



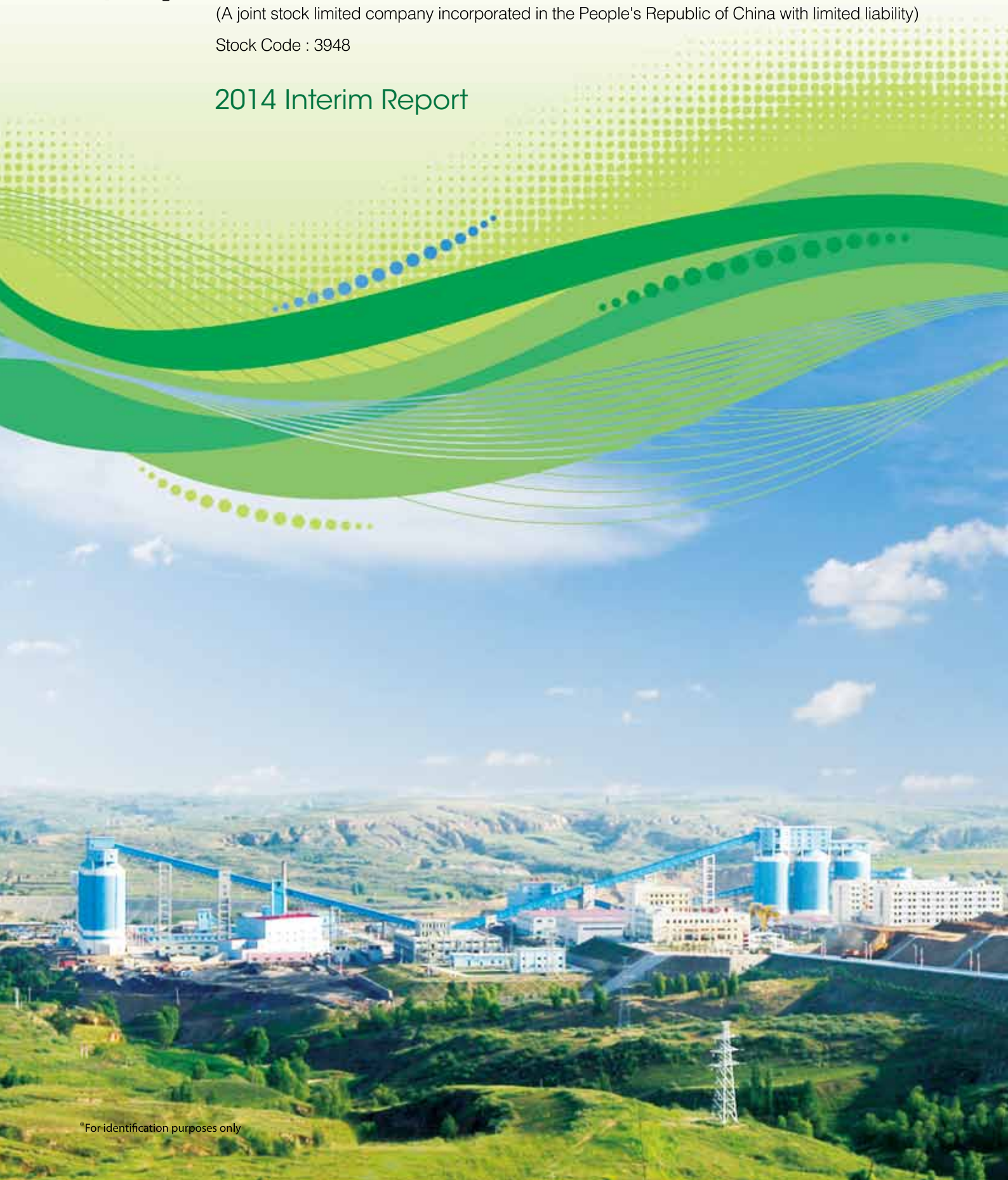
内蒙古伊泰煤炭股份有限公司

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

2014 Interim Report





CONTENT

Section I	Important Notice and Definitions	2
Section II	Corporate Profile	5
Section III	Summary of Major Accounting Data and Financial Indicators	10
Section IV	Report of the Directors	12
Section V	Significant Events	38
Section VI	Changes in Share Capital and Information on Shareholders	45
Section VII	Directors, Supervisors and Senior Management	51
Section VIII	Financial Report	57

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 2014 ("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 interim 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)
Directors	the directors of the Company
Equipments Complete Company	Inner Mongolia Autonomous Region Machine Equipments Complete Co., Ltd. (內蒙古自治區機械設備成套有限責任公司)
Group	the Company and its subsidiaries from time-to-time
Hong Kong Stock Exchange	the Stock Exchange of Hong Kong Limited
Hongqinghe Mine	Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化工有限責任公司)
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
Jingneng Thermal	Beijing Jingneng Thermal Power Co., Ltd. (北京京能熱電股份有限公司)
Jingtai Power	Inner Mongolia Jingtai Electronic Power Generation Co., Ltd. (內蒙古京泰發電有限責任公司)
Mengtai Buliangou	Inner Mongolia Mengtai Buliangou Coal Co., Ltd. (內蒙古蒙泰不連溝煤業有限責任公司)
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)
Sujiahao Mine	The Sujiahao Mine in Shenmu County
Synfuels China	Synfuels China Inc. (中科合成油技術有限公司)

IMPORTANT NOTICE AND DEFINITIONS *(Continued)*

Tiandi Huarun	Ordos Tiandi Huarun Mine Equipment Co., Ltd. (鄂爾多斯市天地華潤煤礦裝備有限責任公司)
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 Chemical Company	Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)
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)
Yitai Petrochemical	Inner Mongolia Yitai Petrochemical Co., Ltd. (內蒙古伊泰石油化工有限公司)
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)
Yizheng Fire-proof	Ordos Yizheng Fire-proof Project Co., Ltd. (鄂爾多斯市伊政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

Chinese name of the Company	內蒙古伊泰煤炭股份有限公司
Chinese abbreviation	伊泰煤炭
English name of the Company	INNER MONGOLIA YITAI COAL CO. LTD.
English abbreviation of the name of the Company	IMYCC/Yitai Coal
Legal representative	Zhang Donghai
Members of the Board	<i>Executive Directors</i> Zhang Donghai (<i>Chairman</i>) Liu Chunlin Ge Yaoyong Zhang Dongsheng Song Zhanyou Zhang Xinrong (<i>President</i>) Lv Guiliang <i>Independent Non-executive Directors</i> Qi Yongxing 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)*

Members of the Strategic Planning Committee	Zhang Donghai (<i>Chairman</i>) Liu Chunlin Ge Yaoyong Zhang Xinrong Zhang Dongsheng Song Zhanyou Lv Guiliang Song Jianzhong Yu Youguang Qi Yongxing Tam Kwok Ming, Banny
Members of the Audit Committee	Yu Youguang (<i>Chairman</i>) Song Jianzhong Tam Kwok Ming, Banny Qi Yongxing
Members of the Nomination Committee	Song Jianzhong (<i>Chairman</i>) Zhang Donghai Liu Chunlin Zhang Xinrong Yu Youguang Tam Kwok Ming, Banny Qi Yongxing
Members of the Remuneration and Assessment Committee	Qi Yongxing (<i>Chairman</i>) Zhang Donghai Liu Chunlin Zhang Xinrong Song Jianzhong Yu Youguang Tam Kwok Ming, Banny
Members of Production Committee	Zhang Donghai (<i>Chairman</i>) Ge Yaoyong Zhang Xinrong Yu Youguang Qi Yongxing



CORPORATE PROFILE *(Continued)*

II. CONTACT PERSONS AND CONTACT METHODS

Board Secretary/Joint Company Secretary

Name	Lian Tao
Address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Telephone	86-477-8565642
Facsimile	86-477-8565415
E-mail	liantaocn@gmail.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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Website	http://www.yitaicoal.com
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	http://www.sse.com.cn
Website designated by Hong Kong Stock Exchange for publishing the H share interim report of the Company	http://www.hkexnews.hk
Place of inspection of the Company's interim report	Securities department of the Company 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

There was no change in the business registration of the Company during the Reporting Period.

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	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 2014	From January to June 2013	Increase/Decrease
Coal production	22.27	21.10	5.55%
Coal sales volume	33.15	29.35	12.95%
Local sales at mines	9.32	9.69	-3.82%
Local sales at loading facilities	2.96	3.67	-19.35%
Sales via direct rail access	2.58	1.60	61.25%
Sales at ports	18.29	14.39	27.10%
Huzhun Railway Line	17.67	13.73	28.70%
Zhundong Railway Line	25.69	21.30	20.61%
Coal-related chemical production	0.094	0.086	9.30%

SUMMARY OF MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

I. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

1. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

	From January to June 2014 <i>RMB'000</i>	From January to June 2013 <i>RMB'000</i>
Revenue	12,463,146	11,515,904
Cost of sales	<u>(8,620,425)</u>	<u>(7,321,625)</u>
Gross profit	3,842,721	4,194,279
Other income and gains	69,672	122,376
Selling and distribution expenses	(635,224)	(567,365)
Administrative expenses	(828,846)	(586,072)
Other expenses	(94,092)	(31,716)
Finance income	26,060	17,805
Finance costs	(318,425)	(257,620)
Exchange gains, net	5,549	1,207
Share of profits/(losses) of associates	<u>21,677</u>	<u>(1,628)</u>
Profit before tax	2,089,092	2,891,266
Income tax expense	<u>(323,523)</u>	<u>(411,952)</u>
Profit for the period	<u>1,765,569</u>	<u>2,479,314</u>
Profit and total comprehensive income attributable to:		
Owners of the parent	1,498,622	2,176,938
Non-controlling interests	<u>266,947</u>	<u>302,376</u>
	<u>1,765,569</u>	<u>2,479,314</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RMB)		
— For profit for the year	<u>0.46</u>	<u>0.67</u>

SUMMARY OF MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS (Continued)

I. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS (CONTINUED)

1. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS (Continued)

	From January to June 2014 RMB'000	From January to June 2013 RMB'000
PROFIT FOR THE PERIOD	1,765,569	2,479,314
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments		
Changes in fair value of available-for-sale investments	(7,910)	—
Income tax effect	1,187	—
Exchange differences on translation of foreign operations	176	(339)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(6,547)	(339)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,759,022	2,478,975
PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	1,492,075	2,176,599
Non-controlling interests	266,947	302,376
	1,759,022	2,478,978

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 2014, due to the structural transformation of the national macro economy and more stringent requirements on environment protection, the growth of coal fire, crude steel and cement, etc. at the downstream of the coal industry remained at a low level. Under the impact, the growth in coal demand declined significantly. Meanwhile, the impact of the imported coal can't be ignored. In the first half the year, amid the overall downtrend of coal prices, the prices of various types of coal declined generally.

During the Reporting Period, confronted by the macro economy in transition and the stern industrial atmosphere, the Board of the Company and the management were determined to rise up to the challenges brought by the weakened need in the coal market and the continued downturn of the coal price, and pushed forward the business of the Company steadily with the strong support of the shareholders of the Company and the concerted efforts of all the staff. During the Reporting Period, the Company produced 22.27 million tonnes of commercial coal, representing an increase of 5.55% from the same period last year; the Company sold 33.15 million tonnes of coal, representing an increase of 12.95% over the same period last year. The Company posted revenue of RMB12,463.15 million in the first half of 2014, representing an increase of 8.23% over the same period last year, and the net profit attributable to owners of the parent amounted to RMB1,499 million, representing a decrease of 31% from the same period last year.

During the Reporting Period, the Company continued to place safety as a top priority and always adhered to the safe production principle of "safety-foremost with prevention-oriented and comprehensive treatment". Through the scientific planning and focusing on safe production, with an aim to reducing the cost and enhancing the efficiency, the Company coordinated the safety, production, technological innovation, environmental protection, operation and basic management. Such measures further consolidated the continuous, sound and stable development of the operational and production units.. Through the unremitting efforts of all the employees of the Company, no casualty incident occurred for the first half of the year in any of the coal mines and coal mine construction projects, no dangerous and major transportation incident occurred in Zhundong Railway and Huzhun Railway, and no minor injuries or accidents causing injuries or death occurred in the Coal-tooil Company. The casualty from the production of per million tonnes of primary coal was zero, and safe production continued.

In the first half of 2014, the demand in the coal market was insufficient and the coal prices declined continuously. Despite of the difficulties, the Company gave full play to its advantages, observing the trend and strived to expand the market and increase sales. In terms of transportation and sales, the Company referred to the Bohai-Rim Steam-coal Price Index in an effort to secure the quantity and improve the efficiency through adjusting the selling strategy. In terms of regional sales, the Company adhered to the principle of "staying closely to the market and determining the price based on the quality", and increased customers and sales through diversified sales methods such as flexible pricing strategies, differentiated sales and bundling sales. 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 guaranteed the coordinated development of the production, transportation and sales of the Company.

