



# 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

## ANNUAL REPORT



\*For identification purposes only



## 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. Ernst & Young Certified Public Accountants has issued its standard unqualified auditor's report for the Company.
- IV. The Company's Chairman, Mr. Zhang Donghai, Senior Management responsible for finance and accounting, Mr. Lv Guiliang, and Head of Financial Department (accounting chief), Mr. Yang Yonggang, warrant the truthfulness, accuracy and completeness of the financial report set out in the report.
- V. Preliminary Plans for Profit Distribution or Transfer of Public Reserve into Share Capital for the reporting period as reviewed by the Board of Directors: for the year ended 31 December 2014, the net profit attributable to the owners of the Company amounted to RMB2,252,636,707 and RMB2,252,636,707 as set out in the audited consolidated statements of the year 2014 of the Company prepared in accordance with the PRC Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively. To provide better rewards to our shareholders as well as improve corporate values, taking into consideration of our cash dividends policy and the cash dividends distribution record for the last three years, the Board of the Company recommended a cash dividend of RMB2.08 (including tax) for every 10 shares, calculated by total share capital of 3,254,007,000 shares, will be paid to all shareholders of the Company. The total dividends to be distributed is RMB676,833,456, representing over 30% of the net profit attributable to the owners of the Company of RMB2,252,636,707 as set out in the consolidated statements of the year 2014 of the Company.
- VI. Statement for the risks involved in the forward-looking statement: this annual report contains forwardlooking statements including future plans and development strategies, which do not constitute actual commitments of the Company to investors because of the existing uncertainty. Investors are advised to pay attention to the investment risks involved.
- VII. During the reporting period, there were no non-operational funds appropriated by controlling shareholders and its connected parties.
- VIII. During the reporting period, the Company did not provide external guarantees in violation of stipulated decision-making procedures.

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## DEFINITIONS AND MAJOR RISK NOTICE

### I. DEFINITIONS

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

#### Definitions of frequently-used terms

Company or the Company	Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司)
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)
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)
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)
Huzhun Railway Company	Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)
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)
Yili Energy Company	Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)
Yitai Xinjiang	Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)

### II. MAJOR RISK NOTICE

The major risks faced by the Company include policy risks, risks of fluctuation in macroeconomy and risks of industry competition, security risks and risk of increasing cost. Relevant risks and countermeasures have been described in details in Item II “Discussion and Analysis of the Board on the Company’s Future Development” under the Section IV “REPORT OF THE DIRECTORS” in this report for your review.

# 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 Zhang Xinrong Song Zhanyou Lv Guiliang  <i>Independent Non-executive Directors:</i>  Yu Youguang Qi Yongxing Song Jianzhong Tam Kwok Ming, Banny
Members of the Strategic Planning Committee	Zhang Donghai ( <i>Chairman</i> ) Liu Chunlin Ge Yaoyong Zhang Dongsheng Zhang Xinrong 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 Qi Yongxing Tam Kwok Ming, Banny





## CORPORATE PROFILE *(Continued)*

### Members of the Nomination Committee

Song Jianzhong (*Chairman*)  
 Zhang Donghai  
 Liu Chunlin  
 Zhang Xinrong  
 Yu Youguang  
 Qi Yongxing  
 Tam Kwok Ming, Banny

### Members of the Remuneration and Assessment Committee

Qi Yongxing (*Chairman*)  
 Zhang Donghai  
 Liu Chunlin  
 Zhang Xinrong  
 Song Jianzhong  
 Yu Youguang  
 Tam Kwok Ming, Banny

### Members of Production Committee

Zhang Donghai (*Chairman*)  
 Ge Yaoyong  
 Zhang Xinrong  
 Qi Yongxing  
 Yu Youguang

### Members of the Supervisory Committee

Li Wenshan  
 Zhang Guisheng  
 Wang Xiaodong  
 Ji Zhifu  
 Han Zhanchun  
 Wang Yongliang  
 Wu Qu

### Authorized Representatives

Liu Chunlin  
 Lian Tao  
 Lee Mei Yi

## II. CONTACT PERSONS AND CONTACT METHODS

	<b>Board Secretary</b>	<b>Securities Affairs Representative</b>
<b>Name</b>	Lian Tao	Zhao Xin
<b>Address</b>	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
<b>Telephone</b>	0477-8565642	0477-8565731
<b>Facsimile</b>	0477-8565415	0477-8565415
<b>E-mail</b>	liantaocn@gmail.com	zhaoxin_yitai@126.com

## CORPORATE PROFILE (Continued)

### III. 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	54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong
Website	<a href="http://www.yitaicoal.com">http://www.yitaicoal.com</a>
E-mail	<a href="mailto:ir@yitaicoal.com">ir@yitaicoal.com</a>

### IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Newspaper selected by the Company for information disclosure	Shanghai Securities News, Hong Kong Commercial Daily
Websites designed by the China Securities Regulatory Commission ("CSRC") for publishing the annual report	Website designated by CSRC for publishing the B share annual report: <a href="http://www.sse.com.cn">http://www.sse.com.cn</a>  Website designated by The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") for publishing the H share annual report: <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Place for inspection for the Company's annual 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	



## CORPORATE PROFILE (Continued)

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

#### (i) Basic information

Date of business registration	21 October 2014
Place of business registration	Inner Mongolia Administration for Industry and Commerce
Registration number of the Company's business license	150000400001093
Tax registration number	152702626402490
Organization code	62640249-0

#### (ii) Inspection index to the initial business registration of the Company

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

#### (iii) Changes in principal business since the listing of the Company

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

1. In November 2006, the Company changed its principal scope of business and quitted from the followings: "farm breeding, accommodation and entertainment services, and supply of coal mining equipment and accessories, and supply of materials in the system"; and added the followings into its business scope: "development of mine materials, mine hotel rooms and mine tourism, trade related tourism, bowling, karaoke and natatorium".
2. In April 2008, the Company changed its principal scope of business and quitted from "bowling, karaoke and natatorium businesses" and included "the solar power generation business."
3. In April 2011, the Company changed its principal scope of business to add "import of coal, coal mining equipment and coal-related chemical equipment".
4. In October 2013, the Company changed its principal scope of business to add "electric power business for equipment (repair, test), Level 3 geological hazards recovery project".
5. In October 2014, the Company changed its principal scope of business to add "loading, cartage service, and equipment leasing".



## CORPORATE PROFILE (Continued)

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

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

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

### 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
	Name of the signing auditor	Gong Xinping, Zhao Xi	
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



## SUMMARY OF MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
<b>Revenue</b>	<b>24,806,104</b>	24,274,873
Cost of sales	<u>(18,004,758)</u>	<u>(16,085,179)</u>
<b>Gross profit</b>	<b>6,801,346</b>	8,189,694
Other income and gains	<b>290,564</b>	276,838
Selling and distribution expenses	<b>(1,355,153)</b>	(1,258,017)
Administrative expenses	<b>(1,610,984)</b>	(1,593,137)
Other expenses	<b>(121,415)</b>	(191,981)
Finance income	<b>98,478</b>	38,212
Finance costs	<b>(742,909)</b>	(805,695)
Exchange gains/(losses), net	<b>483</b>	(41,358)
Share of profits of associates	<u><b>39,665</b></u>	<u>19,308</u>
Profit before tax	<b>3,400,075</b>	4,633,864
Income tax expense	<u><b>(638,758)</b></u>	<u>(709,468)</u>
<b>Profit for the year</b>	<u><b>2,761,317</b></u>	<u>3,924,396</u>
<b>Attributable to:</b>		
Owners of the parent	<b>2,252,637</b>	3,427,575
Non-controlling interests	<u><b>508,680</b></u>	<u>496,821</u>
	<u><b>2,761,317</b></u>	<u>3,924,396</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>		
— Profit for the year	<u><b>RMB0.69</b></u>	<u>RMB1.05</u>

## REPORT OF THE DIRECTORS

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

In 2014, China's economy is transforming into a new normality entirely and the domestic economy is slowing down. In the meantime, influenced by various factors including weak market demand and advanced capacity construction, there were serious contradiction in respect of oversupply in the coal market of 2014, such as increase in inventories, reduction of price, decline of benefits and increased pressure of enterprise operation, resulting in a stern industrial situation.

