THE DIRECTORS *(Continued)*

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

#### (III) 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 western China. 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 information, 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.



## REPORT OF THE DIRECTORS (Continued)

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

#### (IV) Analysis on Investment

##### 1. Overall analysis on external equity investment

Shareholding in non-listed financial entities

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

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.

## REPORT OF THE DIRECTORS (Continued)

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

#### (IV) Analysis on Investment (Continued)

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

###### (1) Entrusted loans

Unit: RMB million Currency: 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	1 year	6.56%	No	No	No	No	No	Wholly-owned subsidiary

##### 3. Use of proceeds

###### (1) General use of proceeds

Unit: RMB Currency: RMB

Year	Method of fundraising	Total proceeds	Total proceeds used in the Reporting Period	Total proceeds used on cumulative basis	Total unused proceeds	Utilization and whereabouts of the unused proceeds
2012	Issue of H shares	5,713,889,873.55	168,126,734.19	2,570,856,872.87	3,143,033,000.68	Payment of consideration for acquisition of assets
2013	Issue of medium-term notes	2,500,000,000.00	2,500,000,000.00	2,500,000,000.00	0	
Total	/	9,213,889,873.55	2,668,126,734.19	6,070,856,872.87	3,143,033,000.68	/



## REPORT OF THE DIRECTORS (Continued)

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

#### (IV) Analysis on Investment (Continued)

##### 3. Use of proceeds (Continued)

##### (2) Use of proceeds in projects undertaken to be financed by the proceeds

Unit: RMB '00 million Currency: RMB

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 Reporting Period	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	57.14	1.68	25.71	Yes	100%	6	5.59	Yes

##### 4. Projects not to be financed by the proceeds

Unit: RMB million Currency: RMB

Name of the project	Amount involved in the project	Progress of the project
Project of Second Track of Huzhun Railway Line	1,542.53	72%
Talahao Coal Mine Project	870.26	21.23%
<b>Total</b>	<b>2,412.79</b>	<b>/</b>

## REPORT OF THE DIRECTORS (Continued)

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

#### (V) Contingent liabilities

The Group had the following contingent liabilities not provided for:

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Guarantees given to banks in connection with loans granted to associates	<u>19,612</u>	<u>20,860</u>

#### (VI) Analysis on major subsidiaries and investees

Unit: RMB million

Company name	Business nature	Principal products or services	Registered capital	Total assets	Net profit
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	5,642.60	373.92
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Railway transport operations	Construction and investment of railways and ancillary facilities, and sale of construction materials and chemical products	1,360	4,130.82	75.51
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	3,837.92	60.19
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	3,778.72	383.75



## REPORT OF THE DIRECTORS *(Continued)*

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

#### (VI) Analysis on major subsidiaries and investees *(Continued)*

##### (1) Inner Mongolia Yitai Zhundong Railway Co., Ltd.

###### ① Overall operation of Zhundong Railway Company

During the Reporting Period, Zhundong Railway dispatched an aggregate of 21.30 million tonnes of coal, representing an increase of 11.34% as compared with the same period last year. The net profit amounted to RMB373.92 million, representing an increase 109.76% as compared with the same period last year. As at 30 June 2013, Zhundong Railway Line had maintained production safety for consecutive 4,520 days without casualty accidents, major transportation accidents or fire accidents.

###### ② Construction of project

A second track from Hushi Station to Gede'ergai (格德爾蓋) is to be added along Zhundong Railway Line. Currently, documents for the approval of the project are being obtained. Opinions from the department of cultural relics protection and comment on energy saving have been obtained, and other preparatory work is also underway in full speed. As to the construction of special railway line of Talahao Mine, the project is undergoing land acquisition and relocation.

##### (2) Inner Mongolia Yitai Huzhun Railway Co., Ltd.

###### ① Overall operation of Huzhun Railway Company

During the Reporting Period, Huzhun Railway had dispatched an aggregate of 13.73 million tonnes of coal, representing an increase of 6.19% as compared with the same period last year. The net profit amounted to RMB75.51 million, representing a decrease of 17.30% as compared with the same period last year. Huzhun Railway had maintained production safety for consecutive 2,389 days without casualty accidents, major train operation liability accidents or fire accidents.

###### ② Construction of project

The second track project of Togtoh - Jialanying section of Huzhun Railway Line is being constructed. With a length of 51.76 kilometers, the project started from Jialanying station and ended at Togtoh station of Huzhun Railway. The second track project of Togtoh - Zhoujiawan section is being constructed. The second track is to be added from Togtoh station to Zhoujiawan station of Huzhun Railway. Currently relevant engagements are underway in an orderly manner.

## REPORT OF THE DIRECTORS (Continued)

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

#### (VI) Analysis on major subsidiaries and investees (Continued)

##### (3) Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)

Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (hereafter referred to as “Coal-to-Oil Company”) was 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 Inner Mongolia Yitai Group Co., Ltd. with a registered capital of RMB1,500 million, and is owned as to 80% and 20% by the Company and Inner Mongolia Yitai Group Co., Ltd. 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 Yitai 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 optimizing process and enhancing technological innovation through the full implementation of standardization, thus accomplishing all the tasks of the year. An aggregate of 85,770.29 tonnes of oil products and chemical products were produced, and an aggregate of 86,630.81 tonnes of oil products and chemical products was sold.

During the Reporting Period, Coal-to-oil Company enhanced its production efficiency by continuously improving its production technology. In the meantime, it adjusted its product portfolio auspiciously with reference to market changes and customers’ needs, thus achieved sound economic efficiency.

##### (4) 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)

During the Reporting Period, Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. tided over odds and met all production and operating targets by carrying out tasks such as strengthening its cost and expense management, reinforcing its management and appraisal, and implementing the Rules on Regular Business Analysis Meetings (經營分析例會制度). It produced 6.27 million tonnes of raw coal, representing a decrease of 4.27% as compared with the same period last year.



## REPORT OF THE DIRECTORS *(Continued)*

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

#### (VI) Analysis on major subsidiaries and investees *(Continued)*

##### (5) Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)

During the Reporting Period, the preliminary work of Yili Company had achieved certain progress, with various supporting documents having been prepared and the preliminary work of the project being carried out in an orderly manner. Targets set for designs were basically met and procurement was arranged in full scale. The construction of the equipment area is also proceeding steadily, while the construction of public facilities (including offices and quarters) in front area of the plant is rapidly advancing.

##### (6) Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)

During the Reporting Period, the Ganquanpu project of Yitai Xinjiang Energy Co., Ltd. was officially registered with the Development and Reform Commission of the Inner Mongolia Autonomous Region. The overall design of the project had been completed and a review meeting of the overall design had been organized, whereby the design scheme was refined and the process equipment and process techniques of the project had been confirmed. Construction of public facilities and periphery constructions have commenced smoothly.

##### (7) Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)

Upon the approval of the filing of the 1.2 Mtpa Refined Chemical Project of Inner Mongolia Yitai Chemical Co., Ltd. on 30 October 2012, the Company swiftly organized for the commencement of preliminary construction. As at 30 June 2013, the overall design of the project was basically completed and the project proceeded to the stage of basic design.

## REPORT OF THE DIRECTORS (Continued)

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

#### (VII) Capital structure

As of 30 June 2013, the Company's gearing ratio was 62.24%, representing a decrease of 0.96 percentage point as compared with the beginning of the year.

	30 June 2013 RMB'000	31 December 2012 RMB'000
Interest-bearing bank borrowings	9,185,801	9,384,943
Long-term bonds	3,492,583	1,001,296
Trade and bill payables	898,456	1,345,325
Other payables and accruals	5,848,404	7,040,075
Less: Cash and cash equivalents	(7,067,816)	(6,314,553)
Net debt	12,357,428	12,457,086
Equity attributable to equity holders of the parent	19,852,936	19,710,091
Gearing ratio	62.24%	63.20%



## REPORT OF THE DIRECTORS (Continued)

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

#### (VIII) Mining Exploration, Development and Mining Production Activities

- As at the end of the Reporting Period, the remaining reserve of the mines of the Company was 2.981 billion tonnes which is in line with the standard of the PRC, while the mineable reserve was 1.760 billion tonnes.

Reserve of the Company's mines

Unit: '000 tonnes

Mine of the Company	Reserve in the PRC in 2012	Mineable reserve in the PRC in 2012
In service	<b>1,938,760</b>	1,078,260
Suancigou	<b>1,354,830</b>	755,950
Nalinmiao No.2 mine	<b>149,740</b>	86,410
Hongjingta No.1 mine	<b>140,150</b>	72,300
Dadijing	<b>100,530</b>	65,870
Nalinmiao No.1 mine	<b>28,900</b>	9,310
Yangwangou	<b>13,890</b>	6,320
Fuhua	<b>16,320</b>	4,090
Kaida	<b>10,490</b>	2,760
Baoshan	<b>50,050</b>	32,870
Dingjiaqu	<b>48,480</b>	27,890
Chengyi	<b>19,290</b>	8,960
Baijialiang	<b>6,090</b>	5,530
Under construction	<b>1,042,190</b>	681,990
Talahao	<b>867,380</b>	589,910
Bulamao	<b>174,810</b>	92,080
<b>Total reserve</b>	<b>2,980,950</b>	1,760,250

- During the Reporting Period, the Company did not carry out additional exploration in respect of any mine.
- During the Reporting Period, RMB213 million was invested for the construction of Talahao Mine and 21.23% of the project was completed.
- During the Reporting Period, the mining cost of the mines of the Company amounted to RMB1,837 million among which 278 million was labor cost and 206 million was used for raw materials, fuel and energy. Mining-related asset expenses of the mines of the Company, excluding Talahao Mine which is under construction, amounted to RMB418 million.