REPORT OF THE DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS (CONTINUED)

(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	Change (%)
Sales revenues	12,463	11,516	8.22%
Costs of sales	(8,620)	(7,322)	17.73%
Selling and distribution expenses	(635)	(567)	11.99%
Administrative expenses	(829)	(586)	41.47%
Finance costs	(318)	(258)	23.26%
Net cash flow from operating activities	3,946	2,227	77.19%
Net cash flow from investing activities	(4,018)	(2,509)	60.14%
Net cash flow from financing activities	5,680	1,039	446.68%

2. Revenue

(1) Analysis of factors causing changes in business revenue

Yitai	From January to June 2014		From January to June 2013	
	Volume (million tonnes)	Unit price (excluding tax) (RMB/tonne)	Volume (million tonnes)	Unit price (excluding tax) (RMB/tonne)
Sales at ports	18.29	429	14.39	486
Sales via direct rail access	2.58	415	1.60	477
Local sales at mines	9.32	194	9.69	216
Local sales at loading facilities	2.96	241	3.67	289
Total	33.15	345	29.35	372

REPORT OF THE DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS (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

Yitai	From January to June 2014 Volume (million tonnes)	From January to June 2013 Volume (million tonnes)
Self-produced coal	20.69	19.78
Coal purchased externally	12.46	9.57

Company-owned railways	From January to June 2014		From January to June 2013	
	Total throughput (million tonnes)	Freight volume for the Company (million tonnes)	Total throughput (million tonnes)	Freight volume for the Company (million tonnes)
Zhundong Railway Line	25.69	23.27	21.30	19.61
Huzhun Railway Line	17.67	11.33	13.73	10.21

(3) Analysis of orders

Yitai	From January to June 2014		From January to June 2013	
	Volume (million tonnes)	Unit price (RMB/tonne)	Volume (million tonnes)	Unit price (RMB/tonne)
Long-term contracts	18.82	365	14.84	415
Spot market	14.33	319	14.51	327
Total	33.15	345	29.35	372

REPORT OF THE DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS (CONTINUED)

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

3. Costs

(1) Cost analysis

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

Unit: RMB'000'000 Currency: RMB

Cost item	From January to June 2014	From January to June 2013
Labor costs	400.25	278.34
Raw materials, fuel and energy	197.64	206.39
Depreciation and amortization	169.53	167.30
Other production-related costs	1,193.97	1,184.64
Total cost for production of coal	1,961.39	1,836.67

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

(2) Information on major suppliers

Unit: RMB'000'000 Currency: RMB

Qinhuangdao Kaiyuxing Trade Co., Ltd. (秦皇島凱昱興貿易有限公司)	198.56
Qinhuangdao Huanjing Energy Co., Ltd. (秦皇島環京能源有限公司)	186.33
Inner Mongolia Hengdong Energy Group Co., Ltd. (內蒙古恒東能源集團有限責任公司)	172.28
Inner Mongolia Huineng Coal Power 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)	166.21
Jungar Banner Gongjiata Buerdong Coal Co., Ltd. (准格爾旗弓家塔布爾洞煤炭有限責任公司)	146.71

For the half year ended 30 June 2014, 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 2014 respectively.

REPORT OF THE DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS (CONTINUED)

(II) Operating Segment

For the six months ended 30 June 2014 (Unaudited)	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Others RMB'000	Consolidated RMB'000
Segment revenue:					
External customers	11,269,649	183,838	1,006,679	2,980	12,463,146
Internal segments	118,498	878,166	40,216	—	1,036,880
<i>Reconciliation</i>					
Elimination of intersegment sales					(1,036,880)
Total revenue					12,463,146
Segment profit:					
Profit/(loss) before tax	1,381,588	565,411	159,484	(17,391)	2,089,092
Income tax expense	(237,969)	(63,833)	(21,721)	—	(323,523)
	1,143,619	501,578	137,763	(17,391)	1,765,569
<i>Reconciliation</i>					
Elimination of intersegment results					—
Net profit for the period					1,765,569
Segment assets as at 30 June 2014	31,375,007	11,855,281	15,118,905	828,045	59,177,238
Elimination of intersegment receivables					(5,148,708)
Total assets as at 30 June 2014					54,028,530
Segment liabilities as at 30 June 2014	17,630,448	5,533,000	9,717,720	679,480	33,560,648
Elimination of intersegment payables					(5,148,708)
Total liabilities as at 30 June 2014					28,411,940



REPORT OF THE DIRECTORS *(Continued)*

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS *(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 growth.

Firstly, the Company enjoys rich coal reserves, superior storage advantages, advanced exploration techniques and sustained opportunities for integrating internal and external resources.

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. 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. With the sustainable opportunity for integrating the internal and external resources and the supportive policies for conversion of resources, the coal storage and production volume of the Company will significantly improved.

Secondly, the Company possesses top-tier production efficiency, low cost advantages and outstanding 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, which ensures high output and recovery, and is safer and more reliable. With coal mines with superior storage conditions, advanced equipments, state-of-the-art exploration techniques and modernised management experiences, the Company's core competitiveness was strengthened as the cash cost for coal per tonne was much lower than that of its major competitors. 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 has ensured an admirable safety record.

REPORT OF THE DIRECTORS *(Continued)*

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS *(CONTINUED)*

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

Thirdly, the supportive railway and highway transportation and sales network and affiliated equipments such as dispatching stations and the port transport points of the Company granted competitive advantages to the transportation and sales of coal products.

The Company has supportive railway and highway transportation and sales network, which guaranteed the external transportation and sales of the coal products of the Company. The Company will keep expanding and upgrading the comprehensive transportation network. By improving the internal railway and supportive equipments of the Company and participating in the construction of the national railway network, the external transportation of coal was improved and the bottleneck with railway transportation was solved. The internal transportation which connected the national railway strengthened the advantages of the Company in transportation and expanded the scope of sales of coal, which ensured the effective connection between the production, transportation and sales of coal of the Company. In addition, the Company has accumulated rich sales experiences and high popularity of the brand and owns complete sales network and stable customer relations, which contributed to the long-term and stable cooperation with a number of large-scale power and metallurgy companies and guaranteed the smooth progression of the sales of the Company

Fourthly, 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 Company's indirect coal-to-liquids conversion project (with designed annual output of 160,000 tonnes) has recorded 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. The fully-loaded operation of the project has made the Company the first enterprise which successfully applied the technique of indirect coal-to-liquids conversion in industrial production. By taking the opportunity of developing coal chemical industry in Inner Mongolia and Xinjiang region, the Company plans to further expand the coal chemical industry in the coming five years. The expansion of its coal chemicals operation allows the Company to extend its coal industrial chain, increase the added value of the products, address the issues of coal sales to diversify the business development, strengthen its core competitiveness and consolidate its industrial status to ensure long-term development. In addition, the Company attached great importance to the development of the coal-to-oil production operations 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 and improving the economic development of the west.

Fifthly, the Company has competitive edges in the respect of coal business management.

REPORT OF THE DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS (CONTINUED)

(III) Analysis of core competitiveness (Continued)

The professional management team of the Company has abundant industry experience with a diligent and dedicated attitude. Members of the Board and the senior management of the Company have rich knowledge in the field of coal industry with over 20 years of average experience in this sector. Moreover, they also possess years of experience in cooperation, communication and interaction with international investors in the capital market. 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. In addition, 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.

(IV) Analysis on Investment

1. Overall analysis on external equity investment

(1) Investment in securities

No.	Type of securities	Stock code	Stock abbreviation	Initial Investment (yuan)	Shareholdings (share)	Closing book value (yuan)	Percentage of total investment at the end of the period (%)
1	Share	03369	QHD PORT	152,116,116.22	36,500,000.00	114,728,625.00	36
2	Share	601225	SHX COAL (陕西煤炭)	200,000,000.00	50,000,000.00	206,500,000.00	64
	Other securities investments held at the end of period			—	/	0	0
	Profit and loss from the disposal of securities investments during the Reporting Period			/	/	/	/
Total				<u>352,116,116.22</u>	<u>/</u>	<u>321,228,625.00</u>	<u>100</u>

(2) Shareholding in other listed companies

Nil

REPORT OF THE DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS (CONTINUED)

(IV) Analysis on Investment (Continued)

1. Overall analysis on external equity investment (Continued)

(1) Shareholding in non-listed financial entities

Name of the investee	Initial investment (yuan)	Shareholding	Shareholding	Closing book value (yuan)	Profit and loss during the reporting period (yuan)	Changes	Accounting item	Source of shareholding
		percentage at the beginning of the period (%)	percentage at the end of the period (%)			in owner's equity during the reporting period (yuan)		
Mianyang Technology Property Investment Fund (綿陽科技城產業投資基金)	100,000,000.00	1.11	1.11	100,000,000.00	9,701,571.71		Long-term equity investment	Capital contribution
Total	100,000,000.00	/	/	100,000,000.00	9,701,571.71		/	/

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 (CONTINUED)

(IV) Analysis on Investment (Continued)

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

(1) Entrusted wealth management

Unit: million Currency: RMB

Name of the partner	Type of entrusted assets management product	Commencement			Actual amount received	Actual gains	Legal procedures or not	Connected transaction or not	Involved in a litigation or not	Funding from proceeds or not
		Amount of entrusted assets management	date of entrusted assets management	Expiration date of entrusted assets management						
Industrial and Commercial Bank of China Limited	ICBC Wealth Management — Win-Win No. 3 Principal Guaranteed Product (工銀理財共贏3號保本型)	260	2014/05/23	2014/06/27	260	0.90	Yes	No	No	Self-owned funds
Agricultural Bank of China Limited	ABC Golden Key • Ben Li Feng (農行金鑰匙本利豐)	240	2014/05/26	2014/07/04	240	1.02	Yes	No	No	Self-owned funds
China Construction Bank Corporation	The Qian Yuan principal guaranteed RMB wealth management products of CCB Inner Mongolia Branch, 44th batch, 2014 (中國建設銀行內蒙分行「乾元」保本型理財產品 2014年第44期)	890	2014/05/22	2014/06/24	890	2.81	Yes	No	No	Self-owned funds
Bank of China Limited	RMB "Anqikaifang" (人民幣「按期開放」)	100	2014/05/23	2014/06/27	100	0.32	Yes	No	No	Self-owned funds
China Construction Bank Corporation	The Qian Yuan principal guaranteed RMB wealth management products of CCB Inner Mongolia Branch (中國建設銀行內蒙分行「乾元」保本型理財產品)	200	2014/04/09	2014/05/11	200	0.75	Yes	No	No	Self-owned funds
China Construction Bank Corporation	The Qian Yuan principal guaranteed RMB wealth management products of CCB Inner Mongolia Branch (中國建設銀行內蒙分行「乾元」保本型理財產品)	200	2014/05/14	2014/06/16	200	0.67	Yes	No	No	Self-owned funds
China Construction Bank Corporation	The Qian Yuan principal guaranteed RMB wealth management products of CCB Inner Mongolia Branch (中國建設銀行內蒙分行「乾元」保本型理財產品)	200	2014/04/09	2014/07/09	200	2.19	Yes	No	No	Self-owned funds
Total	/	2,090	/	/	2,090	8.66	/	/	/	/

REPORT OF THE DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS (CONTINUED)

(IV) Analysis on Investment (Continued)

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

(2) Entrusted loans

Unit: million yuan Currency: RMB

Name of the borrower	Amount of entrusted loan	Term of the loan	Interest rate (%)	Use of loan	Collateral or guarantor	Overdue or no	Connected transaction or not	Renewed or not	Involved in a litigation or not	Funding from proceeds or not	Expected yield
Bureau of Finance of Hangjin Banner, Ordos	210.9	1 year	8.22	The Amount Paid by Hangjin Banner Government for the Company Regarding the Land Acquisition, Demolition and Supporting Facilities Construction of the Industrial Park of 1.2 Mtpa Per Year Refined Chemical Project	Confiscated ancillary facility projects of land and national areas	No	No	No	No	No	17.336
Bureau of Finance of Hangjin Banner, Ordos	160	1 year	8.22	The Amount Paid by Hangjin Banner Government for the Company Regarding the Land Acquisition, Demolition and Supporting Facilities Construction of the Industrial Park of 1.2 Mtpa Per Year Refined Chemical Project	Confiscated ancillary facility projects of land and national areas	No	No	No	No	No	13.152
Bureau of Finance of Hangjin Banner, Ordos	54	1 year	10.00	The Amount Paid by Hangjin Banner Government for the Company Regarding the Land Acquisition, Demolition and Supporting Facilities Construction of the Industrial Park of 1.2 Mtpa Per Year Refined Chemical Project	Confiscated ancillary facility projects of land and national areas	No	No	No	No	No	5.4
Bureau of Finance of Jungar Banner, Ordos	100	121 days	7.80	The Amount Paid by Jungar Banner Government for the Company Regarding the Land Acquisition, Demolition and Supporting Facilities Construction of the Industrial Park of 2.0 Mtpa Per Year Coal-to-Oil Project	Confiscated ancillary facility projects of land and national areas	No	No	No	No	No	2.6217

3. Projects not to be financed by the proceeds

Unit: Yuan Currency: RMB

Name of the project	Amount of the project	Progress of the project	Amount invested in the Reporting Period	Actual accumulative amount invested
Talahao	2,359,000,000.00	54.14%	150,137,289.04	1,277,269,769.30
The second track project of Jialanying — Togtoh section	1,128,000,000.00	56.14%	308,714,280.89	633,276,124.48
Refined Chemical Project with a capacity of 1,200,000 tonnes per annum	19,816,000,000.00	3.76%	263,501,677.75	745,949,576.68

REPORT OF THE DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS (CONTINUED)

(IV) Analysis on Investment (Continued)

4. Use of proceeds

- (1) Overall use of proceeds
N/A
- (2) Use of proceeds in projects undertaken to be financed by the proceeds
N/A
- (3) Change in projects to be financed by the proceeds
N/A

(V) Contingent liabilities

The Group had the following contingent liabilities not provided for:

	30 June 2014 <i>RMB'000</i> Unaudited	31 December 2013 <i>RMB'000</i> Audited
Guarantees given to banks in connection with loans granted to associates	<u>36,550</u>	<u>24,993</u>

REPORT OF THE DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS (CONTINUED)

(VI) Analysis on major subsidiaries and investees

Currency: RMB

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	1,496,000,000	5,883,324,573.79	380,995,443.98
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	2,074,598,000	5,767,486,515.31	112,021,954.70
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	2,352,900,000	4,357,948,523.82	137,494,483.18
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	1,080,000,000	4,119,102,951.26	289,888,009.87

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

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

① Overall operation of Zhundong Railway Company

During the Reporting Period, Zhundong Railway Company dispatched an aggregate of 25.69 million tonnes of coal, representing an increase of 20.59% as compared with the same period last year. Its net profit amounted to RMB381 million, representing an increase of 1.89% as compared with the same period last year. As at 30 June, Zhundong Railway Line had maintained production safety for consecutive 4,945 days without casualty accidents, major transportation accidents or fire accidents.



REPORT OF THE DIRECTORS *(Continued)*

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS *(CONTINUED)*

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

(1) Inner Mongolia Yitai Zhudong Railway Co., Ltd. *(Continued)*

② Construction of project

During the Reporting Period, the procedures for land preliminary review, project approval, forestry, environmental assessment and water conservation of Nuanshui loading stations had been approved, the target of construction land had been obtained, and the land acquisition and resettlement had been completed. The accumulated investment amounted to RMB93.38 million, which accounted for 34.3% of the total investment. The expansion project of Hushi loading station had completed the investment amounting to RMB41.89 million, accounting for 59.8% of the total investment.