In 2014, confronted by the macro economy during transformation and innovation and the stern industrial atmosphere, with the leadership of the Board and the management, with the strong support of the shareholders of the Company and the concerted efforts of all the staff, the Company actively took actions, spared no effort in overcoming difficulties, which attained fundamentally all its operating targets for the year. During the reporting period, the Company produced 43.21 million tonnes of commercial coal, representing a decrease of 5.84% from the same period last year, mainly due to the production volume for the period resulting from the relocation of the mining work; the Company sold 66.03 million tonnes of coal, representing an increase of 4.04% over the same period last year. The Company posted annual operating revenue of RMB24.8 billion, representing an increase of 2.19% over the same period last year, and the net profit attributable to owners of the parent amounted to RMB2.253 billion, representing a decrease of 34.28% from the same period last year.

During the reporting period, the Company consistently placed safety as a top priority, continued to put more effort on safety, further improved the system construction of safety production guaranteed and carried out the foundational work of safety management. By way of performing strictly safe production system, fully implementing safety production responsibility system and strengthening the accidents prevention and process control, 9 mines of the Company were rated "coal mines of national standards for safety and quality", 8 mines were rated "safe and high efficient mines in the national coal mining industry" and the other 9 mines were rated the "advanced mine in national coal industry" or "double top-ten mines (雙十佳煤礦)". No dangerous and major transportation incident occurred in Zhundong Railway and Huzhun Railway, no serious personal injury or major equipment damage occurred in the Coal-to-oil Company and safe production continued with the trend of general steady. In the meantime, based on the reality of safe production, the Company carried out science and technology project and digital mine projects in the coal mines, which achieved the international advanced level and laid a technical foundation for a decrease in cost and an increase in efficiency.



## REPORT OF THE DIRECTORS (Continued)

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

Confronted by the difficulties including continued downturn, serious contradiction of oversupply, weak demands, etc. in the coal market of 2014, based on the improvement of operation, planning and sales, mode, the Company maintained the existing clients vigorously developed market. By seizing the opportunities arose from market change and the restoration of multiple-track of Huzhun Railway, the Company actively strove for transportation volume from railway bureaus, resulting in further increasing market share. Meanwhile, the Company continued to consolidate the strategic cooperative relationship with priority clients, and generally transformed periodical relationship between supply and demand with clients into medium and long-term cooperation relationship, so as to significantly increase the risk resisting capacity of the Company and guarantee the harmonious and stable development of transferring, transportation and sales in respect of the coal of the Company. In addition, by making use of its railway advantage, paying attention to the railway operation management, promoting railway in construction, introducing clients to dispatch, etc., Zhundong Railway and Huzhun Railway had dispatched 90.30 million tonnes of coal for the entire year. It recorded an aggregate operating revenue of RMB2,166 million and net profit of RMB987 million, which provided the effective support for the main overall of the Company.

During the reporting period, while accomplishing each production operational task, the Company adhered to the strategic principle of structural upgrade in the industry, vigorously promoted the construction of major projects, resulting in an orderly performance on schedule and achieving significant progress. Moreover, the Company always adhered to the prevention-oriented and treatment combined environmental protection philosophy based on clean production and full-process control completely carried through the environmental policy of “Century Yitai, Green Energy” and played an active role in fulfilling its social responsibility. Apart from continuously regulating ISO14001 environmental management system, the Company strengthened the supervision and management on the environmental protection of the production and operational units. The Company also continued to strengthen the ecological construction management. So far, the Company has planted over 330,000 mu shrubs which made great contribution to improve the local ecological environment.

## REPORT OF THE DIRECTORS (Continued)

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

#### (i) Analysis on the principal business

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

Unit: RMB'000

Item	Amount for the reporting period	Amount for the same period last year	Change (%)
Revenue	<b>24,806,104</b>	24,274,873	2.19
Costs of sales	<b>18,004,758</b>	16,085,179	11.93
Selling and distribution expenses	<b>1,355,153</b>	1,258,017	7.72
Administrative expenses	<b>1,610,984</b>	1,593,137	1.12
Finance costs	<b>742,909</b>	805,695	-7.79
Net cash flow from operating activities	<b>5,745,435</b>	5,502,466	4.42
Net cash flow from investing activities	<b>(11,901,744)</b>	(11,680,204)	1.90
Net cash flow from financing activities	<b>7,382,537</b>	3,714,309	98.76
Expenses in R&D	<b>79,841</b>	75,440	5.83



## REPORT OF THE DIRECTORS (Continued)

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

#### (i) Analysis on the principal business (Continued)

##### 2. Revenue

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

Yitai	From January to December 2014		From January to December 2013	
	Volume (million tonnes)	Unit price (RMB/tonne) (Excluding tax)	Volume (million tonnes)	Unit price (RMB/tonne) (Excluding tax)
Local sales at mines	18.29	184	21.35	214
Local sales at loading facilities	2.12	201	5.15	267
Sales via direct rail access	7.37	393	5.58	431
Sales at ports	38.24	409	31.38	465
<b>Total</b>	<b>66.03</b>	<b>339</b>	<b>63.46</b>	<b>361</b>

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

Yitai	From January to December 2014	From January to December 2013
	Volume (million tonnes)	Volume (million tonnes)
Self-produced coal	39.92	39.43
Coal purchased externally	26.11	24.03

## REPORT OF THE DIRECTORS (Continued)

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

#### (i) Analysis on the principal business (Continued)

##### 2. Revenue (Continued)

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

Unit: million tonnes

Company-owned railways	From January to December 2014		From January to December 2013	
	Total throughput	Freight volume for the Company	Total throughput	Freight volume for the Company
Zhundong Railway Line	53.69	48.31	44.48	40.67
Huzhun Railway Line	36.61	24.07	29.25	21.04

##### (3) Analysis of orders

Yitia	From January to December 2014		From January to December 2013	
	Volume (million tonnes)	Unit price (RMB/tonne) (excluding tax)	Volume (million tonnes)	Unit price (RMB/tonne) (excluding tax)
Long-term contracts	48.81	371	31.19	402
Spot market	17.22	246	32.27	322
Total	66.03	339	63.46	361

##### (4) Analysis to the influence of the new products and new services

During the reporting period, there were no new products or new services.