## REPORT OF THE DIRECTORS *(Continued)*

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

#### (IX) Major risks the Company faces and relevant impacts

##### 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.



## REPORT OF THE DIRECTORS *(Continued)*

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

#### (IX) Major risks the Company faces and relevant impacts *(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.

To cope with the above risks, the Company has accumulated plenty of experience in response to the downturn of the coal industry. 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. There were 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.

## REPORT OF THE DIRECTORS (Continued)

### II. PLANS FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

#### (I) Execution or Adjustment of the Implementation of the Profit Distribution Proposal During the Reporting Period

The Articles of Association of the Company specified the profit distribution policy, especially the cash dividend policy. According to the requirements of the “Notice on the Further Implementation of Matters Relevant to Cash Dividend by Listed Companies” (關於進一步落實上市公司現金分紅有關事項的通知) (Zheng Jian Fa [2012] No.37) issued by China Securities Regulatory Commission and the “Notice Regarding the Implementation of the Relevant Matters of Cash Dividend Distribution of Listed Companies” (關於落實上市公司現金分紅有關事項的通知) (Nei Zheng Jian Han [2012] No.105) issued by the Inner Mongolia Branch of the CBRC. The thirteenth Meeting of the fifth session of the Board convened on 27 August 2012 and general meetings convened on later dates revised and improved the profit distribution policy of the Articles of Association of the Company, contributing to the specificity and completeness of the profit distribution policy, especially the cash dividend policy, of the Articles of Association of the Company.

Profit distribution proposal of the Company for 2012: A bonus issue in the proportion of ten bonus shares for every ten shares (tax inclusive) held by shareholders (as calculated based on the total share capital of the Company of 1,627,003,500 shares) and cash dividend of RMB12.5 per 10 shares (tax inclusive), totalling RMB3,661 million, were distributed. Among which the cash dividend of this year was 2,034 million, accounted for more than 30% of the profit and comprehensive income attributable to owners of the parent of RMB6,454 million in the 2012 annual consolidated statement of the Company. This is in line with the regulations provided in the Notice on the Further Implementation of Matters Relevant to Cash Dividend by Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) issued by the CSRC and the Guidance of Cash Dividend of Listed Companies in the Shanghai Stock Exchange (《上海證券交易所上市公司現金分紅指引》) issued by the Shanghai Stock Exchange.

The Company's profit distribution for 2012: The Company considered and approved the profit distribution proposal for 2012 in the general meeting of 2012 on 28 June 2013. For specific details of the implementation proposal, please see the circular published on 13 May 2013. As at 20 August 2013, all dividends had been distributed.

#### (II) Preliminary Plans for Profit Distribution and Transfer of Public Reserve into Share Capital (capitalisation issue) for the First Half of 2013

The Company will not distribute interim dividends for 2013, and had no preliminary plans for transfer of public reserve into share capital for the first half of 2012.

### III. OTHER DISCLOSURES

Explanation from the Board and the Supervisory Committee for the Accounting Firm's “Non-standard Audit Report”

✓ N/A



## INVESTOR RELATIONS

### 1. SHARE PRICE PERFORMANCE

B shares: on 4 January, 2013, the price of our B shares closed at US\$5.743 while the SSE Composite Index closed at 2,276.99 points. On 28 June, 2013, the price of our B shares closed at US\$4.828, down 15.93% for half of the year while the SSE Composite Index closed at 1,979.21 points, down 13.08% for half of the year.

H shares: on 4 January, 2013, the price of Yitai Coal closed at HK\$44.50. The Hang Seng Index closed at 23,331.09 points, while HSCEI closed at 11,937.45 points. On 28 June, 2013, the price of Yitai Coal shares closed at HK\$36.60, down 17.75% for half of the year. The Hang Seng Index closed at 20,803.29 points, down 10.83% for half of the year, while HSCEI closed at 9,311.44 points, down 22.00% for half of the year.

### 2. INTERACTION AND COMMUNICATION

Investor relations management is a significant component of the Company's strategic management. The management of the Company attached great importance to it. During the Reporting Period, the Company communicated sufficiently with the investors through various channels which include three major parts:

1. Continuous information disclosure and daily relationship maintenance with investors; apart from the sustained information disclosure according to the regulations of the Stock Exchange and regulatory authorities, the investor relations management department also discloses in a timely manner all the regular reports, ad hoc reports, industry information and significant information of the Company on our website. The Company provides various means, such as email, telephone and online messaging, to communicate with the investors. We answered every question seriously.
2. Receiving investors who visit us so that investors understand the production, operations and investment of the Company more directly; investors acquire comprehensive and detailed knowledge concerning our daily operations through direct communication with the persons in charge of the site.
3. Organizing discussion forums between investors and the management; the forms of the forums vary. For instance, a seminar for investors was convened during the general meeting of 2012. All management of the Company was present. Investors and the management discussed comprehensively and deeply. In addition, our senior management visits the investors frequently. During the publication period of the 2012 Annual Report, we held large scale non-trading road shows in Hong Kong, Singapore, the U.K. and the U.S. where we met numerous shareholders and investors. Apart from that, our management participates in some meetings as far as possible so as to maintain communication with our investors.

We have, by the above means, kept investors informed of the Company's affairs in a timely, accurate and all-round way, thus boosting their investment confidence, maintaining harmonious and stable investor relations and building a positive corporate image.

### III. PROSPECTS FOR THE SECOND HALF OF 2013

In the second half of 2013, the Company will continue to adhere to its principles of transparency, integrity, fairness and openness and maintain close communication with the investors. Yitai's development is closely related to its investors' support, while a developed Yitai will bring better rewards to investors. The Company will enhance the investors' understanding of the Company, so as to maximise the interests of shareholders and enhance the Company's inherent value.

## SIGNIFICANT EVENTS

### 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 during the Reporting Period.

### II. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

The Company did not have any matter relating to insolvency or restructuring during the Reporting Period.

### III. TRANSACTION OF ASSETS AND COMBINATION OF BUSINESS

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

Overview and Type of Matters	Query Index
The Company, group company and Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (伊泰煤製油) entered into an equity transfer agreement on 25 March 2013, pursuant to which Yitai Coal-to-oil agreed to transfer the 80% equity interest held by it in Yitai Petroleum & Chemical the Company, and 20% of its equity interest in Yitai Petroleum & Chemical to the group company for a cash consideration of RMB2.4 million and RMB6 million, respectively.	Website on which the announcement is published: Shanghai Stock Exchange Website: <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> Date of announcement: 26 March 2013 Name of the announcement: Yitai B Share and H Share Announcement

Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰石油化工有限公司) is primarily engaged in the wholesale of petrol and diesel, the wholesale and retail of the petroleum gas, inflammable liquid, compressed gas and liquefied gas, inflammable solid, spontaneous combustible substance and hydro-inflammable substance. Prior to the announcement, it was a wholly-owned subsidiary of Yitai Coal-to-oil.

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

During the Reporting Period, the Company did not have any undisclosed asset acquisitions.



## SIGNIFICANT EVENTS *(Continued)*

### IV. SHARE OPTION INCENTIVES PROVIDED BY THE COMPANY AND ITS IMPACT

✓ N/A

### V. MATERIAL CONNECTED TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this report, the Group had the following material transactions with related parties during the period ended 30 June 2013:

	For the six months ended 30 June 2013	
	2013 <i>RMB'000</i> Unaudited	2012 <i>RMB'000</i> Unaudited (Restated)
Sales of goods to Yitai Group	5,809	14,363
Sales of goods to an associate	69,012	102,447
Provision of services from an associate	8,549	—
Purchase of services from other related parties	1,172	—
Purchase of goods from Yitai Group	88,218	23,502

In the opinion of the Directors, the transactions between the Group and the above 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.

### VI. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

#### (i) Custody, contracting and leasing matters

##### 1. Custody, contracting and leasing matters which contribute 10% or more of the total profit of the Company for the period

###### (1) Custody

The Company did not enter into any custody arrangement during the Reporting Period.

###### (2) Contracting

The Company did not have any contracting arrangement during the Reporting Period.

###### (3) Lease

The Company did not have any lease arrangement during the Reporting Period.