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

Inner Mongolia Yitai Huzhun Railway Co., Ltd. (“Huzhun Railway Company”), which was jointly established by the Company, Inner Mongolia Mengtai Buliangou Coal Co., Ltd., Datang Electric Power Fuel Co., Ltd. and Hohhot Railway Bureau, is principally engaged in transportation of railway cargo. It has a registered capital of RMB2,074.598 million and is owned as to 76.9917% by the Company. Huzhun Railway has an operating length of 124.18 kilometers, stretching from Zhoujiawan Station in Jungar Banner northward to Hohhot Station of the Jingbao Railway Line. Huzhun Railway is an important channel for transporting the coal produced by the Company to the markets in eastern and northern China.

REPORT OF THE DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS (CONTINUED)

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

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

① Overall operation of Huzhun Railway Company

During the Reporting Period, Huzhun Railway had dispatched an aggregate of 17.67 million tonnes of coal, representing an increase of 28.63% as compared with the same period last year. The net profit for the year amounted to RMB112.02 million, representing an increase of 48.35% as compared with the same period last year. Huzhun Railway had maintained production safety for consecutive 2,783 days without casualty accidents, major train operation liability accidents or fire accidents.

② Construction of project

As at 30 June 2014, the accumulated investment amount of the second track project of Jialanying – Togtoh was RMB633.28 million, or 56.14% of total investment.

(3) Inner Mongolia Yitai Coal-to-oil Co., Ltd.

Inner Mongolia Yitai Coal-to-oil Co., Ltd. (“Coal-to-oil Company”) 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. and Inner Mongolia Mining Industry Group Co., Ltd., with a registered capital of RMB2,352.9 million, and is owned as to 51%, 9.5% and 39.5% by the Company, Inner Mongolia Yitai Group Co., Ltd. and Inner Mongolia Mining Industry Group Co., Ltd. Yitai Group respectively.



REPORT OF THE DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS (CONTINUED)

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

(3) Inner Mongolia Yitai Coal-to-oil Co., Ltd. (Continued)

① Operation of the Coal-to-oil Project of 160,000 tpa

During the Reporting Period, the production safety condition of Coal-to-oil Company remained stable, and no accidents of minor injuries or above occurred during operation. The devices for coal-to-oil production operated Safely and steadily for 177 days, with 4 days of unexpected suspension of production devices. It produced an aggregate amount of 95,928.9 tonnes of various oil products and chemicals, with total sales volume of various oil products up to 93,840.75 tonnes. Revenue thus amounted to RMB629.22 million and net profit was RMB137.49 million.

② Implementation Progress of the Coal-to-oil Project of 2 million tpa

On 16 December 2013, the Coal-to-oil Company's indirect coal-to-liquids conversion pilot project with a capacity of 2 million tonnes per year were granted approval of preliminary work by the National Development and Reform Commission, and is currently going through 17 supportive and verification documents, including relevant feasibility studies and environmental assessment documents. In respect of project design and establishment, as at the date of 12 June 2014, the overall design contract had been signed. At present, the dredging and reclamation of main devices area were completed; while other work such as devices procurement was conducted as planned.

(4) Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd.

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

During the Reporting Period, by implementing lean management, strengthening the process control, adopting innovative management methods, enhancing execution capacity and actively responding to various challenges, Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. had smoothly achieved all production and operation targets. In the first half of the year, it produced an aggregated amount of 5.64 million tonnes of commodity coal, generating a revenue of RMB1,123.72 million and net profit of RMB289.89 million.

REPORT OF THE DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS (CONTINUED)

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

(5) Yitai Yili Energy Co., Ltd.

As at 9 July 2014, the Pilot Project of 1 million tonnes of coal-to-oil per year invested and constructed by Yitai Yili Energy Co., Ltd. obtained the letter from general office of the National Development and Reform Commission to commence preliminary works of the Pilot Project of 1 million tonnes of coal-to-oil per year of Yitai Yili Energy Co., Ltd. According to the letter, it supported the commencement of preliminary works of the project for facilitation of industrialization of domestic indirect coal-to-liquids technology developed independently, further improvement of conversion efficiency of coal resources and level of comprehensive utilization and expedition of quality upgrade of petroleum products.

(6) Yitai Xinjiang Energy Co., Ltd.

On 2 March 2014, Inner Mongolia DRC had reported the project to National Energy Administration and requested for instructions for preliminary work. On 30 April 2014, the Guiding Opinions of National Energy Administration on Serving Scientific Development of Energy in Xinjiang (《國家能源局服務新疆能源科學發展的若干指導意見》) listed Ganquanbao project and Yili project as key supportive projects.

(7) Inner Mongolia Yitai Chemical Co., Ltd.

During the Reporting Period, the project of 1.2 million tonne refined chemical per year of Inner Mongolia Yitai Chemical Co., Ltd. finished the basic design on 28 February 2014, and comprehensive detailed design had been fully launched from the middle of April to the beginning of May. Commercial procurement and on-site construction work had also been rapidly implemented.

(8) Subsidiaries not being controlled by the Company

As at the end of the Reporting Period, Zhunshuo Railway Co., Ltd. (准朔鐵路有限責任公司), in which the Company and Zhundong Railway Company hold an aggregate of 18.96% equity interest, made satisfactory progress in the construction of the three projects undertaken by it, namely Hanyuan Line (韓原線), Shuoshan Communication Line (朔山聯絡線) and Zhunshuo Line (准朔線), among which Hanyuan Line had been open for operation on 25 February 2014. Shuoshan Communication Line was under the preliminary procedures for land use and preliminary preparation work for tendering. The project of subgrade and the area under the bridge throughout Zhunshuo Line, except for the areas impacted by resettlement, had all been completed. An aggregate of RMB7,380 million was completed for Zhunshuo Line, representing 91.8% of the total investment.



REPORT OF THE DIRECTORS *(Continued)*

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS *(CONTINUED)*

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

(8) Subsidiaries not being controlled by the Company *(Continued)*

During the Reporting Period, Ordos Southern Railway, in which the Company holds 10% equity interest, had achieved actual amount of freight of 0.3 million tonnes, with actual freight operating revenue of RMB2.99 million. As at 30 June 2014, the main project under construction, Entao Railway, Entao Line had completed an investment of RMB19 million, which accounted for 47.5% of the annual investment plan.

The second newly constructed double track of Jining - Baotou Railway, constructed by Mengji Railway Co., Ltd. (蒙冀鐵路有限責任公司), which is owned as to 9% by the Company, had been approved with a total investment of RMB16,189.20 million. As at the end of 2013, a total investment of RMB16,189.20 million had been completed. The company is sorting out the remaining projects. During the Reporting Period, the newly built Zhangtang Line had completed investment of RMB2,650 million and the accumulated investment amounted to RMB30,630 million.

REPORT OF THE DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS (CONTINUED)

(VII) Capital Structure

As of 30 June 2014, the Company's gearing ratio was 45%, representing an increase of percentage point of 0.81 as compared with the beginning of the year.

	30 June 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Interest-bearing bank borrowings	20,456,183	13,329,613
Long-term bonds	3,492,583	3,494,833
Trade and bill payables	1,167,162	1,081,567
Financial liabilities at fair value through profit or loss	1,213	446
Financial liabilities included in other payables and accruals	2,057,573	2,011,731
Less: Cash and cash equivalents	<u>(9,732,692)</u>	<u>(3,814,532)</u>
Net debt	<u>17,442,022</u>	<u>16,103,658</u>
Equity attributable to equity holders of the parent	<u>21,600,614</u>	<u>21,149,821</u>
Capital and net debt	39,042,636	37,253,479
Gearing ratio	<u>45%</u>	<u>43%</u>

REPORT OF THE DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS (CONTINUED)

(VIII) Mining Exploration, Development and Mining Production Activities

1. Coal Reserves of the Company

The assumption that the Company adopted to calculate the updated reserves was made with reference to the reserves filed by Ministry of Land and Resources in accordance with the domestic standard of the PRC. The remaining reserves were calculated by subtracting the use of reserves every year.

As at the end of 2013, in compliance with the domestic standard of the PRC, the remaining reserve and mineable reserve of the Group were 2,949.36 million tonnes and 1,744.71 million tonnes, respectively. As at 30 June 2014, the coal reserves of mines of the Group which were in compliance with domestic standard of the PRC are as follows:

Unit: million tonnes

Mine of the Company	Remaining reserve in the PRC in 2014	Mineable reserve in the PRC in 2014
Suancigou	1,341.21	742.33
Nalinmiao No. 2 mine	142.57	76.28
Hongjingta No. 1 mine	129.85	62.00
Nalinmiao No. 1 mine	24.89	5.30
Yangwangou	13.89	6.32
Fuhua	5.21	2.22
Kaida	193.77	112.93
Dadijing	91.39	57.36
Baoshan	46.15	28.97
Dingjiaqu	45.70	22.40
Chengyi	15.90	6.64
Baijialiang	6.09	5.53
Mines under construction:		
Talahao	867.38	589.91
Total reserves	2,924.00	1,718.19

The reporting standard was determined by adopting current national norm and standard: "Classification of Solid Mineral Resources/Reserves" 《固體礦產資源/儲量分類》 and Geological Surveying Norm of Coal and Peat" 《煤、泥炭地質勘查規範》 were used for the calculation of the appropriate level of reserves. The table of reserves was simultaneously audited by internal geological experts of the Company.

REPORT OF THE DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS (CONTINUED)

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

2. Mine explorations by the Company during the Reporting Period

In the previous financial year, geological survey and exploration works of the Company for Suancigou Mine in the second and third zone had 53 holes drilled, a total of 25,592.10 meters drilled. A total of 161 holes were drilled with a length of 48,936.69 metres by Yili Mining Company. The Company did not carry out exploration in other mines.

During the Reporting Period, the Company did not carry out exploration.

3. Construction of mines

Unit: Yuan Currency: RMB

Name of project	Amount of project	Amount in the period	Progress of project
Talahao	2,359,000,000.00	150,137,289.04	54.14%
Project of Yili Mining	/	32,653,800.05	/

4. Exploration of mines

Unit: tonne

Mine of the Company	Output of coal	
	January to June 2014	January to June 2013
Suancigou	5,642,456.97	4,660,463.59
Nalinmiao No. 2 mine	2,071,650.65	1,618,563.76
Hongjingta No. 1 mine	3,802,025.27	3,457,386.65
Nalinmiao No. 1 mine	1,679,146.95	2,261,205.05
Yangwangou		284,393.48
Fuhua		77,321.10
Kaida	727,421.88	673,531.27
Dadijing	3,741,210.13	3,434,659.92
Baoshan	1,749,810.32	1,667,323.10
Tongda	1,797,203.42	1,841,450.72
Chengyi	1,062,123.88	1,117,622.18
Baijiali		1,835.00
Total	22,273,049.47	21,095,755.82

REPORT OF THE DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS (CONTINUED)

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

5. Construction contracts for coal mine

Project name	Details of project	Amount of Contract (RMB million)
Suancigou Mine	Key technologies and equipment research of mine pressure control with 12Mt/a fully-mechanized caving mining low take-production ratio and high-toughness roof (12Mt/a綜放開採小冒採比高韌性頂板礦壓控制關鍵技術與裝備研發)	1.8
Suancigou Mine	Construction work of inspection holes of air shaft in the second panel (二盤區風井檢查孔施工工程)	1.41
Talahao Mine	Installation engineering of interim system	1.36
Yitai Yili Mining Co., Ltd.	Aermale calamity treatment engineering (阿爾瑪勒災害治理工程)	183.79

6. Procurement contracts of facilities for coal mine

Project name (Unit in use)	Details of contract	Name of provider	Amount of contract (RMB million)
Na'er Mine	Purchase of anti-explosion command vehicles	Jiangyin Carriage Machine Co., Ltd.	1.02
Hongyi Mine	Purchase of anti-explosion command vehicles	Jiangyin Carriage Machine Co., Ltd.	1.02
Kaide Mine	Purchase of double-stranded scraper machines	Shandong Mining Machinery Group Co., Ltd.	7.02
Kaide Mine	Purchase of shielding and hydraulic prop stands	Pingdingshan Coal Mine Machinery Co., Ltd.	20.76
Kaide Mine	Purchase of quick-opening membrane filter machines	Jingjin Environment Co., Ltd.	1.89

REPORT OF THE DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS (CONTINUED)

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

7. Capital expenditure of the coal mines

Unit: yuan Currency: RMB

Mine of the Company	Capital expenditure January to June 2014
Suancigou	2,577,187.11
Nalinmiao Mine No. 2 mine	6,310,301.00
Hongjingta No. 1 mine	14,267,388.00
Nalinmiao Mine No. 1 mine	199,948.00
Yangwangou	373,014.00
Fuhua	301,840.30
Kaida	0
Dadijing	7,357,190.00
Baoshan	0
Tongda	8,142,040.20
Chengyi	641,025.64
Baijiali	159,447.20
Total	<u>40,329,381.45</u>

Note: This table was prepared in accordance with the PRC GAAP.

8. Cost of coal

	January to June 2014	January to June 2013
Production cost per unit of self-produced coal		
Labor cost	17.97	13.19
Raw material, fuel and power	8.87	9.78
Depreciation and amortisation	7.61	7.93
Other production costs	53.61	56.16
Total production cost for coal	<u>88.06</u>	<u>87.06</u>
Cost per unit of coal purchased domestically	389	447

Note: This table was prepared in accordance with the PRC GAAP.