## REPORT OF THE DIRECTORS (Continued)

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

#### (i) Analysis on the principal business (Continued)

##### 2. Revenue (Continued)

##### (5) Information on major customers

Unit: RMB'000,000

Total sales amount from top five customers	As a percentage of total sales (%)
5,912.60	23.83

Particulars of the top five customers:

Unit: RMB'000,000

Name of customer	Sales revenue	As a percentage of total sales (%)
Zhejiang Zheneng Fuxing Fuel Co., Ltd.	1,673.20	6.75
Guangdong Zhutou Power Fuel Co., Ltd.	1,429.43	5.76
Guangdong Power Industry Fuel Co., Ltd.	1,015.09	4.09
Inner Mongolia Electric Power Fuel Company Ltd.	941.16	3.79
Shanghai Shenergy Fuel Co., Ltd.	853.72	3.44

For the year ended 31 December 2014, the revenue generated by the Company from the largest external customer and the top five external customers accounted for 6.75% and 23.83% of the total operating revenue for the year ended 31 December 2014, respectively.

##### (6) Others

Nil

## REPORT OF THE DIRECTORS (Continued)

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

#### (i) Analysis on the principal business (Continued)

##### 3. Costs

##### (1) Cost analysis

Unit: RMB'000,000

By business	Amount for the period	As a percentage in total costs for the period (%)	Amount for the same period last year	Cost of the same period last year over the total cost (%)	Increase/decrease of the amount for the period compared to that in the same period last year (%)	Particulars
Coal operation	15,566.17	88.29	14,660.35	93.18	6.18	Due to the increase in external purchases of coal in the period
Transportation operation	144.92	0.82	129.15	0.82	12.21	Due to the increase in the throughput in the period
Coal-related chemical operation	1,915.71	10.87	940.80	5.98	103.63	The coal-related chemical companies, the core business of which is trading, had its sales of oil increased
Others	4.20	0.02	3.84	0.02	9.35	
<b>Total</b>	<b>17,631.00</b>	<b>100.00</b>	<b>15,734.14</b>	<b>100.00</b>	<b>12.06</b>	

## REPORT OF THE DIRECTORS (Continued)

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

#### (i) Analysis on the principal business (Continued)

##### 3. Costs (Continued)

##### (2) Particulars about the major suppliers

Unit: Yuan

Suppliers	Procurement Amount (excluding tax)
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)	397,948,253.50
Inner Mongolia Hengdong Energy Group Co., Ltd. (內蒙古恒東能源集團有限責任公司)	388,196,366.86
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)	347,709,576.99
Ordos Taipu Mining Engineering Co., Ltd. (鄂爾多斯市泰普礦業工程有限責任公司)	214,817,836.17
Qinhuangdao Huanjing Power Co., Ltd. (秦皇島環京能源有限公司)	204,281,132.05
Total	1,552,953,165.57

For the year ended 31 December 2014, the total amount for procurement by the Company from the top five major suppliers of the Company amounted to RMB1,552,953,165.57.

##### (3) Others

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

Unit: RMB'000,000

Cost item	From January to December 2014	From January to December 2013
Labor costs	793.22	789.09
Raw materials, fuel and energy	429.31	401.08
Depreciation and amortization	296.84	145.24
Other production-related costs	2,227.72	3,041.96
Total cost for production of coal	3,747.08	4,377.37



## REPORT OF THE DIRECTORS (Continued)

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

#### (i) Analysis on the principal business (Continued)

##### 4. Fees

Items of statements	Balance at the end of the period (RMB) (or amount in the period)	Balance at the beginning of the period (or amount of last period)	Percentage change (%)	Reasons for change
Costs of sales	18,004,757,636.89	16,085,179,446.43	11.93	Due to the increase in external purchases of coal in the period; the coal-related chemical companies, the core business of which is trading, had its sales of oil increased
Finance costs	742,908,686.55	805,695,463.55	-7.79	Due to the increase in borrowings for projects and the increase in capitalized interest expenses in the period
Assets impairment loss	82,265,983.96	13,060,719.78	529.87	Due to the provision for impairment as the fair value of available-for-sale assets kept decreasing

##### 5. Expenses in research and development

###### (1) Statement of the expenses in research and development

Unit: Yuan

Expenses in research and development in the period	79,841,185.38
Capitalized research and development in the period	36,152,506.00
Total expenses in research and development	115,993,691.38
Percentage of total expenses in research and development over net asset (%)	0.42
Percentage of total expenses in research and development over operating income (%)	0.47

###### (2) Explanation

Nil



## REPORT OF THE DIRECTORS (Continued)

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

#### (i) Analysis on the principal business (Continued)

##### 6. Cash flows

As at 31 December 2014, the balance of cash and cash equivalents was RMB5,030.944 million, increased by RMB1,221.998 million as compared with cash and cash equivalents of RMB3,808.946 million as at 31 December 2013.

For the year ended 31 December 2014, net cash inflow from operating activities amounted to RMB5,745.435 million, representing a year-on-year increase of RMB242.969 million as compared with that of RMB5,502.466 million for the year ended 31 December 2013, which was mainly due to a year-on-year decrease of RMB366.193 million in income tax expenses.

Net cash generated from the investing activities for the year ended 31 December 2014 amounted to RMB11,901.744 million, representing an increase of RMB221.540 million in net outflow as compared with that of RMB11,680.204 million for the year ended 31 December 2013, which was mainly due to a year-on-year decrease of RMB4,460.359 million in payment for acquisition of the Target Business Group during the reporting period, a year-on-year increase of RMB2,191.619 million in cash paid by the Company for purchase of property, plant and equipment as well as intangible assets centered on establishment of principal businesses. The decrease in payment for investment in associates and available-for-sale investments amounted to RMB1,476.897 million.

As at 31 December 2014, net cash from financing activities was a net inflow of RMB7,382.537 million, as compared with a net inflow of RMB3,714.309 million for the year ended 31 December 2013, representing an increase of RMB3,668.228 million in net cash inflow. This was mainly due to a year-on-year increase of RMB1,973.060 million in net inflow from issuance of corporate bonds during the reporting period, a year-on-year increase of RMB1,441.790 million in net inflow from loans for the production and project construction purpose, a year-on-year decrease of RMB2,058.709 million in net outflow from dividend distribution and payment of interests, a year-on-year increase of RMB523.405 million in outflow from payment of interests and a year-on-year decrease of RMB1,281.926 million in cash inflow from receipt of capital increase by minority shareholders.

## REPORT OF THE DIRECTORS *(Continued)*

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

#### (i) Analysis on the principal business *(Continued)*

##### 7. Liquidity and capital resources

As at 31 December 2014, the Company's capital mainly came from capital generated from business operation, bank borrowings, and net income from bonds issuance. The capital of the Company is mainly used for investment in production facilities and equipment for coal, coal-related chemical and railway operations, repayment of the Company's debt, as well as the working capital and normal recurring expenses.

The cash generated from the operational business of the Company and the credit facilities obtained from relevant banks will provide capital guarantee for the future production and operations as well as project development.