## SIGNIFICANT EVENTS (Continued)

### VI. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION (CONTINUED)

#### (ii) Guarantee

Unit: RMB Currency: RMB

##### External Guarantees of the Company (excluding those for subsidiaries)

Guarantor	Relations between the guarantor and the Company		The guaranteed	Amount of guarantee	Date of guarantee			Type of guarantee	Whether guarantee is completed	Whether guarantee is overdue	Whether counter-guaranteed or not	Whether the guaranteed is a connected party	Relations
	Company	The guaranteed			(agreement signing date)	Date of commencement	Date of expiry						
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公司)	2,112,000	27 February 2009	27 February 2009	26 February 2014	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 2017	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 occurred during the Reporting Period (excluding those for subsidiaries)	0
Total balance of guarantees at the end of the Reporting Period (excluding those for subsidiaries) (A)	19,612,000

##### Guarantees of the Company for Subsidiaries

Total amount of guarantees for subsidiaries occurred during the Reporting Period	20,280,000.00
Total balance of guarantees for subsidiaries at the end of the Reporting Period (B)	5,561,066,441.10
<b>Total Guarantee Amount (including those for subsidiaries)</b>	
Total guarantee (A+B)	5,580,678,441.10
Percentage of total guarantee in the Company's net assets (%)	28.11
Including:	
Amount of guarantees for shareholders, de facto controller and their connected parties (C)	0.00
Amount of debt guarantees directly or indirectly provided for those with a gearing ratio of over 70% (D)	25,892,000.00
Amount of total guarantees in excess of 50% of net assets (E)	0.00
Total of the above three items (C+D+E)	25,892,000.00

#### (iii) Other material contracts or transactions

The Company didn't have any other material contracts during the Reporting Period.



## SIGNIFICANT EVENTS (Continued)

### VII. 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 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

## SIGNIFICANT EVENTS (Continued)

### VIII. APPOINTMENT OR TERMINATION OF APPOINTMENT OF AUDITORS

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

It was considered and approved at the 17th meeting of the fifth session of Board and 2012 annual general meeting of the Company to reappoint Da Hua Certified Public accounts (Special General Partnership) as the Company's domestic auditor for 2013 and Ernst & Young Certified Public Accountants as the company's overseas auditor for 2013.

### IX. 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.

### X. CORPORATE GOVERNANCE

#### 1. Basic information of corporate governance

Pursuant to the Notification on Basic Standard for Enterprise Internal Control (Cai Kuai [2008] No.7) and the Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control (Cai Kuai [2010] No.11) published jointly by the MOF, CSRC, National Audit Office, CBRC and CIRC, the Company engaged Roland Berger Management Consultants (Shanghai) Co., Ltd. as the internal intermediary consultant of the Company in 2012. In 2012, it also established a leading team and a leading team office to be responsible for establishing an internal control system, formulated the Overall Working Plan of Standard for Internal Control (《內部控制規範整體工作方案》) and commenced relevant tasks. In 2013, the Company inspected and accepted the results delivered by Roland Berger on the basis of internal control implemented in 2012. Furthermore, trainings relating to standards for internal control were conducted across the Company, while efforts were made in facilitating the internal control of trial units. In the second half of 2013, the Company plans to foster the establishment of an internal control system across the Supply Department and Production Department. The Company will continue its existing efforts in improving the establishment of its internal control system for the continuously effective execution of internal control policies and procedures.



## SIGNIFICANT EVENTS *(Continued)*

### X. CORPORATE GOVERNANCE *(CONTINUED)*

#### 2. Compliance with Code on Corporate Governance as set out in Appendix XIV to the Hong Kong Listing Rules

As provided for in A.1.8 of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules, an issuer should arrange appropriate insurance coverage for directors' liabilities in respect of legal action against its directors. The Company has positively complied with the requirement of that provision by entering a liability insurance policy with Huatai Property Insurance Company Limited for its supervisors and senior management. During the Reporting Period, save as disclosed above, the Company has established a corporate governance system according to the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules and has strictly complied with the principles and code provisions as set out in the Corporate Governance Code.

#### 3. Audit committee

The Company has established the audit committee in accordance with the requirements of the Hong Kong Listing Rules, which consists of the four independent non-executive Directors and is chaired by Mr. Lian Junhai. On 27 August 2013, the audit committee reviewed and confirmed the Group's interim results announcement for the six months ended 30 June 2013, the interim report for 2013, and the unaudited interim financial statements for the six months ended 30 June 2013.

#### 4. Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 of the Hong Kong Listing Rules as the code of conduct regarding securities transactions by Directors, supervisors and relevant employees (as defined in the "Corporate Governance Code") of the Company. Having made specific enquiries, the Company confirmed that all the Directors had fully complied with the Model Code during the Reporting Period. Except for their own service contracts, none of the Directors and supervisors of the Company had any direct or indirect individual beneficial interest in any material contracts to which the Company or any of its subsidiaries is a party as at 30 June 2013.

#### 5. Independent non-executive director

The Company has appointed a sufficient number of independent non-executive directors with appropriate professional qualifications, or accounting or related financial management expertise in accordance with requirements of the Listing Rules. As at 30 June 2013, the Company appointed Lian Junhai, Song Jianzhong, Tam Kwok Ming, Banny and Yu Youguang, respectively, as four independent non-executive directors.

## SIGNIFICANT EVENTS (Continued)

### XI. REMARKS ON OTHER SIGNIFICANT EVENTS

1. Inner Mongolia Mengtai Buliangou Coal Co., Ltd., a shareholder of Huzhun Railway Company, disposed the 5% of equity interest it held in Huzhun Railway Company through open tender in Shanghai United Assets and Equity Exchange. On 23 April 2013, Datang Electric Power Fuel Co., Ltd. (大唐電力燃料有限公司) acquired the 5% of equity interest held by Mengtai Buliangou Coal Co., Ltd. at a consideration of RMB129.37 million. On 24 May 2013, Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司), a controlling subsidiary of the Company considered and passed the resolution of adding a shareholder, Datang Electric Power Fuel Co., Ltd. on its 2012 AGM. In accordance to the resolution, Datang Electric Power Fuel Co., Ltd. holds 5% of equity interest of Huzhun Railway Company with registered capital of RMB68 million. After this acquisition, the equity structure of Huzhun Railway Company is as follows: Inner Mongolia Yitai Coal Co., Ltd. holds 76.46% of equity interest, Mengtai Buliangou Coal Co., Ltd. holds 16.55%, Datang Electric Power Fuel Co., Ltd. holds 5%, Railway Administration of Hohhot holds 1.99%. This acquisition of equity interest has completed the change of business registration as at 24 June 2013.
2. On 16 May 2013, the Company established Inner Mongolia Yitai Jungar Coal Transportation and Sales Company Limited (內蒙古伊泰准格爾煤炭運銷有限責任公司), a solely-owned subsidiary. The registered capital of the Company is RMB10 million and its scope of business includes sales of coal. The address is Hujitu Village Jungar Zhao County, Jungar Banner, Ordos, Autonomous Region of Inner Mongolia (內蒙古自治區鄂爾多斯市准格爾旗准格爾召鎮忽吉圖村).
3. On 7 June 2013, the Company established Ulanqab Yitai Coal Sales Company Limited (烏蘭察布市伊泰煤炭銷售有限公司), a solely-owned subsidiary. The registered capital of the Company is RMB50 million and its scope of business includes sales of coke and construction of coal base. The address is Mianliang Coal Logistics Park, Xinghe County, Ulanqab (烏蘭察布市興和麵梁煤炭物流園區).
4. On 7 March 2013, Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd. (內蒙古伊泰鐵東儲運有限責任公司), a controlling subsidiary of the Company considered and approved the resolution of increasing the registered capital of in accordance with shareholding ratio. In accordance to the resolution, the registered capital of Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd. increased from RMB169 million to RMB197 million. Relevant procedures on the change of business registration were completed on 26 June 2013.

### XII SIGNIFICANT SUBSEQUENT EVENTS

Yitai Chemical Company is a wholly-owned subsidiary of the Company. On 17 August 2013, the Company published a connected transaction announcement on capital increase to Yitai Chemical Company (Announcement No. Lin 2013-031). A capital increase to Yitai Chemical Company amounting to RMB594.54 million was contributed by the Company in the form of cash. Meanwhile, a capital increase to Yitai Chemical Company amounting to RMB75.46 million was contributed by Yitai Group in the form of cash. After the capital increase, the registered capital of Yitai Chemical Company will increase to RMB770.00 million, of which RMB694.54 million was contributed by the Company, representing 90.2% the shareholding interest, and RMB75.46 million was contributed by Yitai Group, representing 9.8% of the shareholding interest.



## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### I. CHANGES IN SHARE CAPITAL

#### (I) Changes in share capital

During the Reporting Period, there was no change in total shares and structure of share capital of the Company. The structure of share capital of the Company on 30 June 2013 was as follows:

*Unit: share*

Class	Number	Percentage (%)
I Shares subject to selling restrictions		
1. State-owned shares		
2. State-owned legal person shares		
3. Other domestic shares	800,000,000	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	40.81
3. Overseas listed foreign shares	163,003,500	10.02
III Shares in total	1,627,003,500	100

### II. INFORMATION ON SHAREHOLDERS

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

As at the end of the Reporting Period, total number of shareholders of the Company was 84,488, of which, total number of holders of B shares was 84,427 and holders of H shares (including HKSCC Nominees Limited) was 61, of which, H shares held by HKSCC Nominees Limited represented several customers.