REPORT OF THE DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS (CONTINUED)

(IX) Compliance procedures and fulfillment of the Agreement on Avoidance of Non Horizontal Competition

The Company had entered into the Agreement on Avoidance of Non Horizontal Competition on 29 May 2012 with the controlling shareholder. To implement the strategy of expanding the coal business of the Company, and minimise the potential competition in the business of the Yitai Group and the Company, the Company entered into the Asset Transfer Agreement with Yitai Group on 29 May 2012, pursuant to which, the Company acquires the target assets of Yitai Group under the agreement at the consideration RMB8,446.54 million, including most production, sales and transportation business of Yitai Group. The Company's independent non-executive directors confirmed the relevant details relating to the controlling shareholder, Yitai Group's fulfillment of the Agreement on Avoidance of Non Horizontal Competition and provided the controlling shareholder with, and with all necessary information regarding the review on fulfillment and execution of the Agreement on Avoidance of Non Horizontal Competition in the fiscal year. The following are relevant terms confirmed by independent non-executive directors (unless the context otherwise requires, the expressions in the confirmation letter shall have the same meaning as those defined in the Prospectus):

1. all coal products mined from Hongqinghe Mine were solely supplied to the Company (as the buyer) for resale during the period from the listing date to the acquisition date of Hongqinghe Mine by the Company;
2. the Company purchased all coal produced by Sujiahao Mine after entered into the Coal Framework Agreement on 27 August 2013, during the period from the listing date to the acquisition date of Sujiahao Mine by the Company;
3. all coal products were solely supplied to the Company (as the buyer) for resale during the period from the listing date to the transfer date;
4. save as retained business and target business group, during the effective period of the Agreement on Avoidance of Non Horizontal Competition, the controlling shareholder and its subsidiaries (excluding the Group) did not or did not spur its respective associates on not to engagement of direct or indirect competition activities with core business of the Company in any manner through itself or other entity union, or holding any interests or rights in any such competition business through a third party;
5. the controlling shareholder did not engage or participate in any activities, by leveraging on their respective identity of shareholders or relationship with the Company's shareholders, resulting a damage to legal interests of the Company and the Company's shareholders;
6. upon completion of the acquisition, (i) the Ministry of Railways granted the Company to use all transportation quotas of Yitai Group at no cost; (ii) Yitai Group did not use transportation quotas or grant a third party any transportation quotas before satisfied the Company's demands; and (iii) Yitai Group applied to the Ministry of the Group for changing its account holder to the Company;

REPORT OF THE DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATIONS (CONTINUED)

(IX) Compliance procedures and fulfillment of the Agreement on Avoidance of Non Horizontal Competition (Continued)

7. since the listing date, Yitai Group did not sell any above coal products to any third parties or engage in coal trade business, including but not limited to purchase of coal products from a third party; and
8. Yitai Group did not make any notice to the Company in writing for the matters that constituted a business opportunity of horizontal competition, thereby needed to be brought to the Company's attention, and confirmed that there was no business interests of horizontal competition transferred, disposed of, leased or permitted to a third party.

Independent non-executive directors will continue to inquire the controlling shareholder about the necessary information for fulfillment and execution of the Agreement on Avoidance of Non Horizontal Competition and require the controlling shareholder to provide further information when necessary.

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

Profit distribution proposal of the Company for 2013: Cash dividend of RMB3.2 per 10 shares (tax inclusive) (as calculated based on the total share capital of the Company of 3,254,007,000 shares), totaling RMB1,041 million, was distributed, which accounted for more than 30% of the profit and comprehensive income attributable to owners of the parent of RMB3,445 million in the 2013 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 2013: The Company considered and approved the profit distribution proposal for 2013 in the general meeting of 2013 on 30 May 2014. For specific details of the implementation proposal, please see the Announcement of Implementation of 2013 Profit Distribution published on 6 June 2014. As at 26 June 2014, dividends of outstanding B shares and H shares had been distributed.



REPORT OF THE DIRECTORS *(Continued)*

II. PLANS FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL *(CONTINUED)*

(II) Preliminary Plans for Profit Distribution and Transfer of Public Reserve into Share Capital for the First Half of 2014

The Company had no plans for profit distribution and transfer of public reserve into share capital for the first half of the year.

III. OTHER DISCLOSURES

(I) Warnings and explanations of any forecasted loss or significant change in accumulated net profit for the period from the beginning of the year to the end of the next reporting period as compared with the same period of the previous year

N/A

(II) Explanation from the Board and the Supervisory Committee on the “Non-standard Audit Opinions” of the Accounting Firm during the Reporting Period

The interim financial report of the Company had not been audited, thus not applicable.

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
On 25 March 2014, the resolution in relation to the acquisition of 5% equity interests in Yitai Guanglian Coal Chemical Co., Ltd. by the Company at a consideration of RMB1,920 million was considered and approved at the 32nd meeting of the fifth session of the Board; the resolution was considered and approved at the 2013 annual general meeting convened on 30 May 2014.	Please refer to the Announcement of the Resolution at the 23rd Meeting of the Fifth Session of the Board dated 26 March 2014 of Yitai B share published on Shanghai Stock Exchange (http://www.sse.com.cn) and the announcement and notice of Yitai Coal of “Connected Transactions—Discloseable and Connected Transaction” dated 26 March 2014 on the Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk)

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

✓ N/A

SIGNIFICANT EVENTS (Continued)

V. MAJOR CONNECTED TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this report, the Group had the following material transactions with connected parties during the period ended 30 June 2014 and 2013:

		For the six months ended 30 June	
		2014	2013
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note</i>	Unaudited	Unaudited
Sales of goods to Yitai Group	(i)	552	5,809
Sales of services to Yitai Group	(i)	170	—
Sales of goods to an associate	(i)	65,732	69,012
Provision of services from an associate	(i)	680	8,549
Purchase of services from other related parties	(i)	3,069	1,172
Purchase of services from Yitai Group	(i)	165,286	—
Purchase of goods from Yitai Group	(i)	82,775	88,218

- (i) In the opinion of the Directors, the transactions between the Group and the above connected parties were conducted in the ordinary and usual course of business and on normal commercial terms, the pricing terms were at the market prices.

SIGNIFICANT EVENTS (Continued)

VI. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

(i) Custody, contracting and leasing matters

√ N/A

(ii) Guarantee

Unit: RMB Yuan 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 (agreement signing date)	Date of commencement	Date of expiry	Type of guarantee	Whether guarantee is completed	Whether guarantee is overdue	Guarantee amount	Whether categorized or not	Whether is a connected party	Whether the guaranteed is a Relations
Inner Mongolia Yitai Coal Co., Ltd.	The Company	Ordos Tiandi Huanan Mine Equipment Co., Ltd. (鄂爾多斯市天地華潤煤礦裝備有限責任公司)	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-to-oil Co., Ltd.	Controlled subsidiary	Avic Liming Jinhuaaji Petrochemical Equipments (Inner Mogalia) Co., Ltd. (中航黎明煤化工石化裝備(內蒙古)有限公司)	25,350,000	4 July 2013	4 July 2013	4 July 2014	Joint liability guarantee	No	No		No	Yes	Controlled subsidiary

Total amount of guarantees occurred during the Reporting Period (excluding those for subsidiaries)	—
Total balance of guarantees at the end of the Reporting Period (excluding those for subsidiaries) (A)	36,550,000.00

Guarantees of the Company for Subsidiaries

Total amount of guarantees for subsidiaries occurred during the Reporting Period	3,588,607,000.00
Total balance of guarantees for subsidiaries at the end of the Reporting Period (B)	12,582,633,861.87

Total Guarantee Amount (including those for subsidiaries)

Total guarantee (A+B)	12,619,183,861.87
Percentage of total guarantee in the Company's net assets (%)	58.42
Including:	
Amount of guarantees for shareholders, de facto controller and their connected parties (C)	—
Amount of debt guarantees directly or indirectly provided for those with a gearing ratio of over 70% (D)	3,435,929,970.00
Amount of total guarantees in excess of 50% of net assets (E)	1,818,877,432.72
Total of the above three items (C+D+E)	5,254,807,402.72

(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

On 29 May 2012, Yitai Group and the Company entered into the Nonhorizontal competition Agreement, pursuant to which, Yitai Group undertook to preferentially sell Hongqinghe mine to the Company or its subsidiaries provided that Hongqinghe obtained the legitimate mining right qualification or resources licenses in compliance with production condition required, was in accordance with reasonable and fair terms and conditions. The Company had options and pre-emptive rights. Further details are set out below:

1. Analysis of ability to perform contracts

Yitai Group undertook to solve the issue of horizontal competition of Hongqinghe mine and the listed company when the Company issued H shares and listed on The Hong Kong Stock Exchange in 2012. On 29 May 2012, Yitai Group and the Company entered into the Non-horizontal competition Agreement, pursuant to which, Yitai Group undertook to preferentially sell Hongqinghe mine to the Company or its subsidiaries provided that Hongqinghe obtained the legitimate mining right qualification or resources licenses in compliance with production condition required, was in accordance with reasonable and fair terms and conditions. The Company had options and pre-emptive rights.

Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (“Yitai Guanglian”), a subsidiary of Yitai Group, obtained approval from National Development and Reform Commission to commence operation of mines on 18 February 2013 and was in the process of the application for resources license without reaching the production condition required. It is expected that the undertaking will be fulfilled after Hongqinghe mine obtained resources licenses in compliance with production condition required. The Company will exercise its options and pre-emptive rights to require Yitai Guanglian in priority to sell Hongqinghe mine to the Company or its subsidiaries provided that Hongqinghe mine owned by Yitai Guanglian obtained the legitimate mining right qualification and was in accordance with reasonable and fair terms and conditions, the actual situation, capital arrangement and the Non-horizontal competition Agreement signed with Yitai Group through ways of financing.

2. Analysis on risks in respect of performance to contracts

As Hongqinghe mine obtained approval from the National Development and Reform Commission to commence operation of mines on 18 February 2013, it was necessary to apply for obtaining other mining right qualification before satisfying the condition of company acquisition. The Company considered that there were no physical obstacles to obtain the mining right qualification under current condition, and there were no physical obstacles regarding the performance of the commitment by Yitai Group and the disposal of the mine to the Company.

SIGNIFICANT EVENTS *(Continued)*

VII. FULFILLMENT OF UNDERTAKINGS *(Continued)*

3. Preventive measures and control measures under default

Yitai Guanglian did not obtain the approval of coal mining of Hongqinghe mine and was not allowed for the Company's acquisition when the Company issued H shares and listed on The Hong Kong Stock Exchange in 2012. Yitai Group undertook in the Non-horizontal competition Agreement that prioritized to sell Hongqinghe mine to the Company or its subsidiaries provided that Hongqinghe mine owned by Yitai Guanglian obtained the legitimate mining right qualification and was in accordance with reasonable and fair terms and conditions. The Company had options and pre-emptive rights in order to solve the horizontal competition in the industry arising from the aforesaid situation.

Based on the obligations of solving the issue of horizontal competition of Yitai Group under the supervision of relevant supervising authorities and the right of option and pre-emptive rights, the Company can be guaranteed to have advantageous status and rights to require Yitai Group take further actions to solve the issue of horizontal competition when Yitai Group failed to implement such commitment. If Yitai Group failed to honor such commitment, pursuant to the Non-horizontal competition Agreement, Yitai Group should compensate all loss (including but not limited to business loss) caused thereby to the Company.

VIII. APPOINTMENT OR TERMINATION OF APPOINTMENT OF AUDITORS

The Company didn't have any appointment or termination of appointment of auditors during the Reporting Period.

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 were investigated by authorities, imposed with mandatory measures by judiciary or disciplinary authorities, handed over to the judiciary or charged with criminal liabilities, investigated by the CSRC, subjected to administrative punishment, prohibited from securities market, deemed an inappropriate person by the CSRC, punished by other administrative authorities, or publicly reprimanded by securities exchanges.

During the Reporting Period, the Company was not been imposed with administrative inspection measures by CSRC and its delegated institutions.



SIGNIFICANT EVENTS *(Continued)*

X. CORPORATE GOVERNANCE

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

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on Hong Kong Stock Exchange.

In the opinion of the directors, throughout the Reporting Period, the Company has complied with all the code provisions as set out in the CG Code. The Company regularly reviews its corporate governance practices to ensure compliance with the CG Code.

2. 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. Yu Youguang. On 26 August 2014, the audit committee reviewed and confirmed the Group’s interim results announcement for the six months ended 30 June 2014, the interim report for 2014, and the unaudited interim financial statements for the six months ended 30 June 2014.

3. 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 2014.

SIGNIFICANT EVENTS (Continued)

XI. OTHER SIGNIFICANT EVENTS

1. Ordos Dama Railway Co., Ltd. (hereafter referred to as “Dama Railway”) (鄂爾多斯大馬鐵路有限責任公司) was established on 8 July 2010, with a registered capital of RMB786.8 million and paid-up capital of 157.37 million. Dama Railway was held as to 45%, 30%, 15% and 10% respectively by Hohhot Railway Bureau, Jungar Banner Zhengtong Railway Investment Co., Ltd. (准格爾旗政通鐵路投資有限責任公司), Inner Mongolia Mengtai Coal & Electricity Group Co., Ltd. (內蒙古蒙泰煤電集團有限公司), and Ordos Xintie Logistics Co., Ltd. (鄂爾多斯市鑫鐵物流有限責任公司). Dama Railway Made the following resolutions at its general meeting: (1) approved the increase of its registered capital from RMB786.8 million to RMB300 million; (2) approved the transfer of 6.37% equity interest in Dama Railway held by Inner Mongolia Mengtai Coal & Electricity Group Co., Ltd. to Inner Mongolia Yitai Coal Co., Ltd at a consideration of RMB 19.10 million. Upon the completion of the change in registered capital and the transfer of equity interest, changes in the original equity structure were as follows: Inner Mongolia Yitai Coal Co., Ltd., Jungar Banner Zhengtong Railway Investment Co., Ltd., Ordos Xintie Logistics Co., Ltd., Hohhot Railway Bureau, Inner Mongolia Huineng Coal Group Co., Ltd. (內蒙古匯能煤電集團有限公司) and Inner Mongolia Mengtai Coal Group Co., Ltd. (內蒙古蒙泰煤電集團有限公司) shall, respectively contribute RMB94.18 million, RMB90 million, RMB30 million, RMB70.82 million, RMB10.5 million and RMB4.5 million, which accounting for 31.39%, 30%, 10%, 23.61%, 3.5% and 1.5% of Dama Railway’s registered capital, respectively. Procedures for change of business registration were completed in respect of the above change in registered capital and equity transfer.
2. Inner Mongolia Hengdong Coal Transportation and Sale Co., Ltd. (內蒙古恒東煤炭運銷有限公司) (“Hengdong Transportation and Sale”) of Huaibei Coal Group (淮北礦業集團) has a registered capital of RMB45.55 million and its registered address is at Coal Building, No. 395 Xinhua East Road, Xincheng District, Hohhot. The resolution in relation to the acquisition of 51% equity interest in Hengdong Transportation and Sale was considered and approved at the twenty-ninth meeting of the fifth session of the board of directors of the Company. The contribution for the acquisition of 51% equity interest in Hengdong Transportation and Sale amounted to RMB23.23 million. As Hengdong Transportation and Sale is currently operating at loss, the consideration for the acquisition of equity interest was determined as RMB1. Procedures for change of business registration in respect of the above acquisition of equity interest were completed on 20 May 2014. Meanwhile, Hengdong Transportation and Sale was renamed as “Inner Mongolia Taiheng Coal Transportation and Sale Co., Ltd. (內蒙古泰恒煤炭運銷有限責任公司)”.
3. 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, has a registered capital of RMB196.5 million, with 51%, 19% and 30% of its equity interests held by the Company, Inner Mongolia Dinghua Industry Group Co., Ltd. (內蒙古鼎華實業集團有限責任公司) and Erdos Dongchen Coal Co., Ltd. (鄂爾多斯市東辰煤炭有限責任公司), respectively. On 29 December 2013, the resolution in relation to application of equity transfer of Inner Mongolia Dinghua Industry Group Co., Ltd. was considered and approved at a general meeting of Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd.. According to the proposal, 9% out of 19% equity interests held by Inner Mongolia Dinghua Industry Group Co., Ltd. was transferred to Inner Mongolia Tehong Coal Power Group Co., Ltd. Procedures for change of business registration in respect of the above equity transfer were completed on 24 June 2014.