##### 8 Others

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

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

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

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

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

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

- (4) Others

Nil

## REPORT OF THE DIRECTORS (Continued)

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

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

##### 1. Operating Segment

For the year ended 31 December 2014

	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Others RMB'000	Total RMB'000
<b>Segment revenue:</b>					
External customers	22,028,760	379,757	2,388,696	8,891	24,806,104
Intersegment sales	235,115	1,810,531	54,979	—	2,100,625
	22,263,875	2,190,288	2,443,675	8,891	26,906,729
<i>Reconciliation</i>					
Elimination of intersegment sales					(2,100,625)
Revenue					24,806,104
<b>Segment results:</b>					
Profit/(loss) before tax	2,098,928	1,111,027	192,904	(2,784)	3,400,075
Income tax expense	(477,873)	(129,667)	(31,218)	—	(638,758)
	1,621,055	981,360	161,686	(2,784)	2,761,317
Net profit for the year					2,761,317
<b>Segment assets</b>	30,855,178	12,839,788	17,656,596	1,033,062	62,384,624
<i>Reconciliation</i>					
Elimination of intersegment receivables					(3,554,378)
Capitalisation of Finance costs					(86,168)
Total assets					58,744,078
<b>Segment liabilities</b>	17,286,885	5,944,499	11,183,778	386,641	34,801,803
<i>Reconciliation</i>					
Elimination of intersegment payables					(3,554,378)
Total liabilities					31,247,425

## REPORT OF THE DIRECTORS (Continued)

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

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

##### 1. Operating Segment (Continued)

###### (1) Property, plant and equipment

As at 31 December 2014, the net book value of Company's property, plant and equipment amounted to RMB36,803.276 million, increased by RMB8,345.123 million or 29.32% as compared with RMB28,458.153 million as at 31 December 2013, mainly due to the addition in construction in process of RMB9,026.623 million which catered for the needs of the Company's production and operation.

The Company's property, plant and equipment (net book value) as at 31 December 2014 and at 31 December 2013 are as follows:

Unit: RMB'000

	As at 31 December 2014	Percentage	As at 31 December 2013	Percentage
Buildings	4,150,448	11%	3,848,332	14%
Mining structures	2,326,446	6%	2,145,658	8%
Plant and machinery	4,380,552	12%	4,368,959	15%
Motor vehicles	324,684	1%	387,049	1%
Railway	7,158,553	20%	7,711,739	27%
Road	544,513	1%	427,558	2%
Office equipment and others	365,621	1%	377,768	1%
Construction in progress	17,502,459	48%	9,191,090	32%
<b>Total</b>	<b>36,803,276</b>	<b>100%</b>	<b>28,458,153</b>	<b>100%</b>

###### (2) Trade and bills receivables

As at 31 December 2014, the net value of the Company's trade and bills receivables amounted to RMB2,866.309 million, increased by RMB246.586 million or 8% as compared with RMB3,112.895 million as at 31 December 2013, mainly due to the decrease in loans for coal sales during the period.

###### (3) Borrowings

As at 31 December 2014, the balance of the Company's borrowings amounted to RMB18,703.645 million, increased by RMB5,374.032 million or 40.32% as compared with RMB13,329.613 million as at 31 December 2013, mainly due to the new borrowings.



## REPORT OF THE DIRECTORS (Continued)

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

#### (iii) Analysis of assets and liabilities

##### 1. Analysis of assets and liabilities

Unit: RMB'000

Item	2014	2013	Amount of changes as compared with the same period last year	Percentage at changes as compared with the same period last year	Reason for changes
Other intangible assets	78,837	74,522	4,316	6%	Due to the increase in software.
Deferred tax assets	1,177,511	744,140	433,371	58%	Due to deferred tax assets revaluation from rate change of assets acquired.
Trade and bills receivables	2,866,309	3,112,895	-246,586	-8%	Due to the decrease in sale of trading coal during the period.
Prepayments, deposits and other receivables	1,477,498	1,966,253	-488,755	-25%	Due to the decrease in advanced payment and government entrust loans during the period.
Cash and short-term deposits	6,959,946	3,814,532	3,145,414	82%	Due to bonds issuance and borrowings received for the period.
Trade and bills payables	1,050,638	1,081,567	-30,929	-3%	Due to the decrease in procurement of trading coal during the period.
Other payables and accruals	3,349,042	2,641,101	707,941	27%	Due to the increase in payables for other taxes and project funds.
Tax payable	8,678	(198,894)	207,572	-104%	Due to the increase in the income tax rate of the Company for the period.
Long-term debentures	7,971,831	3,494,833	4,476,998	128%	Due to issuance of first tranche of corporate bonds for 2014.
Other non-current liabilities	122,140	121,433	707	1%	Due to amortization of resource compensations in the period
Selling costs	18,004,758	16,085,179	1,919,579	12%	Due to the increase in coal purchased externally.
Other income and gains	290,564	276,838	13,726	5%	Due to the increase in dividend benefit received for the period.
Finance costs	742,909	805,695	-62,786	-8%	Due to the increase in capitalization interest and decrease in interest expenses for the period.
Net exchange profits	(483)	41,358	-41,841	-101%	Due to changes in exchange rate in foreign currency account.
Share of profits of associates	39,665	19,308	20,357	105%	Due to the increase in profits from associates.

## REPORT OF THE DIRECTORS (Continued)

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

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

##### 2. Assets measured by fair value, and changes on measurement attributes for main assets

During the period, the Company held 36,500,000 tradable shares in QHD PORT with an initial investment amount of RMB152,116,116.22. The fair value at the end of the period amounted to RMB103,743,899.27, representing a decrease of RMB48,372,216.95 as compared to that at the time of purchase.

During the period, the Company held 50,000,000 tradable shares in Shanxi Coal Industry with an initial investment amount of RMB200,000,000.00. The fair value at the end of the period amounted to RMB332,500,000.00, representing an increase of RMB132,500,000.00 as compared to that at the time of purchase.

#### (iv) Analysis of core competitiveness

As the largest local coal enterprise in Inner Mongolia, the Company remarkably enhanced its overall competitiveness by boosting its size, growth quality and efficiency, optimizing industrial structure and enhancing financial strength after years of development. The Company has also forged stable, long-term, and friendly strategic partnerships with a number of power and metallurgy consumers with an eye to mutual benefits and win-win scenarios, achieving relatively high brand effect. Meanwhile, the Company has abundant coal reserves, superior mining conditions, advanced mining technology and sustained opportunities for integration of internal and external resources, which 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, as its coal products are environmental-protection 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.

Secondly, 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.



## REPORT OF THE DIRECTORS *(Continued)*

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

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

Thirdly, the Company possesses top-tier production efficiency 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. The Company has adopted the fully mechanized long wall mining method and the fully-mechanized mining method with caving of roof coal, which ensures high output and recovery, and is safer and more reliable. Furthermore, it has always given top priority to production safety among various work, continuously increasing investment in safety-related equipments, enhancing mine safety monitoring levels as well as development of safety systems and team-building, and has ensured an admirable safety record.

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

## REPORT OF THE DIRECTORS *(Continued)*

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

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

Fifthly, the Company adheres to the operational model of production, transportation and trade integration, and enjoys significant competitive advantages in terms of products transportation and distribution. For many years, by constantly stepping up construction of coal-related highways, railways, loading facilities and other infrastructure, seizing various opportunities arising from the structure innovation of national railway department and complex market, the Company makes determined efforts to generally establish the equal and mutual-trusted communication mechanism with each railway bureau, resulting in the cooperative relationship with long-term stabilization and mutual benefits. The Company has currently formed a railway transportation network, connecting Dazhun, Daqin Lines to the east, Dongwu Line to the west, Jingbao Line to the North, Shenshuo Line to the south, which centers on Jungar, Dongsheng Coalfield and spread hereof. Furthermore, several large scale coal dispatched station along the railway lines of Jingbao, Baoshen, Huzhun, Zhundong and sales agencies are set up in Beijing, Tianjin, Shanghai, Guangzhou, etc., which leads to a whole operational system of production, transportation and sales so as to be in favor of controlling transportation costs and further expanding sales range. Meanwhile, the Company has created a low-cost, highly-efficient operational condition for coal storage, transportation, and dispatch, thus ensuring effective linkage between production, transportation and distribution.