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

### II. INFORMATION ON SHAREHOLDERS (CONTINUED)

#### (II) Shareholdings of top ten shareholders

##### Shareholdings of top ten shareholders

Name of shareholder (full name)	Increasing/ decreasing during the Reporting Period	Number of shares held at the end of the period	Percentage (%)	Number of shares held subject to selling restrictions	Nature of shareholder
Inner Mongolia Yitai Group Co., Ltd. (內蒙古伊泰集團有限公司)	0	800,000,000	49.17		Domestic non-state-owned legal person
HKSCC NOMINEES LIMITED	800	162,959,300	10.02		Foreign legal person
Yitai (Group) HK Co., Ltd. (伊泰(集團)香港有限公司)	5,590,000	150,400,000	9.24		Foreign legal person
FTIF TEMPLETON ASIAN GROWTH FUND5496	0	37,030,724	2.28		Foreign legal person
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	1,128,733	12,547,199	0.77		Foreign legal person
China Merchants Securities (HK) Co., Limited (招商證券香港有限公司)	2,003,954	6,994,105	0.43		Foreign legal person
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED	-2,215,590	6,847,981	0.42		Foreign legal person
ISHARES MSCI EMERGING MARKETS MINIMUM VOLATILITY INDEX FUND	4,947,504	6,537,904	0.40		Foreign legal person
ABU DHABI INVESTMENT AUTHORITY	-827,600	6,206,757	0.38		Foreign legal person
SCBHK A/C GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION - A/C "C"	-56,189	5,405,954	0.33		Foreign legal person



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

### II. INFORMATION ON SHAREHOLDERS (CONTINUED)

#### (II) Shareholdings of top ten shareholders (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	
		Class	Number
HKSCC NOMINEES LIMITED	162,959,300	Overseas listed foreign shares	162,959,300
Yitai (Group) HK Co., Ltd. (伊泰(集團)香港有限公司)	150,400,000	Domestic listed foreign shares	150,400,000
FTIF TEMPLETON ASIAN GROWTH FUND5496	37,030,724	Domestic listed foreign shares	37,030,724
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	12,547,199	Domestic listed foreign shares	12,547,199
China Merchants Securities (HK) Co., Limited (招商證券香港有限公司)	6,994,105	Domestic listed foreign shares	6,994,105
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	6,847,981	Domestic listed foreign shares	6,847,981
ISHARES MSCI EMERGING MARKETS MINIMUM VOLATILITY INDEX FUND	6,537,904	Domestic listed foreign shares	6,537,904
ABU DHABI INVESTMENT AUTHORITY	6,206,757	Domestic listed foreign shares	6,206,757
SCBHK A/C GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION - A/C "C"	5,405,954	Domestic listed foreign shares	5,405,954
SCBHK A/C IBT S/A ISHARES MSCI EMERGING MARKETS INDEX FUND	5,226,952	Domestic listed foreign shares	5,226,952

Details of the above shareholders who are connected to each other or acting in concert

Among the top ten shareholders of the Company, Yitai (Group) Hong Kong Co., Ltd is a wholly-owned subsidiary of Inner Mongolia Yitai Group Co., Ltd., a holder of domestic legal person shares. The Company is not aware whether there are other holders of foreign shares who are connected to each other or acting in concert.

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

### III. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, 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 (%) <sup>3,4</sup>	Percentage of the total issued shares (%) <sup>3,4</sup>
Inner Mongolia Yitai Group Co., Ltd.	Non-overseas-listed-foreign shares	Beneficial owner / Interest of controlled corporation	Long	947,230,000 <sup>1</sup>	64.70	58.21
Inner Mongolia Yitai Investment Co., Ltd.	Non-overseas-listed-foreign shares	Interest of controlled corporation	Long	947,230,000 <sup>2</sup>	64.70	58.21
Yitai (Group) Hong Kong Co., Ltd.	Non-overseas-listed-foreign shares	Beneficial owner	Long	147,230,000	10.05	9.04
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
China Datang Corporation	H Shares	Interest of controlled corporation	Long	18,031,100	11.08	1.10
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

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

### III. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Name of substantial shareholder	Class of shares	Type of interest	Long / Short position	No. of shares	Percentage of the relevant shares in issue (%) <sup>3,4</sup>	Percentage of the total issued shares (%) <sup>3,4</sup>
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
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
Great Huazhong Energy Co. Ltd	H Shares	Beneficial owner	Long	13,584,000	8.35	0.83
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
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
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

Notes:

1. Yitai Group holds the entire issued share capital of Yitai HK and is thus deemed to be interested in all of the 147,230,000 B 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 947,230,000 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 places.

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

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

During the Reporting Period, there's no change in controlling shareholder and ultimate controller.

Save as disclosed above, as at 30 June 2013, 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.

### IV. PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, disposed or redeemed any listed shares of the Company during the Reporting Period.



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### I. PARTICULARS ABOUT CHANGES IN SHAREHOLDING

During the Reporting Period, there was no change in the shareholding interests of directors, supervisors and senior management.

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

Name	Position	Way of change	Reason for change
Ji Yongqiang	Vice president	Resigned	Work adjustment
Xie Xianghua	Independent non-executive Director	Resigned	Fulfilled legal tenure
Wang Sanmin	Supervisor	Resigned	Work adjustment
Wang Sanmin	Vice president	Appointed	
Yu Youguang	Independent non-executive Director	Appointed	
Wang Xiaodong	Supervisor	Appointed	

On 25 March 2013, the resolution on resignation of vice president of the Company was considered and approved at the 17th meeting of the fifth session of the Board. It was approved that Mr. Ji Yongqiang resigned as a vice president of the Company due to work adjustment.

The resolution on replacement of independent non-executive director of the Company was considered and approved at the 17th meeting of the fifth session of the Board on 25 March 2013 and at the 2012 annual general meeting on 28 June 2013. It was approved that Mr. Xie Xianghua resigned as an independent non-executive Director of the Company and Mr. Yu Youguang was appointed as an independent non-executive Director of the Company with the effect until the expiration of the term of the 5th session of the Board.

On 25 April 2013, the resolution on appointment of vice president of the Company was considered and approved at the 18th meeting of the fifth session of the Board. It was approved that Mr. Wang Sanmin was appointed as a vice president of the Company with the effect until the expiration of the term of the fifth session of the Board.

On 25 April 2013, the Company published an announcement on change of employee supervisor. Mr. Wang Sanmin resigned as an employee supervisor and Mr. Wang Xiaodong was elected as an employee supervisor of the Company at the staff representative assembly with the effect until the expiration of the term of the fifth session of the Board.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

### III. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, the interests of the directors, supervisors and chief executives of the Company in the shares of the Company and 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 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 corporations 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 (%)
<b>Directors:</b>				
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 <sup>1</sup>	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 <sup>1</sup>	2.84
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 <sup>1</sup>	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 <sup>1</sup>	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 <sup>1</sup>	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 <sup>1</sup>	2.84
Mr Lv Guiliang	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,200,000	0.30



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

### III. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

#### Long positions in the shares of associated corporations of the Company (Continued)

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 (%)
<b>Supervisors:</b>				
Mr Li Wenshan	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	4,000,000	0.55
		Interest as a trustee	20,428,000 <sup>1</sup>	2.84
Mr Zhang Guisheng	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,200,000	0.30
Mr Wang Xiaodong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	565,365	0.07
Mr Han Zhanchun	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	250,000	0.03
Mr Ji Zhifu	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	250,000	0.03

*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 30 June 2013, 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.

**DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)**

**IV. EMPLOYEE INFORMATION**

**(I) Employee information**

**Employee information as at 30 June 2013**

Number of in-service employees	6,256
Number of employees retired for whom the Company have to pay pension	25

**Specialty composition**

Category	Number of employees
Production	2,500
Transportation, sales and marketing	2,141
Technician	516
Accounts and finance	232
Administration	880

**Educational level**

Category	Number of employees
Doctorate	4
Postgraduate	189
College graduate	2,256
College graduate and secondary technical school	2,636
Below secondary technical school	1,171



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

### IV. EMPLOYEE INFORMATION *(CONTINUED)*

#### (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 RMB280 million.

#### (III) Training program

In 2013, the Company continued to implement program management on training and determined the direction of trainings for different groups of trainees, with an aim to further solidify the effects of induction training for new staff and enrich the induction training materials and approaches. In addition, the Company explored and introduced online education, so as to form a centralized guidance, supervision and governance of Yitai Group on professional education. The Company also promoted the establishment of a system that highly correlates employee trainings and the advancement of their career paths, so as to facilitate the employees to study on their own initiatives. The Company optimized its claim and reimbursement procedures for certificate training expenses so as to improve the efficiency of working. In the meantime, the Company launched a system of external training and retraining for the further enhancement of the benefits of training. The management system of internal instructors was also gradually improved for laying a foundation of building an internal instructor team of the Company with certain quantity and scale in the future.