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Changes in shares

During the Reporting Period, there's no change in total share and share capital structure of the Company.

(II) Changes in shares subject to selling restrictions

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

II. INFORMATION ON SHAREHOLDERS

(I) Number of shareholders and their shareholdings

Unit: share

Total number of shareholders as at the end of the Reporting Period 82,590

Shareholdings of the Top Ten Shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Increase/decrease during the Reporting Period	Number of shares held subject to selling restrictions	Number of shares pledged or frozen
Inner Mongolia Yitai Group Co., Ltd. (內蒙古伊泰集團有限公司)	Domestic non-state -owned legal person	49.17	1,600,000,000	0	1,600,000,000	Nil
HKSCC NOMINEES LIMITED	Foreign legal person	10.02	325,919,800	1,000	—	Unknown
Yitai (Group) HK Co., Ltd. (伊泰(集團)香港有限公司)	Foreign legal person	9.58	312,000,000	5,848,663	—	Unknown
FTIF TEMPLETON ASIAN GROWTH FUND 5496	Foreign legal person	2.28	74,061,448	0	—	Unknown
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.56	18,326,498	-4,416,695	—	Unknown
China Merchants Securities (HK) Co., Limited (招商證券香港有限公司)	Foreign legal person	0.50	16,352,245	2,104,162	—	Unknown
JPMCB/STICHTING PENSINENFONDS ABP	Foreign legal person	0.42	13,811,573	3,775,230	—	Unknown
ABU DHABI INVESTMENT AUTHORITY	Foreign legal person	0.42	13,740,897	-269,600	—	Unknown
GIC PRIVATE LIMITED	Foreign legal person	0.36	11,800,053	766,954	—	Unknown
ISHARES MSCI EMERGING MARKETS ETF	Foreign legal person	0.31	10,171,804	-3,181,923	—	Unknown

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS (Continued)

II. INFORMATION ON SHAREHOLDERS (CONTINUED)

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

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

Name of shareholder	Number of shares held not subject to selling restrictions	Class and number of shares	
HKSCC NOMINEES LIMITED	325,919,800	Overseas-listed foreign shares	325,919,800
Yitai (Group) HK Co., Ltd.(伊泰(集團)香港有限公司)	312,000,000	Domestic listed foreign shares	312,000,000
FTIF TEMPLETON ASIAN GROWTH FUND 5496	74,061,448	Domestic listed foreign shares	74,061,448
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	18,326,498	Domestic listed foreign shares	18,326,498
China Merchants Securities (HK) Co., Limited (招商證券香港有限公司)	16,352,245	Domestic listed foreign shares	16,352,245
JPMCB/STICHTING PENSINENFONDS ABP	13,811,573	Domestic listed foreign shares	13,811,573
ABU DHABI INVESTMENT AUTHORITY	13,740,897	Domestic listed foreign shares	13,740,897
GIC PRIVATE LIMITED	11,800,053	Domestic listed foreign shares	11,800,053
ISHARES MSCI EMERGING MARKETS ETF	10,171,804	Domestic listed foreign shares	10,171,804
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	9,957,440	Domestic listed foreign shares	9,957,440

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 (Hongkong) Co., Ltd. is a wholly-owned subsidiary of Inner Mongolia Yitai Group Co., Ltd., a holder of domestic legal person shares of the Company. 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)*

II. INFORMATION ON SHAREHOLDERS *(CONTINUED)*

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

Shareholding of the Top Ten Holders who are subject to selling restrictions, and the conditions of the selling restrictions

Unit: Shares

No.	Name of shareholders who are subject to selling restrictions	Number of shares which are subject to selling restrictions	Listing status of shares which are subject to selling restrictions		Selling restrictions
			Eligible listing time	Number of new listed shares	
1	Inner Mongolia Yitai Coal Co., Ltd.	1,600,000,000			No share conversion scheme is involved

Details of the above shareholders who are connected to each other or acting in concert Inner Mongolia Yitai Coal Co., Ltd. is the controlling shareholder of the Company

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS (Continued)

III. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, 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	Percentage of the total issued shares
Billion Giant Development Limited ¹	H Shares	Interest of controlled corporation	Long	10,008,500	6.14	0.30
BOS Trust Company (Jersey) Limited as Trustee ¹	H Shares	Trustee	Long	10,008,500	6.14	0.30
Chen Yihong ¹	H Shares	Interest of controlled corporation	Long	10,008,500	6.14	0.30
China Datang Corporation ²	H Shares	Interest of controlled corporation	Long	18,031,100	11.08	0.55
Credit Suisse AG ³	H Shares	Interest of controlled corporation	Long Short	24,400,000 24,400,000	15.00 15.00	0.74 0.74
Credit Suisse (Hong Kong) Limited ³	H Shares	Interests held jointly with another person	Long Short	24,400,000 24,400,000	15.00 15.00	0.74 0.74
Datang International (Hong Kong) Limited ²	H Shares	Beneficial owner	Long	18,031,100	11.08	0.55
Datang International Power Generation Co., Ltd. ²	H Shares	Interest of controlled corporation	Long	18,031,100	11.08	0.55
Great Huazhong Energy Co. Ltd	H Shares	Beneficial owner	Long	27,168,000	8.33	0.83

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	Percentage of the total issued shares
Harvest Luck Development Limited ¹	H Shares	Interest of controlled corporation	Long	10,008,500	6.14	0.30
Inner Mongolia Yitai Group Co., Ltd. ⁴	Non-overseas- listed-foreign shares	Beneficial owner/Interest of controlled corporation	Long	1,906,151,337	65.10	58.57
Inner Mongolia Yitai Investment Co., Ltd. ⁵	Non-overseas- listed-foreign shares	Interest of controlled corporation	Long	1,906,151,337	65.10	58.57
Poseidon Sports Limited ¹	H Shares	Beneficial owner	Long	10,008,500	6.14	0.30
Talent Rainbow Far East Limited ¹	H Shares	Interest of controlled corporation	Long	10,008,500	6.14	0.30
Yitai Group (Hongkong) Co., Ltd. ⁴	Non-overseas- listed-foreign shares	Beneficial owner	Long	306,151,337	10.45	9.40
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	28,321,000	8.68	0.87
Inner Mongolia Ordos Investment Holding Group Co., Ltd.(內蒙古鄂爾多斯投資控股集團有限公司)	H Shares	Beneficial owner	Long	27,122,600	8.31	0.83
Ordos Vanzip Project Construction Company Limited(鄂爾多斯市萬正建設工程有限責任公司)	H Shares	Beneficial owner	Long	28,321,000	8.68	0.87
Ordos Hongrui Trade Company Limited(鄂爾多斯市弘瑞商貿有限責任公司)	H Shares	Beneficial owner	Long	27,168,000	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	17,543,200	5.38	0.53

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

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

Notes:

1. Poseidon Sports Limited holds 10,008,500 shares (long position) of the Company, while Talent Rainbow Far East Limited, Harvest Luck Development Limited and Smart Stage Holdings Limited holds 50%, 42.43% and 7.57% of interests in Poseidon Sports Limited, respectively.

Talent Rainbow Far East Limited is wholly owned by Billion Giant Development Limited which is wholly owned by BOS Trust Company (Jersey) Limited as Trustee. Harvest Luck Development Limited is wholly owned by Chen Yihong. Smart Stage Holdings Limited is wholly owned by Wise Bonus Group Limited which is wholly owned by BOS Trust Company (Jersey) Limited as Trustee.

Pursuant to the SFO, Billion Giant Development Limited, BOS Trust Company (Jersey) Limited as Trustee and Chen Yihong, Harvest Luck Development Limited and Talent Rainbow Far East Limited are deemed to be interested in the 10,008,500 shares (long position) held by Poseidon Sports Limited.

2. Datang International (Hong Kong) Limited holds 18,031,100 shares (long position) of the Company. Datang International (Hong Kong) Limited is wholly owned by Datang International Power Generation Co., Ltd. while China Datang Corporation holds 34.71% of interests of Datang International Power Generation Co., Ltd..

Pursuant to the SFO, Datang International Power Generation Co. Ltd. and China Datang Corporation are deemed to be interested in the 18,031,100 shares (long position) held by Datang International (Hong Kong) Limited.

3. Credit Suisse (Hong Kong) Limited holds 24,400,000 H shares (long position) and 24,400,000 H shares (short position) of the Company through physically settled derivatives (OTC). Credit Suisse (Hong Kong) Limited is wholly owned by Credit Suisse AG.

Pursuant to the SFO, Credit Suisse AG is deemed to be interested in the 24,400,000 H shares (long position) and 24,400,000 H shares (short position) held by Credit Suisse (Hong Kong) Limited.

4. Inner Mongolia Yitai Group Co., Ltd. holds the entire issued share capital of Yitai Group (Hong Kong) Co., Ltd. and is thus deemed to be interested in the 306,151,337 shares held by Yitai Group (Hong Kong) Co., Ltd.. Inner Mongolia Yitai Group Co., Ltd. directly holds 1,600,000,000 Domestic Shares.

5. 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 1,906,151,337 shares directly or indirectly held by Inner Mongolia Yitai Group Co., Ltd..

6. 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.

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

Save as disclosed above, as at 30 June 2014, 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

During the Reporting Period, the Group and its subsidiaries did not purchase, redeem or sell any listed shares of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGES IN THE SHAREHOLDING

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

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Change	Reason for the change
Song Zhanyou	Director and deputy general manager	Appointed	Work adjustment
Kang Zhi	Director	Resigned	Term expired
Wang Sanmin	Deputy general manager	Resigned	Work adjustment
Ge Yaoyong	General manager	Resigned	Work adjustment
Zhang Xinrong	General manager	Appointed	Work adjustment

The resolution on nomination of independent director candidates and general election of the six session of the Board was considered and approved at the 32nd meeting of the fifth session of the Board of the Company on 25 March 2014 and the 2013 annual general meeting on 30 May 2014. The term of office of Mr. Kang Zhi was expired on the expiry date of the fifth session of the Board. Mr. Song Zhanyou was appointed as a director of the Company by the sixth session of the Board with the effect until the expiration of the term of the sixth session of the Board.

The resolution on appointment of deputy general manager of the Company was considered and approved at the 32nd meeting of the Board of the Company on 25 March 2014. It was approved that Mr. Wang Sanmin resigned as a deputy general manager of the Company and Mr. Song Zhanyou was appointed as a deputy general manager of the Company with the effect until the expiration of the term of the sixth session of the Board.

The resolution on the change of general manager of the Company was considered and approved at the 32nd meeting of the Board of the Company on 25 March 2014. It was approved that Mr. Ge Yaoyong resigned as the general manager of the Company. Mr. Zhang Xinrong was appointed as the general manager of the Company by the Board instead with the effect until the expiration of the term of the sixth 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 2014, 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 corporation of the Company

Name of director/supervisor	Name of associated corporation	Type of interest	Number of ordinary shares interested	Percentage of the associated corporation's issued share capital (%)
Directors:				
Mr. Zhang Donghai	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	10,903,593	1.51
		Interest of spouse	500,000	0.06
		Interest held as a trustee	20,437,872 ¹	2.84
Mr. Liu Chunlin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	6,000,000	0.83
		Interest held as a trustee	20,428,000 ¹	2.84
Mr. Ge Yaoyong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,000,000	0.69
		Interest of spouse	51,250	0.007
		Interest held as a trustee	20,428,000 ¹	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 ¹	2.84
Mr. Zhang Xinrong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,808,514	0.39
		Interest of spouse	114,871	0.01
		Interest held as a trustee	20,428,000 ¹	2.84
Mr. Lu Guiliang	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,200,000	0.30
Mr. Song Zhanyou	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 corporation 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 (%)
Supervisors:				
Mr. Li Wenshan	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	4,000,000	0.55
		Interest held as a trustee	20,428,000 ¹	2.84
Mr. Zhang Guisheng	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,200,000	0.30
Mr. Wang Xiaodong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	565,365	0.07
Mr. Ji Zhifu	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	250,000	0.03
Mr. Han Zhanchun	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	250,000	0.03

Note 1: Pursuant to a trust agreement entered into by 31 individuals and a group of employees of Inner Mongolia Yitai Group Co., Ltd., 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 2014, 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) Particulars concerning remuneration of the directors, supervisors and senior management

Decision-making procedure for the remuneration of the directors, supervisors and senior management	Considered and approved in general meetings
Basis for determination on the remuneration of the directors, supervisors and senior management	<p>“Measures Management of the Remuneration of Senior Management of the Company” (《公司高級管理人員薪酬管理辦法》)</p> <p>Specific calculation method: annual remuneration return comprises of basic annual salary and performance-based annual salary. Basic annual salary = Service grade coefficient x Scale coefficient of total assets of the Company x (1 + Growth rate of net assets) x10,000. Performance-based annual salary = Service grade coefficient x Coefficient of return rate of net assets x (1 + Growth rate of profits during the Reporting Period) x 10,000. All basic annual salaries shall be released on monthly basis, while performance-based annual salaries shall initially be released by 50 percent, the remaining of which shall be released at the end of the year after assessment.</p>
Particulars about remuneration payable to directors, supervisors and senior management	Allowances and remuneration for the directors, supervisors and senior management, which is calculated based on the allowance amount of independent directors determined in general meeting, and the remuneration for the directors, supervisors and senior management determined by remuneration management mechanism of the Company, were paid in full by the Company after deducting individual income tax.
Total remuneration actually obtained by the directors, supervisors and senior management as a whole at the end of the Reporting Period	RMB3.855 million

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

IV. EMPLOYEE INFORMATION (CONTINUED)

(II) Employees information of the parent company and its major subsidiaries

Number of in-service employees in the parent company	3,383
Number of in-service employees in major subsidiaries	3,230
Total number of in-service employees	6,613
Number of employees retired for whom the parent company and major subsidiaries have to pay pension	68

Specialty composition

Category	headcount
Production	1,634
Sales	2,076
Technician	422
Finance	234
Administration	2,247
Total	6,613

Education level

Category	headcount
Postgraduate	251
Undergraduate	2,464
College graduate and secondary technical school	2,574
Below secondary technical school	1,324
Total	6,613

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

IV. EMPLOYEE INFORMATION *(CONTINUED)*

(III) 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 parent company and major subsidiaries were RMB173 million and RMB152 million.