Sixthly, by continuously adheres to integrity, makes more efforts in quality management and contract deliverable, the Company builds brand with powerful influence. For many years, the Company continuously commits to improve quality of products, guarantee contract fulfillment rate and strive to improve the after sale service. Through qualified products and good service, the Company has established long-term stable strategic cooperation relationship of supply and demand with power and metallurgy consumers in east, south, north and northeast of China, resulting in an increase with different degrees in amount on order each year. Substantial contracts fulfillment rate of the Company stays the leading level of the industry, which is highly appreciated by the customers and helps the Company win back the clients and market.

## REPORT OF THE DIRECTORS (Continued)

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

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

Seventhly, on the basis of continuously regulating the operation of ISO14001 environmental management system, the Company advances the construction of energy management system and raises the environmental management level and energy comprehensive utilization level. Recently, the Company changes the ideas of environmental management from the pervious external coordination to internal strengthened supervision and management in respect of the key work. 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 and hazard treatment projects of mining areas' environment, and has put plenty of efforts in improving the ecological environment of mining areas, promoting green mining, and building ecology-friendly mines. Meanwhile, The Company has actively carried out its social responsibility by vigorously performing afforestation, helping with local environmental management and ecological improvement, and practically achieved harmonized development of the enterprise and the society.

#### (v) 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 (%)	Profit and loss during the reporting period (yuan)
1	share	03369	QHD PORT	152,116,116.22	36,500,000.00	103,743,899.27	23.78	-48,372,216.95
2	share	601225	SHA	200,000,000.00	50,000,000.00	332,500,000.00	76.22	
Other securities investments held at the end of period					/			
Profit and loss from the disposal of securities investments during the reporting period					/			
Total				352,116,116.22	/	436,243,899.27	100	-48,372,216.95

Explanations on investment in securities

## REPORT OF THE DIRECTORS (Continued)

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

#### (v) Analysis on Investment (Continued)

##### 1. Overall analysis on external equity investment (Continued)

##### (2) Shareholding in non-listed financial entities

Name of the investee	Initial investment (yuan)	Shareholdings (share) (%)	Percentage of equity interests in the Company (%)	Closing book value (yuan)	Profit and loss during the reporting period (yuan)	Changes in ownership of equity (yuan)	Accounting item	Source of shareholding
Mianyang Technology Property Investment Fund (綿陽科技城 產業投資基金)	100,000,000.00			100,000,000.00	30,131,584.19		Available- for-sale financial investment	Capital contribution
Total	100,000,000.00		/	100,000,000.00	30,131,584.19		/	/

##### Explanations on shareholding in non-listed financial entities:

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





## REPORT OF THE DIRECTORS (Continued)

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

#### (v) Analysis on Investment (Continued)

##### 1. Overall analysis on external equity investment (Continued)

##### (3) Purchase and disposal of shares in other listing issuers

Stock name	Number of shares at the beginning (share)	Number of shares purchased during the reporting period (share)	Capital utilised (yuan)	Number of shares disposed during the reporting period (share)	Number of shares at the end of period (share)	Returns on investment (yuan)
Shanxi Coal industry	0	50,000,000.00	200,000,000.00	0	50,000,000.00	

## REPORT OF THE DIRECTORS (Continued)

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

#### (v) Analysis on Investment (Continued)

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

##### (1) Entrusted wealth management

Unit: RMB0'000

Name of borrower	Type of entrusted wealth management	Amount of wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Method to determine return	Expected income	Principal amount actually recovered	Income actually received	Through a legal procedure or not	Amount of provision for the impairment	Connected transaction or not	Involved in a litigation or not	Source of capital and funding from proceeds or not	Connected relationship
China Construction Bank	Principal guaranteed with floating returns	65,000	2014.5.22	2014.6.23		205	65,000	205	Yes		No	No	Proprietary capital	
Agricultural Bank of China	Principal guaranteed with guaranteed returns	30,000	2014.7.7	2014.8.8		113	30,000	113	Yes		No	No	Proprietary capital	
Bank of China	Principal guaranteed with guaranteed returns	20,000	2014.7.8	2014.7.31		42.97	20,000	42.97	Yes		No	No	Proprietary capital	
China Construction Bank	Principal guaranteed with floating returns	150,000	2014.7.10	2014.8.11		512.87	150,000	512.87	Yes		No	No	Proprietary capital	
China Development Bank	Principal guaranteed with floating returns	30,000	2014.7.17	2014.8.16		93.69	30,000	93.69	Yes		No	No	Proprietary capital	
Bank of China	Principal guaranteed with guaranteed returns	20,000	2014.8.1	2014.8.29		55.38	20,000	55.38	Yes		No	No	Proprietary capital	
Bank of China	Principal guaranteed with guaranteed returns	10,000	2014.8.19	2014.9.24		35.57	10,000	35.57	Yes		No	No	Proprietary capital	

## REPORT OF THE DIRECTORS (Continued)

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

#### (v) Analysis on Investment (Continued)

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

##### (1) Entrusted wealth management (Continued)

Unit: RMB0'000

Name of borrower	Type of entrusted wealth management	Amount of wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Method to determine return	Expected income	Principal amount actually recovered	Income actually received	Through a legal procedure or not	Amount of provision for the impairment	Connected transaction or not	Involved in a litigation or not	Source of capital and funding from proceeds or not	Connected relationship
China Construction Bank	Principal guaranteed with floating returns	20,000	2014.8.20	2014.10.9		110.95	20,000	110.95	Yes		No	No	Proprietary capital	
Agricultural Bank of China	Principal guaranteed with guaranteed returns	50,000	2014.8.13	2014.9.16		190.96	50,000	190.96	Yes		No	No	Proprietary capital	
Agricultural Bank of China	Principal guaranteed with floating returns	10,000	2014.8.25	2014.9.19		28.76	10,000	28.76	Yes		No	No	Proprietary capital	
China Development Bank	Principal guaranteed with floating returns	30,000	2014.8.18	2014.9.17		93.69	30,000	93.69	Yes		No	No	Proprietary capital	
Bank of China	Principal guaranteed with guaranteed returns	20,000	2014.9.3	2014.9.29		50	20,000	50	Yes		No	No	Proprietary capital	
Industrial and Commercial Bank of China	Principal guaranteed with floating returns	10,000	2014.9.3	2014.10.13		40.43	10,000	40.43	Yes		No	No	Proprietary capital	
China Development Bank	Principal guaranteed with floating returns	10,000	2014.10.9	2014.11.13		35.39	10,000	35.39	Yes		No	No	Proprietary capital	
Agricultural Bank of China	Principal guaranteed with floating returns	20,000	2014.10.16	2014.11.17		73.64	20,000	73.64	Yes		No	No	Proprietary capital	