## INDEPENDENT AUDITORS' REPORT



### Independent review 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)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 52 to 86, which comprise the condensed consolidated statement of financial position 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 (collectively as the "Group") as at 30 June 2013 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month then ended and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standards on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express such opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

#### **Ernst & Young**

*Certified Public Accountants*

Hong Kong

27 August 2013



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 Unaudited RMB'000	2012 Unaudited RMB'000 (Restated)
REVENUE	5	11,515,904	18,344,263
Cost of sales		(7,321,625)	(11,673,358)
<b>Gross profit</b>		<b>4,194,279</b>	6,670,905
Other income and gains	5	122,376	174,989
Selling and distribution expenses		(567,365)	(546,360)
Administrative expenses		(586,072)	(471,951)
Other expenses		(31,716)	(23,283)
Finance income		17,805	19,328
Finance costs	6	(257,620)	(193,599)
Exchange gains, net		1,207	2,158
Share of (losses)/profits of associates		(1,628)	180
<b>PROFIT BEFORE TAX</b>	7	<b>2,891,266</b>	5,632,367
Income tax expense	8	(411,952)	(958,359)
<b>PROFIT FOR THE PERIOD</b>		<b>2,479,314</b>	4,674,008
Attributable to:			
Owners of the parent		2,176,938	4,270,867
Non-controlling interests		302,376	403,141
		<b>2,479,314</b>	4,674,008
Exchange differences on translation of foreign operations		(339)	—
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>2,478,975</b>	4,674,008
Attributable to:			
Owners of the parent		2,176,599	4,270,867
Non-controlling interests		302,376	403,141
		<b>2,478,975</b>	4,674,008
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RMB)</b>			
— For profit for the period	10	0.67	1.46

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

		As at 30 June 2013 Unaudited RMB'000	As at 31 December 2012 Audited RMB'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	25,744,707	24,268,926
Investment properties		28,799	31,382
Prepaid land lease payments	12	317,185	322,507
Mining rights	13	404,488	419,519
Other intangible assets		52,725	50,792
Investments in associates	14	345,876	345,148
Available-for-sale investments	15	3,836,833	3,808,393
Deferred tax assets		841,170	917,591
Other non-current assets		45,068	18,297
Total non-current assets		<u>31,616,851</u>	<u>30,182,555</u>
<b>CURRENT ASSETS</b>			
Inventories	16	1,359,618	873,374
Trade and bills receivables	17	2,091,407	2,689,636
Prepayments, deposits and other receivables	18	1,863,934	1,277,199
Restricted cash	19	30,796	29,827
Cash and short-term deposits	19	7,067,816	6,314,553
Total current assets		<u>12,413,571</u>	<u>11,184,589</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	20	898,456	1,345,325
Other payables and accruals	21	6,008,018	7,424,105
Interest-bearing bank borrowings	22	1,141,514	1,582,419
Dividends payable		2,033,754	—
Tax payable		(135,431)	42,840
Total current liabilities		<u>9,946,311</u>	<u>10,394,689</u>
<b>NET CURRENT ASSETS</b>		<u>2,467,260</u>	<u>789,900</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>34,084,111</u>	<u>30,972,455</u>



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2013

		As at 30 June 2013 Unaudited RMB'000	As at 31 December 2012 Audited RMB'000
	<i>Notes</i>		
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	22	<b>8,044,287</b>	7,802,524
Long term bonds	23	<b>3,492,583</b>	1,001,296
Other non-current liabilities		<b>120,885</b>	229,768
		<hr/>	<hr/>
Total non-current liabilities		<b>11,657,755</b>	9,033,588
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>22,426,356</b>	21,938,867
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	24	<b>1,627,004</b>	1,627,004
Reserves		<b>18,225,932</b>	16,049,333
Proposed final dividend	9	<b>—</b>	2,033,754
		<hr/>	<hr/>
		<b>19,852,936</b>	19,710,091
		<hr/>	<hr/>
<b>Non-controlling interests</b>		<b>2,573,420</b>	2,228,776
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>22,426,356</b>	21,938,867
		<hr/> <hr/>	<hr/> <hr/>

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## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to the owners of the parent							Total	Non-controlling interests	Total equity
	Issued capital	Capital reserve	Statutory surplus reserve	Safety and maintenance fund	Retained earnings	Proposed final dividend (Note 9)	Exchange fluctuation reserve			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
<b>At 1 January 2013</b>	1,627,004	(931,466)	2,472,018	—	14,509,071	2,033,754	(290)	19,710,091	2,228,776	21,938,867
Profit for the period	—	—	—	—	2,176,938	—	—	2,176,938	302,376	2,479,314
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(339)	(339)	—	(339)
Total comprehensive income for the period	—	—	—	—	2,176,938	—	(339)	2,176,599	302,376	2,478,975
Disposal of a subsidiary	—	—	—	—	—	—	—	—	(1,407)	(1,407)
Capital contributions from non-controlling shareholders	—	—	—	—	—	—	—	—	43,675	43,675
2012 final dividend declared	—	—	—	—	—	(2,033,754)	—	(2,033,754)	—	(2,033,754)
<b>At 30 June 2013</b>										
<b>(Unaudited)</b>	<u>1,627,004</u>	<u>(931,466)*</u>	<u>2,472,018*</u>	<u>—*</u>	<u>16,686,009*</u>	<u>—</u>	<u>(629)*</u>	<u>19,852,936</u>	<u>2,573,420</u>	<u>22,426,356</u>

\* These reserve accounts comprise the consolidated reserves of RMB18,225,932,000 as at 30 June 2013 (31 December 2012: RMB16,049,333,000) in the consolidated statement of financial position.



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2013

	Attributable to the owners of the parent								Non-controlling interests	Total equity
	Issued capital	Capital reserve	Statutory surplus reserve	Safety and maintenance fund	Retained earnings	Proposed final dividend	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
<b>At 1 January 2012</b>										
As previously reported	1,464,000	1,318,656	2,022,836	4,795	10,009,349	2,196,000	17,015,636	1,767,744	18,783,380	
Adjustment in relation to the acquisition of the Target Business Group (as defined in Note 25)	—	—	—	—	2,561,470	—	2,561,470	203,852	2,765,322	
<b>At 1 January 2012 (Restated)</b>	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	
Total comprehensive income for the period	—	—	—	—	4,270,867	—	4,270,867	403,141	4,674,008	
Capital contributions from non-controlling interests	—	—	—	—	—	—	—	37,539	37,539	
Appropriation to safety and maintenance fund	—	—	—	18,537	(18,537)	—	—	—	—	
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	(207,360)	(207,360)	
Distribution to the owner of the Target Business Group (as defined in Note 25)	—	(1,251,264)	—	—	—	—	(1,251,264)	—	(1,251,264)	
2011 final dividend declared	—	—	—	—	—	(2,196,000)	(2,196,000)	—	(2,196,000)	
<b>At 30 June 2012</b>										
(Unaudited, Restated)	1,464,000	67,392	2,022,836	23,332	16,823,149	—	20,400,709	2,204,916	22,605,625	

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	RMB'000	RMB'000
		(Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	2,891,266	5,632,367
Adjustments for:		
Finance costs	257,620	193,599
Exchange gains, net	(1,207)	(2,158)
Finance income	(17,805)	(19,328)
Share of losses/(profits) of associates	1,628	(180)
Depreciation of property, plant and equipment	684,030	540,446
Depreciation of investment properties	2,583	1,172
Amortisation of prepaid land lease payments	6,616	5,365
Amortisation of mining rights	15,031	17,142
Amortisation of other intangible assets	4,429	1,898
Amortisation of other non-current assets	1,382	1,840
Impairment of other receivables	—	25
Gain on disposal of items of property, plant and equipment	(2,352)	(2,051)
Loss on disposal of a subsidiary	12,358	—
Increase in inventories	(501,868)	(211,274)
Decrease/(increase) in trade and bills receivables	597,349	(2,779,495)
(Increase)/decrease in prepayments, deposits and other receivables	(586,729)	71,055
Decrease/(increase) in trade and bills payables	(446,660)	1,289,890
Decrease in other payables and accruals	(176,868)	(633,375)
	<b>2,740,803</b>	<b>4,106,938</b>
Income tax paid	(513,780)	(850,248)
<b>Net cash flows from operating activities</b>	<b>2,227,023</b>	<b>3,256,690</b>