(IV) Training program

The Company carried forward leadership trainings to improve management level of the management comprehensively and made solid progress in internal trainer team building, with a view to establish a professional lecturer team. The Company advanced lecturer team building through improving lecturers’ quality, expanding the lecturer team and attracting more middle and senior management to participate in related activities. By lecturer contest and lecturer salon, lecturer team was developed to improve the overall level. The Company cultivated course developers to achieve course internalization to a large extent, established and optimized the internal course system and laid a foundation for carrying out knowledge management. Targeting at needs of groups from different classes and functional sort-out course system of each department, internal lecturers, major business personnel and expertise were taught skills, tools and methods of course development through training classes of internal course development, and a large number of course developers were trained to push forward course development. The Company further optimized training system, increased efforts on promotion of training philosophy and adhered to creation of training culture. In 2014, the human resources department promoted its training philosophy to all staff of the Group through managerial trainings and internal trainer broadcasts, so as to incorporate the training culture in management and employees in an in-depth manner.

INDEPENDENT REVIEW 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 58 to 104, 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 2014 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
26 August 2014

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 Unaudited RMB'000	2013 Unaudited RMB'000
REVENUE	4	12,463,146	11,515,904
Cost of sales		<u>(8,620,425)</u>	<u>(7,321,625)</u>
Gross profit		3,842,721	4,194,279
Other income and gains	4	69,672	122,376
Selling and distribution expenses		(635,224)	(567,365)
Administrative expenses		(828,846)	(586,072)
Other expenses		(94,092)	(31,716)
Finance income		26,060	17,805
Finance costs	5	(318,425)	(257,620)
Exchange gains, net		5,549	1,207
Share of profits/(losses) of associates		<u>21,677</u>	<u>(1,628)</u>
PROFIT BEFORE TAX	6	2,089,092	2,891,266
Income tax expense	7	<u>(323,523)</u>	<u>(411,952)</u>
PROFIT FOR THE PERIOD		<u>1,765,569</u>	<u>2,479,314</u>
Attributable to:			
Owners of the parent		1,498,622	2,176,938
Non-controlling interests		<u>266,947</u>	<u>302,376</u>
		<u>1,765,569</u>	<u>2,479,314</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RMB)			
— For profit for the period	9	<u>0.46</u>	<u>0.67</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	Unaudited RMB'000	Unaudited RMB'000
<i>Notes</i>		
PROFIT FOR THE PERIOD	1,765,569	2,479,314
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value of available-for-sale investments	(7,910)	—
Income tax effect	1,187	—
Exchange differences on translation of foreign operations	176	(339)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(6,547)	(339)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,759,022	2,478,975
Attributable to:		
Owners of the parent	1,492,075	2,176,599
Non-controlling interests	266,947	302,376
	1,759,022	2,478,975

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

		As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	29,821,808	28,458,153
Investment properties		64,519	45,509
Prepaid land lease payments	11	967,079	985,279
Mining rights	12	417,429	441,102
Other intangible assets		80,047	74,522
Investments in associates	13	477,921	362,064
Available-for-sale investments	14	4,738,588	4,006,498
Deferred tax assets		711,249	744,140
Other non-current assets		247,822	12,328
		<u>37,526,462</u>	<u>35,129,595</u>
CURRENT ASSETS			
Inventories	15	1,902,832	1,421,486
Trade and bills receivables	16	2,046,993	3,112,895
Prepayments, deposits and other receivables	17	2,779,765	1,966,253
Restricted cash	18	39,786	39,747
Cash and short-term deposits	18	9,732,692	3,814,532
		<u>16,502,068</u>	<u>10,354,913</u>
CURRENT LIABILITIES			
Trade and bills payables	19	1,167,162	1,081,567
Financial liabilities at fair value through profit or loss	27	1,213	446
Other payables and accruals	20	2,826,806	2,641,101
Interest-bearing bank borrowings	21	1,546,656	1,012,233
Dividends payable		382,000	—
Income tax payable		(36,491)	(198,894)
		<u>5,887,346</u>	<u>4,536,453</u>
NET CURRENT ASSETS		<u>10,614,722</u>	<u>5,818,460</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>48,141,184</u>	<u>40,948,055</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2014

		As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
	Notes		
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	21	18,909,527	12,317,380
Long term bonds	22	3,492,583	3,494,833
Deferred tax liabilities		975	—
Other non-current liabilities		121,509	121,433
		<u>22,524,594</u>	<u>15,933,646</u>
Total non-current liabilities		<u>22,524,594</u>	<u>15,933,646</u>
NET ASSETS		<u>25,616,590</u>	<u>25,014,409</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	23	3,254,007	3,254,007
Reserves		18,346,607	16,854,532
Proposed final dividend	8	—	1,041,282
		<u>21,600,614</u>	<u>21,149,821</u>
Non-controlling interests		<u>4,015,976</u>	<u>3,864,588</u>
TOTAL EQUITY		<u>25,616,590</u>	<u>25,014,409</u>

Zhang Donghai

Lv Guiliang

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to the owners of the parent										
	Issued capital	Capital reserve*	Statutory reserve*	Safety and maintenance fund*	Available-for-sale investment revaluation reserve*	Retained earnings*	Proposed final dividend (Note 8)	Exchange fluctuation reserve*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	3,254,007	(863,465)	2,693,671	—	(19,531)	15,044,743	1,041,282	(886)	21,149,821	3,864,588	25,014,409
Profit for the period	—	—	—	—	—	1,498,622	—	—	1,498,622	266,947	1,765,569
Other comprehensive income for the period:											
Change in fair value of available-for-sale investments, net of tax	—	—	—	—	(6,723)	—	—	—	(6,723)	—	(6,723)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	176	176	—	176
Total comprehensive income for the period	—	—	—	—	(6,723)	1,498,622	—	176	1,492,075	266,947	1,759,022
Capital contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	30,376	30,376
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(145,935)	(145,935)
2013 final dividends declared	—	—	—	—	—	—	(1,041,282)	—	(1,041,282)	—	(1,041,282)
At 30 June 2014 (Unaudited)	<u>3,254,007</u>	<u>(863,465)</u>	<u>2,693,671</u>	<u>—</u>	<u>(26,254)</u>	<u>16,543,365</u>	<u>—</u>	<u>(710)</u>	<u>21,600,614</u>	<u>4,015,976</u>	<u>25,616,590</u>

* These reserve accounts comprise the consolidated reserves of RMB18,346,607,000 as at 30 June 2014 (30 June 2013: RMB18,225,932,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2014

	Attributable to the owners of the parent									
	Issued capital	Capital reserve*	Statutory reserve*	Safety and maintenance fund*	Retained earnings*	Proposed final dividend (Note 8)	Exchange fluctuation reserve*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	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)
At 30 June 2013 (Unaudited)	1,627,004	(931,466)	2,472,018	—	16,686,009	—	(629)	19,852,936	2,573,420	22,426,356

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	Unaudited RMB'000	Unaudited RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,089,092	2,891,266
Adjustments for:		
Finance costs	318,425	257,620
Exchange gains, net	(19)	(1,207)
Finance income	(26,060)	(17,805)
Share of losses/(profits) of associates	(21,677)	1,628
Fair value losses, net, on financial assets through profit or loss	767	—
Realised gains on future contracts	(2,415)	—
Depreciation of property, plant and equipment	852,868	684,030
Depreciation of investment properties	7,438	2,583
Amortisation of prepaid land lease payments	21,294	6,616
Amortisation of mining rights	18,842	15,031
Amortisation of other intangible assets	12,737	4,429
Amortisation of other non-current assets	6,183	1,382
Dividend income from available-for-sale investments	(9,701)	—
Impairment of prepaid land lease payment	9,199	—
Impairment of other intangible assets	1,106	—
Impairment of mining rights	4,831	—
Impairment of property, plant and equipment	71,867	—
Loss/(Gain) on disposal of items of property, plant and equipment	2,866	(2,352)
Loss on disposal of a subsidiary	—	12,358
Increase in inventories	(481,346)	(501,868)
Decrease in trade and bills receivables	1,079,792	597,349
Increase in prepayments, deposits and other receivables	(411,548)	(586,729)
Increase/(Decrease) in trade and bills payables	58,199	(446,660)
Increase/(Decrease) in other payables and accruals	469,164	(176,868)
	<u>4,071,904</u>	<u>2,740,803</u>
Income tax paid	(126,067)	(513,780)
Net cash flows from operating activities	<u>3,945,837</u>	<u>2,227,023</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	Unaudited RMB'000	Unaudited RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(2,993,649)	10,921
Additions to prepaid land lease payments	(691)	—
Additions to other intangible assets	(19,368)	(9,051)
Additions to other non-current assets	—	(28,197)
Proceeds from disposal of items of property, plant and equipment and intangible assets	2,868	11,961
Investment in associates and available-for-sale investments	(740,000)	(28,440)
Interest received	26,060	17,805
Disposal of a subsidiary	—	(14,896)
Payment for acquisition of the Target Business Group	—	(167,130)
Entrusted loans received	6,000	—
Acquisition of a subsidiary, net of cash acquired	3,603	—
Payment from settlement of futures contracts, net	(2,387)	—
Increase in restricted cash	(39)	(969)
Movement in fixed deposits	(310,000)	3,478
Dividend received from available-for-sale investments	9,701	—
Net cash flows used in investing activities	4,017,902	14,524
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution from non-controlling interests	30,376	43,675
Proceeds from issuance of long term bonds	—	2,492,500
Proceeds from bank borrowings	7,438,500	512,080
Repayment of bank borrowings	(311,930)	(712,432)
Interest paid	(671,523)	(296,721)
Dividends paid	(659,282)	—
Special dividends paid to Yitai Group	—	(730,000)
Dividends/special dividends paid to non-controlling interests	(145,935)	(270,000)
Net cash flows from financing activities	5,680,206	1,039,102
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Net foreign exchange difference	19	—
Cash and cash equivalents at 1 January	3,808,946	6,306,020
CASH AND CASH EQUIVALENTS AT 30 JUNE	9,417,106	7,062,761

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

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. On 20 August 2013, the Company increased the issued capital to RMB3,254,007,000 through the conversion of dividends. Yitai (Group) Hong Kong Co, Ltd (“Yitai Group HK”), a wholly-owned subsidiary of Yitai Group held 9.59% of shares of the Company. The direct and indirect shareholding of the Company by Yitai Group is 58.76% as at 30 June 2014.

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 2014

1. CORPORATE INFORMATION (CONTINUED)

Particulars of principal subsidiaries and associates

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

Company name	Place and date of incorporation /operations	Type of legal entity	Nominal value of issued and fully paid-up capital RMB'000	Percentage of equity interest attributable to the Company %	Principal activities
Subsidiaries					
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	Inner Mongolia, the PRC 5 October 1998	Limited company	1,496,000	100.0	Railway transportation
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	Inner Mongolia, the PRC 17 March 2006	Limited company	2,352,900	51.0	Coal-to-oil production
Inner Mongolia Jingyue Suancangou Mining Co., Ltd. (內蒙古京粵酸刺溝礦業有限責任公司)	Inner Mongolia, the PRC 18 September 2007	Limited company	1,080,000	52.0	Coal mining
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限責任公司)	Inner Mongolia, the PRC 26 February 2003	Limited company	2,074,598	77.0	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	970,000	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	770,000	90.2	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	1,060,000	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. (北京伊泰生物科技股份有限公司)	Beijing, the PRC 15 March 2004	Limited company	10,000	100.0	Biotechnology
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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

1. CORPORATE INFORMATION (CONTINUED)

Company name	Place and date of incorporation /operations	Type of legal entity	Nominal value of issued and fully paid-up capital RMB'000	Percentage of equity interest attributable to the Company %	Principal activities
Subsidiaries (continued)					
Inner Mongolia Yitai 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輸有限責任公司)	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
Inner Mongolia Taiheng Coal Transportation Co., Ltd. (內蒙古泰恒煤炭運輸有限責任公司)	Inner Mongolia, the PRC 31 May 2002	Limited company	45,553	51.0	Coal wholesale
Associates					
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	24,750	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
Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限責任公司)	Inner Mongolia, the PRC 13 March 2014	Limited company	300,000	31.4	Railway transportation

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 2014

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 2014 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 2013.