## REPORT OF THE DIRECTORS (Continued)

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

#### (v) Analysis on Investment (Continued)

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

##### (1) Entrusted wealth management (Continued)

Unit: RMB0'000

Name of borrower	Type of entrusted wealth management	Amount of wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Method to determine return	Expected income	Principal amount actually recovered	Income actually received	Through a legal procedure or not	Amount of provision for the impairment	Connected transaction or not	Involved in a litigation or not	Source of capital and funding from proceeds or not	Connected relationship
China Construction Bank	Principal guaranteed with floating returns	90,000	2014.10.24	2015.1.24		945	90,000	945	Yes		No	No	Proprietary capital	
Industrial and Commercial Bank of China	Principal guaranteed with fixed returns	30,000	2014.10.24	2014.12.26		191.58	30,000	191.58	Yes		No	No	Proprietary capital	
Bank of China, Inner Mongolia Branch	Returns guaranteed	10,000	2014.11.6	2014.11.27		20.19	10,000	20.19	Yes		No	No	Proprietary capital	
Agricultural Bank of China	Principal guaranteed with floating returns	20,000	2014.11.18	2014.12.20		70.68	20,000	70.68	Yes		No	No	Proprietary capital	
Agricultural Bank of China	Principal guaranteed with floating returns	20,000	2014.11.20	2014.12.19		66.73	20,000	66.73	Yes		No	No	Proprietary capital	
Bank of China, Inner Mongolia Branch	Returns guaranteed	10,000	2014.12.9	2014.12.30		17.55	10,000	17.55	Yes		No	No	Proprietary capital	
China Construction Bank	Principal guaranteed with floating returns	20,000	2014.4.9	2014.5.13		75.4	20,000	75.4	Yes		No	No	Proprietary capital	
China Construction Bank	Principal guaranteed with floating returns	20,000	2014.5.14	2014.6.17		66.63	20,000	66.63	Yes		No	No	Proprietary capital	

## REPORT OF THE DIRECTORS (Continued)

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

#### (v) Analysis on Investment (Continued)

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

##### (1) Entrusted wealth management (Continued)

Unit: RMB0'000

Name of borrower	Type of entrusted wealth management	Amount of wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Method to determine return	Expected income	Principal amount actually recovered	Income actually received	Through a legal procedure or not	Amount of provision for the impairment	Connected transaction or not	Involved in a litigation or not	Source of capital and funding from proceeds or not	Connected relationship
China Construction Bank	Principal guaranteed with floating returns	20,000	2014.4.9	2014.7.11		219.39	20,000	219.39	Yes		No	No	Proprietary capital	
Industrial and Commercial Bank of China	Principal guaranteed with floating returns	26,000	2014.5.23	2014.6.27		89.75	26,000	89.75	Yes		No	No	Proprietary capital	
Agricultural Bank of China	Principal guaranteed with guaranteed returns	24,000	2014.5.26	2014.7.4		102.44	24,000	102.44	Yes		No	No	Proprietary capital	
China Construction Bank	Principal guaranteed with floating returns	24,000	2014.5.22	2014.6.24		75.75	24,000	75.75	Yes		No	No	Proprietary capital	
Bank of China	Returns guaranteed	10,000	2014.5.23	2014.6.27		31.64	10,000	31.64	Yes		No	No	Proprietary capital	
Agricultural Bank of China	Principal guaranteed with guaranteed returns	24,000	2014.7.7	2014.8.9		90.48	24,000	90.48	Yes		No	No	Proprietary capital	
Bank of China	Principal guaranteed with guaranteed returns	17,500	2014.7.9	2014.8.13		62.26	17,500	62.26	Yes		No	No	Proprietary capital	

## REPORT OF THE DIRECTORS (Continued)

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

#### (v) Analysis on Investment (Continued)

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

###### (1) Entrusted wealth management (Continued)

Unit: RMB0'000

Name of borrower	Type of entrusted wealth management	Amount of wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Method to determine return	Expected income	Principal amount actually recovered	Income actually received	Through a legal procedure or not	Amount of provision for the impairment	Connected transaction or not	Involved in a litigation or not	Source of capital and funding from proceeds or not	Connected relationship
China Construction Bank	Principal guaranteed with floating returns	50,000	2014.7.10	2014.8.12		170.96	50,000	170.96	Yes		No	No	Proprietary capital	
China CITIC Bank	Principal guaranteed with floating returns	10,000	2014.7.23	2014.8.27		40.27	10,000	40.27	Yes		No	No	Proprietary capital	
Bank of China	Principal guaranteed with guaranteed returns	18,000	2014.8.14	2014.9.18		64.04	18,000	64.04	Yes		No	No	Proprietary capital	
Agricultural Bank of China	Principal guaranteed with guaranteed returns	24,000	2014.8.13	2014.9.16		91.66	24,000	91.66	Yes		No	No	Proprietary capital	
China Construction Bank	Principal guaranteed with floating returns	30,000	2014.8.22	2014.10.10		157.8	30,000	157.8	Yes		No	No	Proprietary capital	
Bank of China	Principal guaranteed with guaranteed returns	10,000	2014.8.21	2014.9.25		35.57	10,000	35.57	Yes		No	No	Proprietary capital	
China Construction Bank	Principal guaranteed with floating returns	10,000	2014.9.2	2014.10.10		40.55	10,000	40.55	Yes		No	No	Proprietary capital	



## REPORT OF THE DIRECTORS (Continued)

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

#### (v) Analysis on Investment (Continued)

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

##### (1) Entrusted wealth management (Continued)

Unit: RMB0'000

Name of borrower	Type of entrusted wealth management	Amount of wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Method to determine return	Expected income	Principal amount actually recovered	Income actually received	Through a legal procedure or not	Amount of provision for the impairment	Connected transaction or not	Involved in a litigation or not	Source of capital and funding from proceeds or not	Connected relationship
Agricultural Bank of China	Principal guaranteed with guaranteed returns	24,000	2014.9.18	2014.11.3		128.55	24,000	128.55	Yes		No	No	Proprietary capital	
Bank of China	Principal guaranteed with guaranteed returns	18,000	2014.9.19	2014.9.30		17.41	18,000	17.41	Yes		No	No	Proprietary capital	
Industrial and Commercial Bank of China	Principal guaranteed with floating returns	30,000	2014.10.22	2014.11.27		103.56	30,000	103.56	Yes		No	No	Proprietary capital	
Bank of China	Principal guaranteed with fixed returns	20,000	2014.10.27	2014.11.28		64.88	20,000	64.88	Yes		No	No	Proprietary capital	
Bank of China	Returns guaranteed	20,000	2014.11.11	2014.12.12		59.45	20,000	59.45	Yes		No	No	Proprietary capital	
Bank of China	Returns guaranteed	20,000	2014.12.9	2014.12.23		22.63	20,000	22.63	Yes		No	No	Proprietary capital	
Total	/	1,144,500	/	/	/	4,805.1	1,144,500	4,805.1	/	/	/	/	/	/
Principal and accumulated returns overdue but yet to recover (yuan)														0
Explanations on entrust wealth management														

## REPORT OF THE DIRECTORS (Continued)

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

#### (v) Analysis on Investment (Continued)

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

##### (2) Entrusted loans

Unit: yuan

Name of the borrower	Amount of entrusted loan	Term of the loan	Interest rate	Use of loan	Collateral or guarantor	Overdue or not	Connected transaction or not	Renewed or not	Involved in a litigation or not	Source of capital and funding from proceeds or not	Connected relationship	Expected yield	Profit and loss of investment
Bureau of Finance of Hangjin Banner of Ordos City	210,900,000	1 year	8.62%	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 Refined Chemical Project	Land acquisition and construction of supporting facilities in the park	No	No	No	No	No		18,179,580.00	
Bureau of Finance of Hangjin Banner of Ordos City	160,000,000	1 year	8.62%	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 Refined Chemical Project	Land acquisition and construction of supporting facilities in the park	No	No	No	No	No		13,792,000.00	
Bureau of Finance of Hangjin Banner of Ordos City	12,000,000	3 months	10.4%	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 Refined Chemical Project	Land acquisition and construction of supporting facilities in the park	No	No	No	No	No		312,000.00	

## REPORT OF THE DIRECTORS (Continued)

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

#### (v) Analysis on Investment (Continued)

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

(3) Other investments in wealth management and derivative investments

Nil

##### 3. Use of proceeds

(1) Overall use of proceeds

Applicable  N/A

Unit: RMB0'000

Year	Method of fundraising	Total proceeds	Total proceeds used in the year	Total proceeds used on cumulative basis	Total unused proceeds	Utilization and whereabouts of the unused proceeds
2014	Corporate bonds	450,000	450,000	450,000	0	
Total	/	450,000	450,000	450,000	0	/

Explanations on general utilisation of proceeds

The proceeds were used to replenish working capital. As at the end of the reporting period, proceeds raised from the public issuance of corporate bonds were utilized in full for agreed purposes which had received expected returns.