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	RMB'000	RMB'000
		(Restated)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(2,293,945)	(1,804,556)
Additions to prepaid land lease payments	—	(4,362)
Additions to mining rights	—	(680)
Additions to other intangible assets	(9,051)	(93)
Additions to other non-current assets	(28,197)	(11,048)
Proceeds from disposal of items of property, plant and equipment and intangible assets	11,961	60,830
Investment in associates and available-for-sale investments	(28,440)	(478,589)
Interest received	17,805	19,328
Disposal of a subsidiary	(14,896)	—
Payment for acquisition of the Target Business Group (as defined in Note 25)	(167,130)	—
Increase in restricted cash	(969)	(48)
Movement in fixed deposits	3,478	15,456
Dividend received from an associate	—	7,500
Net cash flows used in investing activities	<u>(2,509,384)</u>	<u>(2,196,262)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital contribution from non-controlling interests	43,675	37,540
Proceeds from issuance of long term bonds	2,492,500	—
Proceeds from bank borrowings	512,080	90,000
Repayment of bank borrowings	(712,432)	(1,036,809)
Interest paid	(296,721)	(192,712)
Special dividends paid to Yitai Group	(730,000)	—
Special dividends/dividends paid to non-controlling interests	(270,000)	(103,680)
Contribution to the owner of the Target Business Group	—	(1,251,264)
Net cash flows from/(used) in financing activities	<u>1,039,102</u>	<u>(2,456,925)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	756,741	(1,396,497)
Cash and cash equivalents at 1 January	<u>6,306,020</u>	<u>4,430,719</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u><u>7,062,761</u></u>	<u><u>3,034,222</u></u>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013

### 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 share 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. In May and June 2013, Yitai Group HK further acquired an aggregate 5,590,000 B shares and thus hold 9.24% of total issued capital. The direct and indirect shareholding of the Company by Yitai Group is 58.41% as at 30 June 2013.

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 and the production and sale of coal-related chemical.

In the opinion of the directors, the parent company 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 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
<b>Subsidiaries</b>					
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 Suancang Mining Co., Ltd. (內蒙古京粵駿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
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	196,500	51.0	Storage and transportation
Huhhot 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	150,000	90.2	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	19,136	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	150,000	90.2	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	100,000	90.2	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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 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
<b>Subsidiaries (continued)</b>					
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
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	73.0	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	73.0	Coal mining
Inner Mongolia Yitai Petrochemical Co., Ltd. (內蒙古伊泰石油化工有限公司)	Inner Mongolia, the PRC 13 May 2013	Limited company	30,000	80.0	Chemical Production and sale
Yitai Yanqi (Beijing) International trade Co., Ltd. (伊泰雁棲(北京)國際貿易有限公司)	Beijing, the PRC 4 January 2013	Limited company	50,000	100.0	International trade
Inner Mongolia Yitai Zhungeer Coal Transportation Co., Ltd. (內蒙古伊泰准格爾煤炭運銷有限責任公司)	Inner Mongolia, the PRC 16 May 2013	Limited company	10,000	100.0	Coal wholesale
Ulanqab Yitai Coal Transportation Co., Ltd. (烏蘭察布市伊泰煤炭銷售有限公司)	Inner Mongolia, the PRC 7 June 2013	Limited company	50,000	100.0	Coal wholesale
<b>Associates</b>					
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	19,850	49.0	Pharmatech
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
Jinhuaaji 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.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

#### 2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The following standards and amendments became effective as of 1 January 2013:

IFRS 1 Amendments	<i>Government Loans</i>
IFRS 7 Amendments	<i>Offsetting Financial Assets and Financial Liabilities</i>
IFRS 10	<i>Consolidated Financial Statements</i>
IFRS 11	<i>Joint Arrangements</i>
IFRS 12	<i>Disclosure of Interests in Other Entities</i>
IFRS 10, IFRS 11 and IFRS 12 Amendments	<i>Transition Guidance</i>
IFRS 13	<i>Fair Value Measurement</i>
IAS 1 Amendments	<i>Presentation of Items of Other Comprehensive Income</i>
IAS 19 Amendments	<i>Employee Benefits</i>
IAS 27 (Revised)	<i>Separate Financial Statements</i>
IAS 28 (Revised)	<i>Investments in Associates</i>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
Annual Improvements 2009-2011 Cycle	<i>Amendments to a number of standards issued in May 2012</i>

The adoption of the above amendments to IFRSs did not have any significant effect on the amounts reported and/or disclosure set out in the interim financial information.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 3. RESTATEMENT

As a result of the acquisition of the Target Business Group (as defined in Note 25), the relevant line items in the consolidated statements of comprehensive income and changes in equity were restated as follows:

	The Group (as previously reported)* RMB'000	The Target Business Group as acquired (Unaudited) RMB'000	Elimination (Unaudited) RMB'000	The Group (Restated) (Unaudited) RMB'000
Consolidated statement of comprehensive income for the six months ended 30 June 2012:				
Revenue	12,614,243	6,075,026	(345,006)	18,344,263
Profit for the period attributable to equity holders	3,447,734	1,226,274	—	4,674,008
Consolidated statement of changes in equity as at 30 June 2012:				
Equity attributable to equity holders of the parent	18,013,573	2,202,871	184,265	20,400,709
Non-controlling interests	1,851,720	353,196	—	2,204,916
Total equity	<u>19,865,293</u>	<u>2,556,067</u>	<u>184,265</u>	<u>22,605,625</u>

\* The consolidated financial statements as at and for the six months ended 30 June 2012 were released on 30 August 2012.

### 4. OPERATING SEGMENT

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- the coal segment is the mining and sale of coal products;
- the transportation segment provides road and railway transportation services to coal companies;
- the coal-related chemical segment is to produce and sell coal-based synthetic fuel;
- the “others” segment comprises, principally, the development, production and sale of medicine, and operation of hotels.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 4. OPERATING SEGMENT (CONTINUED)

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.

Six months ended 30 June 2013 (Unaudited)	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Others RMB'000	Consolidated RMB'000
<b>Segment revenue:</b>					
External customers	10,656,613	154,514	701,253	3,524	11,515,904
Intersegment sales	95,658	786,652	7,723	—	890,033
	10,752,271	941,166	708,976	3,524	12,405,937
<i>Reconciliation</i>					
Elimination of intersegment sales					(890,033)
Total revenue					11,515,904
<b>Segment results:</b>					
Profit/(loss) before tax	2,322,480	500,799	81,486	(13,499)	2,891,266
Income tax expense	(339,939)	(50,801)	(21,212)	—	(411,952)
	1,982,541	449,998	60,274	(13,499)	2,479,314
<i>Reconciliation</i>					
Elimination of intersegment results					—
Net profit for the period					2,479,314
<b>Segment assets as at 30 June 2013</b>	29,835,527	9,841,551	4,414,384	296,299	44,387,761
Elimination of intersegment receivables					(357,339)
Total assets as at 30 June 2013					44,030,422
<b>Segment liabilities as at 30 June 2013</b>	14,081,049	5,109,510	2,625,076	145,770	21,961,405
Elimination of intersegment payables					(357,339)
Total liabilities as at 30 June 2013					21,604,066

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 4. OPERATING SEGMENT (CONTINUED)

Six months ended 30 June 2012 (Unaudited)	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Others RMB'000	Consolidated RMB'000
(Restated)					
<b>Segment revenue:</b>					
External customers	17,559,557	111,540	658,588	14,578	18,344,263
Intersegment	108,105	624,369	—	—	732,474
	<u>17,667,662</u>	<u>735,909</u>	<u>658,588</u>	<u>14,578</u>	<u>19,076,737</u>
<i>Reconciliation</i>					
Elimination of intersegment sales					<u>(732,474)</u>
Total revenue					<u>18,344,263</u>
<b>Segment results:</b>					
Profit/(loss) before tax	5,262,283	304,584	81,336	(15,836)	5,632,367
Income tax expense	(923,995)	(33,719)	(645)	—	(958,359)
	<u>4,338,288</u>	<u>270,865</u>	<u>80,691</u>	<u>(15,836)</u>	<u>4,674,008</u>
<i>Reconciliation</i>					
Elimination of intersegment results					<u>—</u>
Net profit for the period					<u>4,674,008</u>
<b>Segment assets as at 31 December 2012</b>	29,427,007	9,617,888	5,312,899	385,308	44,743,102
Elimination of intersegment receivables					<u>(3,375,958)</u>
<b>Total assets as at 31 December 2012</b>					<u>41,367,144</u>
<b>Segment liabilities as at 31 December 2012</b>	13,614,937	5,136,307	3,721,335	331,656	22,804,235
Elimination of intersegment payables					<u>(3,375,958)</u>
Total liabilities as at 31 December 2012					<u>19,428,277</u>



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 5. 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.

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	Unaudited	Unaudited (Restated)
<b>Revenue</b>		
Sale of goods	11,357,866	18,230,597
Rendering of services	158,038	113,666
	<u>11,515,904</u>	<u>18,344,263</u>
<b>Other income and gains</b>		
Gain on disposal of items of property, plant and equipment	2,352	2,051
Loss on disposal of a subsidiary	(12,358)	—
Loss from sale of other materials	(23,257)	(17,426)
Income from the rendering of other services	28,102	11,019
Indemnities received	1,501	2,120
Compensation received*	108,589	155,678
Others	17,447	21,547
	<u>122,376</u>	<u>174,989</u>

\* It represents the amount received 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.