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 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The following standards and amendments became effective as of 1 January 2014:

IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to <i>IFRS 10, IFRS 12 and IAS 27 (2011)</i> - <i>Investment Entities</i>
IAS 32 Amendments	Amendments to <i>IAS 32 Financial Instruments: Presentation</i> - <i>Offsetting Financial Assets and Financial Liabilities</i>
IAS 39 Amendments	Amendments to <i>IAS 39 Financial Instruments: Recognition and Measurement</i> - <i>Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC-Int 21	<i>Levies</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 2014

3. 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:

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

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/(loss), which is a measure of adjusted profit/(loss) 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

3. OPERATING SEGMENT (CONTINUED)

Six months ended 30 June 2014 (Unaudited)	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Others RMB'000	Consolidated RMB'000
Segment revenue:					
External customers	11,269,649	183,838	1,006,679	2,980	12,463,146
Intersegment sales	118,498	878,166	40,216	—	1,036,880
	11,388,147	1,062,004	1,046,895	2,980	13,500,026
<i>Reconciliation</i>					
Elimination of intersegment sales					(1,036,880)
Total revenue					12,463,146
Segment profit:					
Profit/(loss) before tax	1,381,588	565,411	159,484	(17,391)	2,089,092
Income tax expense	(237,969)	(63,833)	(21,721)	—	(323,523)
	1,143,619	501,578	137,763	(17,391)	1,765,569
<i>Reconciliation</i>					
Elimination of intersegment results					—
Net profit for the period					1,765,569
Segment assets as at 30 June 2014	31,375,007	11,855,281	15,118,905	828,045	59,177,238
Elimination of intersegment receivables					(5,148,708)
Total assets as at 30 June 2014					54,028,530
Segment liabilities as at 30 June 2014	17,630,448	5,533,000	9,717,720	679,480	33,560,648
Elimination of intersegment payables					(5,148,708)
Total liabilities as at 30 June 2014					28,411,940

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

3. OPERATING SEGMENT (CONTINUED)

Six months ended 30 June 2013 (Unaudited)	Coal <i>RMB'000</i>	Transportation <i>RMB'000</i>	Coal-related chemical <i>RMB'000</i>	Others <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Segment revenue:					
External customers	10,656,613	154,514	701,253	3,524	11,515,904
Intersegment sales	95,658	786,652	7,723	—	890,033
	<u>10,752,271</u>	<u>941,166</u>	<u>708,976</u>	<u>3,524</u>	<u>12,405,937</u>
Reconciliation					
Elimination of intersegment sales					<u>(890,033)</u>
Total revenue					<u><u>11,515,904</u></u>
Segment results:					
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)
	<u>1,982,541</u>	<u>449,998</u>	<u>60,274</u>	<u>(13,499)</u>	<u>2,479,314</u>
Reconciliation					
Elimination of intersegment results					<u>—</u>
Net profit for the period					<u><u>2,479,314</u></u>
Segment assets as at					
31 December 2013 (Audited)	26,943,134	10,764,045	12,353,809	755,630	50,816,618
Elimination of intersegment receivables					<u>(5,245,942)</u>
Capitalisation of finance costs					<u>(86,168)</u>
Total assets as at 31 December 2013					<u><u>45,484,508</u></u>
Segment liabilities as at					
31 December 2013 (Audited)	13,322,891	4,774,111	7,012,745	606,294	25,716,041
Elimination of intersegment payables					<u>(5,245,942)</u>
Total liabilities as at 31 December 2013					<u><u>20,470,099</u></u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for goods returns and trade discounts and the value of services rendered during the year.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	RMB'000	RMB'000
Revenue		
Sale of goods	12,276,328	11,357,866
Rendering of services	186,818	158,038
	<u>12,463,146</u>	<u>11,515,904</u>
Other income		
Income/(Loss) from sale of materials	527	(23,257)
Income from rendering of other services	41,199	28,102
	<u>41,726</u>	<u>4,845</u>
Gains		
Dividend income from available-for-sale investments	9,701	—
Gain on disposal of items of property, plant and equipment	374	2,352
Loss on disposal of a subsidiary	—	(12,358)
Indemnities received	1,315	1,501
Interest income	7,415	—
Government grants	4,030	—
Compensation received*	—	108,589
Others	5,111	17,447
	<u>27,946</u>	<u>117,531</u>
	<u>69,672</u>	<u>122,376</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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

5. FINANCE COSTS

The Group' finance costs are as follows:

	Six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest on bank and other borrowings	558,026	285,617
Interest on 5-year corporate bonds	89,525	53,856
Total interest	647,551	339,473
Less: Interest capitalised	(329,126)	(81,853)
	318,425	257,620

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

6. PROFIT BEFORE TAX

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

	Notes	Six months ended 30 June	
		2014	2013
		Unaudited	Unaudited
		RMB'000	RMB'000
Cost of inventories sold		8,558,099	7,266,693
Cost of services provided		62,326	54,932
Depreciation of property, plant and equipment		852,868	684,030
Depreciation of investment properties		7,438	2,583
Amortisation of prepaid land lease payments		21,294	6,616
Amortisation of mining rights		18,842	15,031
Amortisation of other intangible assets		12,737	4,429
Amortisation of other non-current assets		6,183	1,382
Total depreciation and amortisation		919,362	714,071
Employee benefit expense (excluding directors' and chief executive's remuneration)			
Wages, salaries and other employees' benefits		625,352	568,428
Pension scheme contributions (defined contribution plans)		27,694	21,202
		653,046	589,630
Impairment of other intangible assets		1,106	—
Impairment of prepaid land lease payments		9,199	—
Impairment of property, plant and equipment		71,867	—
Impairment of mining rights		4,831	—
Loss/(Gain) on disposal of items of property, plant and equipment, prepaid land lease payments, and other intangible assets, net		2,866	(2,352)
Unrealised losses on futures contracts, net		767	—
Realised gains on futures contracts		(2,415)	—
Auditors' remuneration		4,945	3,538

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	RMB'000	RMB'000
Income tax		
Current tax - Mainland China	288,470	335,531
Deferred income tax	35,053	76,421
Total tax charge for the period	323,523	411,952

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 2014

7. INCOME TAX EXPENSE (CONTINUED)

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 2014 and 2013.

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 2014 and 2013 is as follows:

	Six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	RMB'000	RMB'000
Profit before tax	2,089,092	2,891,266
Tax at the statutory income tax rate of 25%	522,273	722,817
Effect of lower tax rate	(192,374)	(265,813)
Income not subject to tax	—	(38,093)
Entertainment expenses not deductible for tax purposes	8,896	2,617
Profits and losses attributable to associates	(3,252)	—
Tax incentive in relation to deduction limits of certain expenses	(2,876)	—
Tax losses not recognized	4,788	2,023
Others	(13,932)	(11,599)
Tax charge at the Group's effective rate	323,523	411,952

The share of tax attributable to associates amounting to RMB2,855,724 (six months ended 30 June 2013: RMB477,423) was included in "Share of profits /(losses) of associates" in the interim condensed consolidated statement of comprehensive income.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

8. DIVIDENDS

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Proposed final cash dividend	—	1,041,282

The board of directors of the Company recommended on 25 March 2014 to propose a final cash dividend of RMB3.2 per 10 ordinary shares. The above-mentioned proposed final dividends for the year ended 31 December 2013 were approved by the Company's shareholders at the annual general meeting on 30 May 2014.

The board of directors of the Company did not recommend to propose interim dividend for the six months ended 30 June 2014 (for the six months ended 30 June 2013: nil).

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

	Six months ended 30 June	
	2014 Unaudited RMB'000	2013 Unaudited RMB'000
<i>Earnings</i>		
Profit for the period attributable to ordinary equity holders of the parent	1,498,622	2,176,938
<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	3,254,007	3,254,007

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2014 and 2013 attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the periods ended 30 June 2014 and 2013, 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 2014 and 2013, hence no diluted earnings per share amount is presented.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

10. 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 RMB2,719.2 million, excluding property, plant and equipment acquired through a business combination (see note 24), which mainly contributed by Yitai Huzhun Railway Co., Ltd. Yitai Xinjiang Energy Co., Ltd., Yitai Yili Energy Co., Ltd. and Talahao Mine (six months ended 30 June 2013: RMB2,171.3 million).

Certain buildings, railway, highway, motor vehicles, machinery and equipment, amounting to RMB32.2 million (six months ended 30 June 2013: RMB11.5 million) were disposed of in 2014, which resulted in a net loss on disposal of RMB2.9 million (six months ended 30 June 2013: a net gain on disposal of RMB2.4 million).

Certain buildings, mining structures impaired during the period, amounting to RMB71.9 million.

11. PREPAID LAND LEASE PAYMENTS

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Carrying amount at 1 January	1,018,175	334,701
Additions	691	722,352
Disposals	—	(5,704)
Amortisation for the period/year	(21,294)	(33,174)
Impairment	(9,199)	—
	<u>988,373</u>	<u>1,018,175</u>
Carrying amount at 30 June/31 December	988,373	1,018,175
Current portion	21,294	32,896
	<u>967,079</u>	<u>985,279</u>
Non-current portion	967,079	985,279

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 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Long term leases (≥50 years)	588,300	586,410
Medium term leases (<50 years)	400,073	431,765
	<u>988,373</u>	<u>1,018,175</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

12. MINING RIGHTS

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Cost as at 1 January, net of accumulated amortisation	441,102	419,519
Additions	—	69,255
Impairment	(4,831)	(2,414)
Amortisation for the period/year	<u>(18,842)</u>	<u>(45,258)</u>
Cost as at 30 June/31 December, net of accumulated amortisation	<u><u>417,429</u></u>	<u><u>441,102</u></u>
As at 30 June/31 December:		
Cost	673,206	673,206
Accumulated amortisation and impairment	<u>(255,777)</u>	<u>(232,104)</u>
Net carrying amount	<u><u>417,429</u></u>	<u><u>441,102</u></u>

13. INVESTMENTS IN ASSOCIATES

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Share of net assets	<u><u>477,921</u></u>	<u><u>362,064</u></u>

Particulars of the principal associates are set out in Note 1.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

13. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information of Inner Mongolia Jingtai Electronic Power Generation Co., Ltd., a material associate of the Group, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Current assets	291,337	183,020
Non-current assets	2,418,298	2,487,490
Current liabilities	(311,603)	(543,902)
Non-current liabilities	(1,517,000)	(1,367,916)
Net assets	<u>881,032</u>	<u>758,692</u>
Proportion of the Group's ownership	29%	29%
Group's share of net assets of the associate	255,499	220,021
Carrying amount of the investment	<u>255,499</u>	<u>220,021</u>
	Six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	RMB'000	RMB'000
Revenue	420,215	354,973
Profit after tax	121,424	37,822
Total comprehensive income for the period	121,424	37,822
Dividend received	—	—

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

13. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	Six months ended 30 June 2014 Unaudited RMB'000	As at 31 December/ Six months ended 30 June 2013 Audited/Unaudited RMB'000
Share of the associates' loss for the period	(13,536)	(12,596)
Share of the associates' total comprehensive income	(13,536)	(12,596)
Aggregate carrying amount of the Group's investments in the associates	<u>222,422</u>	<u>142,043</u>

14. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Listed equity investments, at fair value:		
In Hong Kong	206,500	—
In Mainland China	114,728	129,138
	<u>321,228</u>	129,138
Unlisted equity investments, at cost	4,417,360	3,877,360
	<u>4,738,588</u>	<u>4,006,498</u>

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB6,723,000 (six months ended 30 June 2013: Nil).

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 2014

14. 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 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Shanxi Coal Industry Co., Ltd. (陝西煤業股份有限公司)	0.5%	206,500	—
Qinhuangdao Port Co., Ltd. (秦皇島港股份有限公司)	4%	114,728	129,138
Mengji Railway Co., Ltd. (蒙冀鐵路有限責任公司)	9%	2,520,000	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%	865,287	865,287
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
		4,738,588	4,006,498

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

15. INVENTORIES

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Materials and supplies	611,241	487,896
Finished goods	1,291,591	933,590
Less: Provision for impairment	—	—
	<u>1,902,832</u>	<u>1,421,486</u>

16. TRADE AND BILLS RECEIVABLES

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Trade receivables	1,922,342	2,951,760
Amounts due from associates	29,485	38,978
Amounts due from Yitai Group	—	257
Less: Provision for impairment	—	—
	<u>1,951,827</u>	<u>2,990,995</u>
Bills receivable	95,166	121,900
	<u>2,046,993</u>	<u>3,112,895</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

16. TRADE AND BILLS RECEIVABLES (CONTINUED)

The Group requires certain of its customers to pay in advance and makes provision for the doubtful trade receivables balance at the end of each reporting period. The carrying amounts of the trade receivables and bills receivable approximate to their fair values.

The maximum exposure to credit risk at the end of each reporting period is the carrying value of the Group's total trade receivables.

Bills receivable are bills of exchange with maturity of less than six months.

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

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Within six months	2,037,852	3,105,883
Over six months but within one year	6,713	7,012
Over one year but within two years	2,428	—
Over two years but within three years	—	—
Over three years	—	—
	<u>2,046,993</u>	<u>3,112,895</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Amounts due from related parties:		
Associates	35,262	—
Yitai Group	94,985	38,852
Other related parties	53,124	162,553
	183,371	201,405
Advances to suppliers	1,255,328	864,741
Prepayments	331,018	324,684
Staff advances	27,929	23,874
Deposits	27,230	28,539
Entrusted loans*	524,900	530,900
Other receivables	449,294	11,415
	2,799,070	1,985,558
Less: Provision for impairment	(19,305)	(19,305)
	2,779,765	1,966,253

* Note:

In November 2013, the Group lent RMB100,000,000 to Inner Mongolia Ordos City Jungar Banner Finance Bureau through Bank of China as an entrusted loan. The loan bears a fixed interest rate of 7.8%, due on 20 June 2014 and is guaranteed by Inner Mongolia Ordos City Jungar Banner Local Tax Bureau. On 20 June 2014, the repayment date for the entrusted loan period was extended to 20 October 2014.