(2) Projects undertaken to be financed by the proceeds

Applicable  N/A

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

Applicable  N/A

(4) Other

Nil

## REPORT OF THE DIRECTORS (Continued)

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

#### (v) Analysis on Investment (Continued)

##### 4. Analysis on major subsidiaries and investees

Unit: yuan

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	6,535,196,223.49	781,652,233.16
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古呼准鐵路有限公司)	Railway transport operations	Construction and investment of railways and ancillary facilities, and sale of construction materials and chemical products	2,074,598,000	6,349,819,469.04	205,061,049.81
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	4,217,677,708.30	174,207,200.03
Inner Mongolia Yitai Jingyue Suancangou Mining Co., Ltd. (內蒙古伊泰京粵駿刺溝礦業有限責任公司)	Coal trading	Processing and sale of minerals	1,080,000,000	4,381,365,656.88	662,137,926.18

##### (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 Jungar Coalfield westward to Jungar zhao 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.



## REPORT OF THE DIRECTORS (Continued)

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

#### (v) Analysis on Investment (Continued)

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

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

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

During the reporting period, Zhundong Railway Company reduced cost and improved efficiency by optimising transportation arrangement, enhancing equipment renovation, improving technology and other measures. As at the end of the reporting period, Zhundong Railway Company dispatched an aggregate of 53.69 million tonnes of coal, representing an increase of 20.72% as compared with the same period last year. Its operating revenue amounted to RMB1,581 million, representing an increase of 14.28% as compared with the same period last year. Its net profit amounted to RMB782 million, representing an increase of 25.66% as compared with the same period last year. As at 31 December 2014, Zhundong Railway Line had maintained production safety for 5,129 consecutive days without casualty accidents, major transportation accidents or fire accidents.

###### ② Construction of project

During the reporting period, the main construction and relevant auxiliary projects of Nuanshui Loading Station undertaken by Zhundong Railway Company were completed and started commissioning in November 2014 with a designed storage and transportation capacity of 10 million tonnes per annum. The expansion and renovation of Hushi Loading Station were completed and started commissioning in June 2014 with a designed storage and transportation capacity of 45 million tonnes per annum. The newly established and expanded loading stations significantly improved the storage and loading capacity along the railways of Zhundong Railway Company and ensured that the storage and loading capacity can support the transportation capacity upon the operation of double-tracking railways.

## REPORT OF THE DIRECTORS (Continued)

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

#### (v) Analysis on Investment (Continued)

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

###### (2) 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.

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

During the reporting period, Huzhun Railway Company established and improved the management systems for production safety while paying close attention to the implementation of such systems and reinforcing the process control and on-site management. With increasing investment in safety and vigorous efforts on standardised operation, the Company had maintained production safety for 2,966 consecutive days without casualty accidents, major transportation accidents or fire accidents while its transportation capacity was improved. In addition, the operation of railway lines was stabilised by such measures as applying harmonious locomotive traction, increasing sleeper density and replacing with 60 seamless rails. During the reporting period, Huzhun Railway continued to broaden its business. It successfully obtained the qualification for hazardous materials transportation after the safety assessment on hazardous materials transportation, which enable it to be a qualified carrier for hazardous materials. During the reporting period, Huzhun Railway had dispatched an aggregate of 36.61 million tonnes of coal throughout the year, representing an increase of 25.14% as compared with the same period of last year. It recorded operating revenue of RMB657 million, representing an increase of 5.30% as compared with the same period of last year. The net profit for the year amounted to RMB205 million, representing an increase of 26.79% as compared with the same period of last year.





## REPORT OF THE DIRECTORS *(Continued)*

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

#### (v) Analysis on Investment *(Continued)*

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

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

###### ② Construction of project

The Togtoh – Zhoujiawan section and Jialanying to Togtoh of Huzhun double-tracking railway line commenced commissioning on 8 August and 9 December 2014 respectively, enabling the entire Jungar Zhao to Jialanying section capable to operate 10,000-tonne trains.

###### (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 OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

#### (v) Analysis on Investment (Continued)

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

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

###### ① Overall operation of Coal-to-oil Company

During the reporting period, facing the adverse factors including the downtrend in the overall domestic economy and continuous decrease in international crude oil price, Coal-to-oil Company actively copped with these challenges and made great efforts to ensure the safe and stable production of its 0.16 Mtpa coal-to-oil device. In the meantime, the Company energetically carried out technology research while reducing corporate operating costs through optimising internal management and obtaining policy support from the state, by which all of its work and tasks were perfectly done. In 2014, Coal-to-oil Company continued to make efforts in patent application and the management, protection and utilisation of intellectual properties, and had completed relevant application and authentication procedures for 11 utility model patents and 2 invention patents. As at the end of reporting period, the Coal-to-oil Company processed 31 utility model patents and 2 invention patents in total. In the meantime, Coal-to-oil Company also energetically carried forward the preliminary work of 2 Mtpa Coal-to-oil Project, for which 15 out of 16 major supporting documents and 22 ancillary supporting documents required in the project approval procedure had been approved. In addition, the quality indicators of feed coal and fuel coal produced in the coal mine and the quota of water supply for production thereof were finalised while electricity supply for production had obtained approval with other relevant work carrying forward smoothly. During the reporting period, Coal-to-oil Company maintained safety operation of its devices for 330.3 days without any slight injury or other more serious safety accidents and cases regarding occupational diseases. The company produced various oils of 178,000 tonnes on an accumulative basis, recorded sales revenue of RMB1,140 million and net profit of RMB174 million.



## REPORT OF THE DIRECTORS (Continued)

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

#### (v) Analysis on Investment (Continued)

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

###### (4) 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., Limited (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, Suancigou Mine increased production and improved efficiency by strengthening production and technology management, analyzing production performance, maintaining appropriate portfolio, coordinating digging related production and ensuring each system to operate normally. On the other hand, the Company enhanced processing management, complied and implemented quality control plans for coal from the source, the process to the finished product, and adjusted processing techniques in a timely manner, enabling the quality of its commodity coal to cater to the changes in market demands. In the meantime, Suancigou Mine learnt about the needs of clients in time and analyzed the quality, output and sales structure of commodity coal to optimize the structure of commodity coal, and thus sustained the balance between production and sales while maximizing the benefits. In addition, Suancigou Mine actively promote the construction of risk precautions system, vigorously carried out special campaigns such as “Three Major Preventions in Rainy Season (雨季三防)”, “Four Major Preventions in Winter (冬季四防)” and “Safety Month Campaign (安全活動月)” to promote production safety efficiently. During the year, no slight injury or other more serious casualty accidents and cases regarding occupational diseases occurred. With remarkable improvement in quality standardization, the Company was honored as “National A-level Mine for Safety and Quality Standardization (國家一級安全質量標準化礦井)”.