### 6. FINANCE COSTS

The Group' finance costs are as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	Unaudited	Unaudited (Restated)
Interest on bank and other borrowings	285,617	267,602
Interest on 5-year corporate bonds	53,856	—
Total interest	339,473	267,602
Less: Interest capitalised	(81,853)	(74,003)
	<u>257,620</u>	<u>193,599</u>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Six months ended 30 June	
		2013	2012
		RMB'000	RMB'000
		Unaudited	Unaudited (Restated)
Cost of inventories sold		7,266,693	11,622,474
Cost of services provided		54,932	50,884
Depreciation of investment properties		2,583	1,172
Depreciation of property, plant and equipment		684,030	540,446
Amortisation of prepaid land lease payments		6,616	5,365
Amortisation of mining rights		15,031	17,142
Amortisation of other intangible assets		4,429	1,898
Amortisation of other non-current assets		1,382	1,840
Total depreciation and amortisation		714,071	567,863
Impairment of other receivables		—	25
Gain on disposal of items of property, plant and equipment	5	(2,352)	(2,051)
Wages, salaries and other employees' benefits		568,428	507,016
Pension scheme contributions (defined contribution scheme)		21,202	29,496
		589,630	536,512
Auditors' remuneration		3,538	5,454



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	Unaudited	Unaudited (Restated)
Income tax		
Current tax – Mainland China	335,531	931,948
Deferred income tax	76,421	26,411
Total tax charge for the period	<u>411,952</u>	<u>958,359</u>

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.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 8. 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 six months ended 30 June 2013 and 2012.

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 periods ended 30 June 2013 and 2012 is as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	Unaudited	Unaudited (Restated)
Profit before tax	2,891,266	5,632,367
Tax at the statutory income tax rate of 25%	722,817	1,408,092
Effect of lower tax rate	(265,813)	(452,530)
Income not subject to tax	(38,093)	(45)
Entertainment expenses not deductible for tax purposes	2,617	6,889
Tax losses not recognized	2,023	5,106
Unrecognised previous years' tax losses utilised	—	(43,942)
Others	(11,599)	34,789
Tax charge at the Group's effective rate	<u>411,952</u>	<u>958,359</u>

The share of tax attributable to associates amounting to RMB477,423 (six months ended 30 June 2012: RMB153,124) was included in "Share of (losses)/profits of associates" in the interim condensed consolidated statement of comprehensive income.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 9. DIVIDENDS

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Proposed final cash dividend	—	2,033,754

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 for the year ended 31 December 2012 were approved by the Company's shareholders at the annual general meeting on 28 June 2013.

### 10. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

	Six months ended 30 June	
	2013 RMB'000 Unaudited	2012 RMB'000 Unaudited (Restated)
<i>Earnings</i>		
Profit for the period attributable to ordinary equity holders of the parent	<b>2,176,938</b>	4,270,867
<i>Shares</i>		
Weighted average number of ordinary shares in issue during the period (in thousand), after adjustment for the stock dividend approved on 28 June 2013	<b>3,254,007</b>	2,928,000

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2013 and 2012 attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the periods ended 30 June 2013 and 2012, as adjusted to reflect the stock dividend approved at the annual general meeting on 28 June 2013.

The Company had no dilutive potential ordinary shares for the periods ended 30 June 2013 and 2012, hence no diluted earnings per share amount is presented.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired certain buildings, mining structures, machinery and equipment, motor vehicles, railway, highway and construction in progress with an aggregate costs amounting to approximately RMB2,171.3 million which mainly contributed by Yitai Xinjiang Energy Co., Ltd., Yitai Yili Energy Co., Ltd. and Talahao Mine (six months ended 30 June 2012: RMB1,254.0 million).

Certain motor vehicles, buildings and office equipment, amounting to RMB11.5 million (six months ended 30 June 2012: RMB58.8 million) were disposed of in 2013, which resulted in a net loss on disposal of RMB0.4 million (six months ended 30 June 2012: a net gain on disposal of RMB1.9 million).

### 12. PREPAID LAND LEASE PAYMENTS

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Carrying amount at 1 January	334,701	336,924
Additions	—	17,368
Disposal of a subsidiary	—	(6,773)
Amortisation for the period/year	<u>(6,616)</u>	<u>(12,818)</u>
Carrying amount at 30 June/31 December	<b>328,085</b>	334,701
Current portion	<u>10,900</u>	<u>12,194</u>
Non-current portion	<u><b>317,185</b></u>	<u>322,507</u>

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:

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Long term leases (≥50years)	155,207	159,727
Medium term leases (<50 years)	<u>172,878</u>	<u>174,974</u>
	<u><b>328,085</b></u>	<u>334,701</u>



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 13. MINING RIGHTS

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Cost as at 1 January, net of accumulated amortisation	419,519	453,950
Additions	—	735
Amortisation for the period/year	<u>(15,031)</u>	<u>(35,166)</u>
Cost as at 30 June/31 December, net of accumulated amortisation	<u><b>404,488</b></u>	<u>419,519</u>
As at 30 June/31 December :		
Cost	603,951	603,951
Accumulated amortisation	<u>(199,463)</u>	<u>(184,432)</u>
Net carrying amount	<u><b>404,488</b></u>	<u>419,519</u>

### 14. INVESTMENTS IN ASSOCIATES

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Share of net assets	<u><b>345,876</b></u>	<u>345,148</u>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 14. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information of the Group's associates:

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Share of the associates' assets and liabilities:		
Current assets	214,376	167,443
Non-current assets	932,979	941,084
Current liabilities	(342,827)	(308,705)
Non-current liabilities	(458,652)	(454,674)
Equity	345,876	345,148
Share of the associates' results:		
Revenue	140,915	380,773
Profit after tax	(1,628)	34,114
Carrying amount of the investment	345,876	345,148

### 15. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Unlisted equity investments, at cost	3,836,833	3,808,393

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.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 15. 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	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Mengji Railway Co., Ltd. (蒙冀鐵路有限責任公司)	9%	1,980,000	1,980,000
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	15%	532,800	532,800
Zhunshuo Railway Co., Ltd. (准朔鐵路有限公司)	19%	824,760	796,320
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	100,000
Inner Mongolia Conba Pharmaceutical Co., Ltd (內蒙古康恩貝藥業有限公司)	12%	27,273	27,273
Others	—	172,000	172,000
		<b>3,836,833</b>	<b>3,808,393</b>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 16. INVENTORIES

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Materials and supplies	407,919	493,470
Work in progress	—	9,388
Finished goods	951,699	373,467
Less: Provision for impairment	—	(2,951)
	<u>1,359,618</u>	<u>873,374</u>

### 17. TRADE AND BILLS RECEIVABLES

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Trade receivables	1,979,589	2,640,290
Amounts due from associates	27,264	23,136
Amounts due from Yitai Group	297	—
Less: Provision for impairment	—	—
	<u>2,007,150</u>	<u>2,663,426</u>
Bills receivable	<u>84,257</u>	<u>26,210</u>
	<u>2,091,407</u>	<u>2,689,636</u>

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.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 17. TRADE AND BILLS RECEIVABLES (CONTINUED)

An aged analysis of the Group's trade and bills receivables, net of provisions, is as follows:

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Within six months	2,091,382	2,644,082
Over six months but within one year	25	45,554
Over one year but within two years	—	—
Over two years but within three years	—	—
Over three years	—	—
	<b>2,091,407</b>	<b>2,689,636</b>

### 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Amounts due from related parties:		
Associates	9,702	8,609
Other related parties	173,592	—
Yitai Group	30,946	30,129
	<b>214,240</b>	<b>38,738</b>
Advances to suppliers	1,164,171	825,006
Prepayments	404,863	319,014
Staff advances	42,913	36,093
Deposits	13,313	37,180
Other receivables	45,750	42,484
	<b>1,885,250</b>	<b>1,298,515</b>
Less: Provision for impairment	<b>(21,316)</b>	<b>(21,316)</b>
	<b>1,863,934</b>	<b>1,277,199</b>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Movements in the provision for impairment of other receivables are as follows:

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
At 1 January	21,316	22,840
Impairment for the period/year	—	—
Reversal of impairment	—	(1,524)
Written off	—	—
At 30 June/31 December	<u>21,316</u>	<u>21,316</u>

### 19. CASH AND SHORT-TERM DEPOSITS AND RESTRICTED CASH

	Notes	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Cash and bank balances		7,093,557	6,335,847
Short-term deposits		5,055	8,533
		<u>7,098,612</u>	<u>6,344,380</u>
Less: Restricted cash	(a)	<u>(30,796)</u>	<u>(29,827)</u>
		<u>7,067,816</u>	<u>6,314,553</u>
Denominated in RMB	(b)	3,904,461	2,958,267
Denominated in other currencies		3,163,355	3,356,286
		<u>7,067,816</u>	<u>6,314,553</u>

Notes:

- (a) As at 30 June 2013 and 31 December 2012, the Group's bank balances of approximately RMB30,796,000 and RMB29,827,000 respectively 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 Mainland 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.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 19. CASH AND SHORT-TERM DEPOSITS AND RESTRICTED CASH (CONTINUED)

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:

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Cash and short-term deposits	7,067,816	6,314,553
Less: Short-term deposits	<u>(5,055)</u>	<u>(8,533)</u>
Cash at banks and on hand	<u><u>7,062,761</u></u>	<u><u>6,306,020</u></u>

### 20. TRADE AND BILLS PAYABLES

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Trade payables to third parties	752,086	1,333,920
Trade payables to associates	5,361	5,448
Trade payables to Yitai Group	<u>141,009</u>	<u>5,957</u>
	<u><u>898,456</u></u>	<u><u>1,345,325</u></u>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 20. TRADE AND BILLS PAYABLES (CONTINUED)

An aged analysis of the Group's trade and bills payables, based on the invoice dates, is as follows:

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Within six months	600,585	1,171,845
Over six months but within one year	239,082	91,881
Over one year but within two years	32,992	81,599
Over two years but within three years	25,797	—
Over three years	—	—
	<u>898,456</u>	<u>1,345,325</u>

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.