In December 2013, the Group lent RMB430,900,000 to Inner Mongolia Ordos City Hanggin Banner Finance Bureau through Bank of China as entrusted loans. RMB210,900,000 of the loans bears a fixed interest rate of 8.22%, due on 4 December 2014. RMB160,000,000 of the loans bears a fixed interest rate of 8.22%, due on 5 December 2014. The loans of RMB210,900,000 and RMB160,000,000 are collectively guaranteed by Inner Mongolia Ordos City Hanggin Banner People's Government, National Tax Bureau, Local Tax Bureau and Land and Resources Bureau. RMB60,000,000 of the loans bears a fixed interest rate of 10%, due on 29 December 2014 and is guaranteed by Hanggin Banner People's Government. RMB6,000,000 of the loans was repaid on 31 March 2014.

In the opinion of the directors, the above entrusted loans, totalling RMB524,900,000, were executed in accordance with the applicable rules and regulations, and no impairment provision against them is required.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

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

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
At 1 January	19,305	21,316
Impairment for the period/year	—	35
Reversal of impairment	—	(2,046)
Written off	—	—
	<u>19,305</u>	<u>19,305</u>
At 30 June/31 December	<u>19,305</u>	<u>19,305</u>

18. CASH AND SHORT-TERM DEPOSITS AND RESTRICTED CASH

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Cash and bank balances	9,456,892	3,848,693
Time deposits	315,586	5,586
	<u>9,772,478</u>	<u>3,854,279</u>
Less: Restricted cash	(a) <u>(39,786)</u>	<u>(39,747)</u>
Cash and short-term deposits	<u>9,732,692</u>	<u>3,814,532</u>
Denominated in RMB	(b) 9,689,495	3,771,806
Denominated in other currencies	43,197	42,726
	<u>9,732,692</u>	<u>3,814,532</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

18. CASH AND SHORT-TERM DEPOSITS AND RESTRICTED CASH (CONTINUED)

Notes:

- (a) As at 30 June 2014 and 31 December 2013, the Group's bank balances of approximately RMB36,526,000 and RMB36,487,000 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.

As at 30 June 2014 and 31 December 2013, RMB3,260,000 and RMB3,260,000 respectively were deposited at bank as guarantee fund to obtain bank borrowings for the Group's railway construction.

- (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.

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 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Cash and short-term deposits	9,732,692	3,814,532
Less: Short-term deposits	<u>(315,586)</u>	<u>(5,586)</u>
Cash at banks and on hand	<u>9,417,106</u>	<u>3,808,946</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

19. TRADE AND BILLS PAYABLES

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Trade payables to third parties	1,040,359	960,303
Trade payables to associates	5,192	5,366
Trade payables to Yitai Group	121,611	115,898
	<u>1,167,162</u>	<u>1,081,567</u>

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

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Within six months	923,203	975,549
Over six months but within one year	243,669	76,376
Over one year but within two years	100	29,642
Over two years but within three years	190	—
Over three years	—	—
	<u>1,167,162</u>	<u>1,081,567</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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

20. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Advances from customers	77,863	274,954
Accrued salaries, wages and benefits	98,443	317,398
Other tax payables	592,927	37,018
Accrued interest payable	102,632	124,970
Payables for property, plant and equipment	1,448,026	1,713,923
Accruals	75,066	41,527
Amounts due to Yitai Group	341,604	29,988
Amounts due to associates	—	1,686
Other payables	90,245	99,637
	<u>2,826,806</u>	<u>2,641,101</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 2014

21. INTEREST-BEARING BANK LOANS AND BORROWINGS

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Current:		
Bank loans — guaranteed	50,000	64,000
Bank loans — unguaranteed	100,000	100,000
Current portion of long term bank loans — guaranteed	750,656	704,233
Current portion of long term bank loans — unguaranteed	646,000	144,000
Total current loans	<u>1,546,656</u>	<u>1,012,233</u>
Non-current:		
Bank loans — guaranteed	13,139,835	9,943,688
Bank loans — secured	1,692	1,692
Bank loans — unguaranteed	5,768,000	2,372,000
Total non-current loans	<u>18,909,527</u>	<u>12,317,380</u>
Total loans	<u><u>20,456,183</u></u>	<u><u>13,329,613</u></u>
Denominated in RMB	20,269,700	13,127,200
Denominated in USD	<u>30,762</u>	<u>32,037</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

21. INTEREST-BEARING BANK LOANS AND BORROWINGS (CONTINUED)

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

	As at 30 June 2014 Unaudited %	As at 31 December 2013 Audited %
Fixed-rate loans	3.80–8.50	3.80–8.50
Floating-rate loans	6.08–6.55	6.08–6.55

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

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Yitai Group	1,013,413	758,100
Independent third parties	67,067	46,913
Other related parties	799,873	709,382
	<u>1,880,353</u>	<u>1,514,395</u>

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

22. LONG TERM BONDS

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Nominal value of corporate bonds in issue during the year	3,500,000	3,500,000
Direct transaction costs	(10,500)	(10,500)
	3,489,500	3,489,500
Interest expense	89,525	147,418
Interest paid	(86,442)	(142,085)
Corporate bonds at 30 June/31 December	3,492,583	3,494,833

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 were issued at discount, bearing effective interest rate of 5.27%. Interest of the bonds 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 were issued at discount, bearing effective interest rate of 5.85%. Interest of the bonds 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 2014

23. ISSUED CAPITAL

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Authorised, issued and fully paid:		
1,600,000,000 B shares owned by Yitai Group of RMB1.00 each	1,600,000	1,600,000
1,328,000,000 B shares of RMB1.00 each	1,328,000	1,328,000
326,007,000 H shares of RMB1.00 each	326,007	326,007
Ordinary shares of RMB1.00 each	<u>3,254,007</u>	<u>3,254,007</u>

24. BUSINESS COMBINATIONS

Acquisition of Inner Mongolia Taiheng Coal Transportation Co., Ltd.

On 20 May 2014, the Group acquired 51% of the voting shares of Inner Mongolia Taiheng Coal Transportation Co., Ltd. (Taiheng), an unlisted company based in Inner Mongolia that specializes in coal wholesale and chemical product sale. The Group has acquired Taiheng because it expands its existing sale capacity and channel. The purchase consideration for the acquisition was in the form of cash with RMB1.

The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of Taiheng from the acquisition date.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

24. BUSINESS COMBINATIONS (CONTINUED)

The fair values of the identifiable assets and liabilities of Taiheng as at the date of acquisition were as follows:

	Fair value recognized on acquisition RMB'000
Property, plant and equipment	10,921
Prepayments and other receivables	3,219
Trade receivables	13,890
Cash and bank balances	3,603
Trade payables	(27,396)
Other payables and accruals	(4,237)
Total identifiable net assets at fair value	—
Non-controlling interests	—
Goodwill arising on acquisition	—
Purchase consideration transferred	—
Analysis of the cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	3,603
Cash paid	—
Net cash inflow	3,603

At the date of the acquisition, the fair value of the trade receivables was RMB13,890,000. The gross amount of trade receivables is RMB13,890,000. At acquisition date, the balance of trade receivables was expected to collect on best estimation. At 30 June 2014, none of the trade receivables has been impaired.

From the date of acquisition, Taiheng has contributed zero of revenue and a loss of RMB552,429 to the profit before tax of the Group. If the acquisition had taken place at the beginning of the year, revenue from operations of the Group would have been RMB12,463,146,000 and the profit of the Group for the period would have been RMB2,089,092,000.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

25. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	As at 30 June 2014 RMB'000 Unaudited	As at 31 December 2013 RMB'000 Audited
Contracted, but not provided for:		
Property, plant and equipment	9,031,827	6,728,714
Available-for-sale investments	531,313	483,313
	<u>9,563,140</u>	<u>7,212,027</u>

26. 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 2014 and 2013:

	<i>Notes</i>	Six months ended 30 June 2014 Unaudited RMB'000	2013 Unaudited RMB'000
Sales of goods to Yitai Group	(i)	552	5,809
Provision of services to the Yitai Group	(i)	170	—
Sales of goods to associates	(i)	65,732	69,012
Purchase of services from associates	(i)	680	8,549
Purchase of services from other related parties	(i)	3,069	1,172
Purchase of service from Yitai Group	(i)	165,286	—
Purchase of goods from Yitai Group	(i)	82,775	88,218

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 2014

26. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Outstanding balances with related parties

	Notes	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Trade and bills receivables	(i)	29,485	39,235
Prepayments, deposits and other receivables	(i)	183,371	201,405
Trade payables	(i)	(126,803)	(121,264)
Other payables and accruals	(i)	(341,604)	(31,674)

(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 2014 and 31 December 2013, bank loans of RMB1,813,286,000 and RMB1,467,482,000 were guaranteed by the related parties, respectively.

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

As at 30 June 2014 and 31 December 2013, guarantees of RMB36,550,000 and RMB24,993,000 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 2014 Unaudited RMB'000	2013 Unaudited RMB'000
Short term employee benefits	2,905	3,226
Post-employment benefits	262	257
Total compensation paid to key management personnel	3,167	3,483

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

27. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided for:

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Guarantees given to banks in connection with loans granted to associates	36,550	24,993

28. FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments as at 30 June 2014 and 31 December 2013 are as follows:

As at 30 June 2014 (Unaudited)	Loans and receivables RMB'000	Group Available-for- sale financial assets RMB'000	Total RMB'000
Financial assets			
Available-for-sale investments	—	4,738,588	4,738,588
Trade and bills receivables	2,046,993	—	2,046,993
Financial assets included in prepayments, deposits and other receivables	1,185,494	—	1,185,494
Restricted cash	39,786	—	39,786
Cash and short-term deposits	9,732,692	—	9,732,692
Total	13,004,965	4,738,588	17,743,553
Total current	13,004,965	—	13,004,965
Total non-current	—	4,738,588	4,738,588

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

28. FINANCIAL INSTRUMENTS (CONTINUED)

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised costs RMB'000	Total RMB'000
Financial liabilities			
Trade and bills payables	—	1,167,162	1,167,162
Financial liabilities at fair value through profit or loss	1,213	—	1,213
Financial liabilities included in other payables and accruals	—	2,057,573	2,057,573
Interest-bearing bank borrowings	—	20,456,183	20,456,183
Long-term bonds	—	3,492,583	3,492,583
Total	1,213	27,173,501	27,174,714
Total current	1,213	4,771,391	4,772,604
Total non-current	—	22,402,110	22,402,110
As at 31 December 2013 (Audited)			
	Loans and receivables RMB'000	Group Available-for-sale financial assets RMB'000	Total RMB'000
Financial assets			
Available-for-sale investments	—	4,006,498	4,006,498
Trade and bills receivables	3,112,895	—	3,112,895
Financial assets included in prepayments, deposits and other receivables	767,594	—	767,594
Restricted cash	39,747	—	39,747
Cash and short-term deposits	3,814,532	—	3,814,532
Total	7,734,768	4,006,498	11,741,266
Total current	7,734,768	—	7,734,768
Total non-current	—	4,006,498	4,006,498

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

28. FINANCIAL INSTRUMENTS (CONTINUED)

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised costs RMB'000	Total RMB'000
Financial liabilities			
Trade and bills payables	—	1,081,567	1,081,567
Financial liabilities at fair value through profit or loss	446	—	446
Financial liabilities included in other payables and accruals	—	2,011,731	2,011,731
Interest-bearing bank borrowings	—	13,329,613	13,329,613
Long-term bonds	—	3,494,833	3,494,833
Total	446	19,917,744	19,918,190
Total current	446	4,105,531	4,105,977
Total non-current	—	15,812,213	15,812,213

Risk management activities

The Group's principal financial instruments comprise interest-bearing bank borrowings, long-term bonds and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk, commodity price risk and equity price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

There have been no changes in the risk management department or in any risk management policies since last year end. Compared to last year end, there was no material change in the status of market risk and credit risk.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

28. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Compared to 31 December 2013, there was no material change in the contractual undiscounted cash outflows for financial liabilities, except for the net increase in short-term loans and borrowings amounting to RMB70 million which were primarily for meeting working capital need; and the addition and the repayment of long-term loans and borrowings amounting to RMB7,288 million and RMB92 million, respectively.

As at 30 June 2014, the Group had total bank borrowings, long-term bonds and interests payables of approximately RMB31,320 million (31 December 2013: RMB24,873 million), of which RMB3,095 million (31 December 2013: RMB2,094 million) will be subject to repayment within the next 12 months. The directors of the Company are confident that such bank borrowings and interest payables can be repaid upon expiring based on their past experience and good credit standing.

Management also monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

Fair values

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, financial assets included in prepayments, deposits and other receivables, trade and bills receivables, trade and bills payables, financial liabilities at fair value through profit or loss, financial liabilities included in other payables and accruals, and the 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 with similar terms, credit risk and remaining maturities.

The fair values of listed available-for-sale equity investments and financial liabilities at fair value through profit or loss are based on quoted market prices.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

28. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values (continued)

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: Fair value measured based on quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Fair value measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Fair value measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data.

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As at 30 June 2014, the Group held the following classes of financial instruments measured at fair value:

Assets measured at fair value:

	As at 30 June 2014			Total
	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	RMB'000
Group				
Available-for-sale investments	321,228	—	—	321,228
	<u>321,228</u>	<u>—</u>	<u>—</u>	<u>321,228</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

28. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values (continued)

Liabilities measured at fair value:

	As at 30 June 2014			Total RMB'000
	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Group				
Financial liabilities at fair value through profit or loss	1,213	—	—	1,213
	<u>1,213</u>	<u>—</u>	<u>—</u>	<u>1,213</u>

As at 31 December 2013, the Group held the following classes of financial instruments measured at fair value:

Assets measured at fair value:

	As at 31 December 2013			Total RMB'000
	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Group				
Available-for-sale investments	129,138	—	—	129,138
	<u>129,138</u>	<u>—</u>	<u>—</u>	<u>129,138</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2014

28. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values (continued)

Liabilities measured at fair value:

	As at 31 December 2013			Total RMB'000
	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Group				
Financial liabilities at fair value through profit or loss	446	—	—	446
	<u>446</u>	<u>—</u>	<u>—</u>	<u>446</u>

During the six-month period ended 30 June 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements (31 December 2013: Nil).

29. EVENTS AFTER THE REPORTING PERIOD

No significant events after the reporting period are noted.

30. 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 26 August 2014.