### 21. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Advances from customers	159,614	384,030
Accrued salaries, wages and benefits	72,214	212,024
Other tax payables	17,430	26,159
Accrued interest payable	78,274	48,755
Dividend payable to non-controlling shareholders	—	270,000
Payables for property, plant and equipment	1,047,143	1,251,631
Accruals	66,657	105,922
Dividend payable due to Yitai Group	—	730,000
Amounts due to Yitai Group	4,476,213	4,307,013
Amounts due to associates	2,157	1,445
Amount due to other related parties	3,567	—
Other payables	84,749	87,126
	<u>6,008,018</u>	<u>7,424,105</u>

The above amounts are unsecured, interest-free and have no fixed terms of repayment.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 22. INTEREST-BEARING BANK LOANS AND BORROWINGS

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
<b>Current:</b>		
Bank loans – secured	342,000	328,000
Current portion of long term bank loans – guaranteed	755,514	710,419
Current portion of long term bank loans – unsecured	44,000	544,000
Total current loans	<u>1,141,514</u>	<u>1,582,419</u>
<b>Non-current:</b>		
Bank loans – guaranteed	5,550,287	5,766,524
Bank loans – unsecured	2,494,000	2,036,000
Total non-current loans	<u>8,044,287</u>	<u>7,802,524</u>
Total loans and borrowings	<u>9,185,801</u>	<u>9,384,943</u>
Denominated in RMB	8,960,400	9,142,400
Denominated in USD	<u>36,480</u>	<u>38,639</u>

The ranges of the effective interest rates on the Group's loans are as follows:

	As at 30 June 2013 %	As at 31 December 2012 %
Fixed-rate loans	6.00–6.56	3.80–6.56
Floating-rate loans	5.90–7.05	5.99–7.05

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 22. INTEREST-BEARING BANK LOANS AND BORROWINGS (CONTINUED)

Certain loans were supported by guarantees provided from the following parties:

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Yitai Group	366,000	380,000
Independent third parties	38,765	39,020
Other related parties	688,250	723,660
	<b>1,093,015</b>	<b>1,142,680</b>

In the opinion of the directors, the carrying amounts of the Group's and the Company's current loans and non-current loans based on market rates approximate to their fair values.

### 23. LONG TERM BONDS

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Corporate bonds	3,492,583	1,001,296
Less: Current portion of long term bonds	—	—
	<b>3,492,583</b>	<b>1,001,296</b>

On 16 April 2013, the Group issued 5-year corporate bonds, with a nominal value of RMB100.00 per bond, amounting to RMB2,500 million. The bonds carry interest at a fixed coupon rate of 4.95% per annum, which is payable annually in arrears on 16 April and the maturity date is 16 April 2018.

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.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 24. ISSUED CAPITAL

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Fully paid-up registered capital		
Authorised, issued and fully paid: 800,000,000		
B shares owned by Yitai Group of RMB1.00 each	<b>800,000</b>	800,000
664,000,000 B shares of RMB1.00 each	<b>664,000</b>	664,000
163,003,500 H shares of RMB1.00 each	<b>163,004</b>	163,004
	<b>1,627,004</b>	1,627,004

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### 25. 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 "Target Business Group"), as described in Note 35 to the consolidated financial statements of the Group as at 31 December 2012.

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. The financial statements for the six months ended on 30 June 2012 were restated 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.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 26. COMMITMENTS

In addition to the commitment stated in Note 25 Business Combination, the Group had the following capital commitments:

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Contracted, but not provided for:		
Property, plant and equipment	5,768,708	1,351,335
Available-for-sale investments	137,445	54,775
	<u>5,906,153</u>	<u>1,406,110</u>

### 27. RELATED PARTY TRANSACTIONS AND BALANCES

#### (a) Significant related party transactions

In addition to the transactions and balances disclosed elsewhere in this report, the Group had the following material transactions with related parties during the periods ended 30 June 2013 and 2012:

	Notes	Six months ended 30 June 2013 RMB'000 Unaudited	2012 RMB'000 Unaudited (Restated)
Sales of goods to Yitai Group	(i)	5,809	14,363
Sales of goods to Associates	(i)	69,012	102,447
Purchase of services from Associates	(i)	8,549	—
Purchase of services from other related parties	(i)	1,172	—
Purchase of goods from Yitai Group	(i)	88,218	23,502

Notes:

- (i) In the opinion of the directors, 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.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 27. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

#### (b) Outstanding balances with related parties

	Notes	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Trade and bills receivables	(i)	27,561	23,136
Prepayments, deposits and other receivables	(i)	214,240	38,738
Trade payables	(i)	(146,370)	(11,405)
Other payables and accruals	(i)	(4,481,937)	(4,308,458)

(i) The above balances are unsecured, non-interest-bearing and repayable on demand.

#### (c) Guarantees received from Yitai Group and other related parties

As at 30 June 2013 and 31 December 2012, bank loans of RMB1,054,250,000 and RMB1,103,660,000 were guaranteed by the related parties, respectively.

#### (d) Guarantees given to banks for loans of the Group's associates

As at 30 June 2013 and 31 December 2012, guarantees of RMB58,612,000 and RMB20,860,000 were given to banks for loans of the Group's associates, respectively.

#### (e) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	Unaudited	Unaudited (Restated)
Short term employee benefits	3,226	3,222
Post-employment benefits	257	279
Total compensation paid to key management personnel	3,483	3,501

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 28. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided for:

	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Guarantees given to banks in connection with loans granted to associates	<u>19,612</u>	<u>20,860</u>

### 29. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's financial instruments are as follows:

	As at 30 June 2013 Carrying amounts RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited	As at 30 June 2013 Fair values RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
<b>Financial assets</b>				
Cash and short-term deposits	7,067,816	6,314,553	7,067,816	6,314,553
Restricted cash	30,796	29,827	30,796	29,827
Trade and bills receivables	2,091,407	2,689,636	2,091,407	2,689,636
Financial assets included in prepayments, deposits and other receivables	302,903	117,315	302,903	117,315
Available-for-sale investment	<u>3,836,833</u>	<u>3,808,393</u>	<u>3,836,833</u>	<u>3,808,393</u>
	<u>13,329,755</u>	<u>12,959,724</u>	<u>13,329,755</u>	<u>12,959,724</u>
<b>Financial liabilities</b>				
Trade and bills payables	898,456	1,345,425	898,456	1,345,425
Financial liabilities included in other payables and accruals	5,848,404	7,040,075	5,848,404	7,040,075
Interest-bearing bank borrowings	9,185,801	9,384,943	9,185,801	9,384,943
Long term bonds	<u>3,492,583</u>	<u>1,001,296</u>	<u>3,492,583</u>	<u>1,001,296</u>
	<u>19,425,244</u>	<u>18,771,739</u>	<u>19,425,244</u>	<u>18,771,739</u>



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2013

### 29. FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and short-term deposits, restricted cash, trade and bills receivable, financial assets included in prepayments, deposits and other receivables, trade and bills payable, financial liabilities included in other payables and accruals, and current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of interest-bearing bank borrowings and long term bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The available-for-sale investments are accounted for at cost less accumulated impairment losses as such investments do not have quoted market prices in an active market and their fair values cannot be reliably measured.

### 30. EVENTS AFTER THE REPORTING PERIOD

On 17 August 2013, the Company announced a capital increase for Inner Mongolia Yitai Chemical Co., Ltd. (Yitai Chemical), a wholly-owned subsidiary of the Company, for a cash consideration of RMB594.5 million. Yitai Group will contribute to the capital increase for a cash consideration of RMB75.5 million. After the capital increase, the registered capital of Yitai Chemical will increase to RMB770.0 million, of which 90.2% and 9.8% are owned by the Company and Yitai Group, respectively.

The capital increase for Yitai Chemical was approved by the board of directors of the Company.

### 31. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of the directors on 27 August 2013.