During the reporting period, with a total of 15,670,500 tonnes of raw coal produced, Suancigou Mine recorded total operating revenue of RMB2,259,680,900 and net profit of RMB662,137,900 throughout the year.

## REPORT OF THE DIRECTORS (Continued)

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

#### (v) Analysis on Investment (Continued)

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

##### (5) 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 great 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 which was managed and operated by Taiyuan Railway Bureau commenced operation on 18 March 2014. Shuoshan Communication Line was satisfied the conditions for on-site construction. An aggregate of RMB7,830 million was completed for Zhunshuo Line, representing 82.36% of the total investment.

During the reporting period, Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司), in which the Company holds 15% equity interest, dispatched an aggregate of 23.20 million tonnes of cargo and recorded a profit of RMB48.0172 million.

The Xinjie – Taoli line of south Ordos railway (鄂爾多斯南部鐵路) which is owned as to 10% by the Company had completed construction with a length of 177 kilometers. The Taoli – Etuoke line commenced construction on 10 December 2014 while the proposal of E'shang Line Project (鄂上線項目) was approved and plans to commence construction at the end of 2015.

The Jining – Baotou (集包) and Zhangjiakou – Jining (張集) sections, 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 open for operation while the Zhangjiakou – Tangshan (張唐) section was under construction. During the reporting period, Zhangjiakou-Jining section dispatched an aggregate of 49.50 million tonnes of cargo while Jining-Baotou dispatched an aggregate of 115.00 million tonnes. The Company recorded total operating revenue of RMB3,748,360,000 and gross profit of RMB731,880,000. The investment in the new Zhangjiakou – Tangshan section accumulated to RMB27 billion with 73% of the plan completed.

## REPORT OF THE DIRECTORS (Continued)

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

#### (v) Analysis on Investment (Continued)

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

√ Applicable                       N/A

Unit: RMB'00,000,000

Name of the project	Amount of the project	Progress of the project	Amount invested in the year	Actual accumulative amount invested	Yield of the project
Talahao	23.59	61.85%	5.22	14.59	
Project of th Second Track of Huzhun Railway	32.08	84.06%	5.16	26.97	
1.2 Mtpa Refined Chemical Project	186.05	14.31%	22.32	26.62	
Total	<u>241.72</u>	/	<u>32.7</u>	<u>68.18</u>	/
Explanations on projects not to be financed by the proceeds					

#### (vi) Special purpose entities controlled by the Company

N/A

## REPORT OF THE DIRECTORS (Continued)

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

#### (i) Competition dynamics and development trend of the industry

##### 1. Competition dynamics and development trend of the industry

Under the co-effect of the flagging coal consumption, overcapacity, the significant increase in imported coal and other factors, the domestic coal market underwent thorough adjustment with drop in the coal price, which has aggravated the operation difficulties of enterprises since the second half of 2012. As the domestic economy slowed down and the growth in the output of products from major coal consumption industries decreased, the coal demand has been shrinking with high inventory of coal since this year. In the meantime, given the excessive capacity of global coal market and the drop in the international coal price, the import volume of coal continued to stay at a relative high level in the PRC. Despite a slight recovery of coal price in the domestic market after October, it was still largely lower than that at the beginning of last year. In this circumstance, a loss of over 70% in coal enterprises nationwide in the first eleven months in 2014 was recorded, reflecting severer competition in the industry.

Stepping into 2015, the relation between supply and demand in the domestic coal market is expected to be improved gradually. However, the situation of oversupply in the market is unlikely to be rectified fundamentally due to the influence of various factors. The operation of enterprises still bear great pressure and the industry condition remains severe. For the coal industry, the extensive style of development that pursues large quantity and fast growth has come to an end. The model that only focuses on new projects and scale expansion is no longer sustainable and the stage when improving performance was simply dependent on increase of output and price has gone. Under the background of “new normal”, the coal industry has also entered into the phase when demands sees slower growth, production capacity is excessive, inventory needs to be digested, environmental constraints are amplified and industrial model and structure are adjusted. Amid the “new normal” economy, in order to comply with the new requirements of energy revolution, the coal industry shall firmly push forward industrial transformation by such means as promoting the innovative development of coal related technology to facilitate the industrial model shifting from labor-intensive to talent-intensive and technology-intensive with the combination of informatization and industrialization (兩化融合). In the meantime, it shall carry forward the transformation from producing and selling raw coal to selling commodity coal and clean coal. The development of modern industrialization shall also be promoted. When it comes to coal products, it will be facilitated to change the practice from only focus on fuels to attaching importance to both the raw material and fuel. Coal enterprises should, with reference to their respective actual situation, adjust industrial layout and actively implement relevant industry bail-out policy and measures. In addition, they shall make great efforts to innovate technology, explore measures for transformation and upgrading as well as improve their ability in sustainable development by optimizing product structure, in a bid to identify new opportunities for development.





## REPORT OF THE DIRECTORS *(Continued)*

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

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

##### 1. Competition dynamics and development trend of the industry *(Continued)*

The economic woes in the coal industry are caused by various factors. They are problems that the industry encountered in its development process and the temporary pains caused by structure adjustment. The dominant position of coal in the energy industry will not be swayed in the short run. The domestic coal industry still has promising development prospect after the transformation and adjustment. Being the largest local coal enterprise of Inner Mongolia, the Company is located in Ordos. It is a region with the richest coal resources and the key region in the development and planning of coal industry in the national energy layout. The Company boasts advanced exploration technique and safe management mode, and has always kept an outstanding safe production with good environmental management. The Company has the lowest production costs and the most efficient management and cost control ability in the industry which made the Company has cost and management advantages in industrial competition. The Company possesses the indirect coal-to-liquid conversion technique and owns relevant proprietary intellectual property right. Its 0.16 Mtpa Indirect Coal-to-liquid Project that applies this technique has operated safely and stably for a long period and is qualified to put into scale operation. Therefore, the Company is in an advantageous position in terms of technology and experience in the industrial transformation and upgrade. The Company has been adhering to the development philosophy of integrating production, transportation and trading. While strengthening and expanding its core business, i.e. coal business, the Company proactively planned other related businesses such as railway transportation and coal-to-oil business to create new profit growth point, which has enabled the Company in the leading position in the competition when the coal industry undergoes industry convergence and operation integration. In the future, the Company will strive to maintain the coordinated and stable development of the production, transportation and sales of coal and facilitate the industrial upgrading to improve the Company's overall strength. In the meantime, the Company will carry out in-depth management reform to improve cost management and control and increase profit to maintain the competitive edge in the industry.



## REPORT OF THE DIRECTORS (Continued)

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

#### (ii) Development strategies of the Company

2015 is the year when the 12th Five-Year Plan steps into the endgame stage. Based on the overall domestic economic trend and the development direction of coal industry in the context of new normal and taking into account the development goals of the Company for the next five years, we have worked out the following development strategies:

First, we will take advantage of the government's move to accelerate consolidation of coal resources and close obsolete capacity to integrate internal and external resources, expand supporting systems and enhance the Company's core competitiveness and market position. In respect of coal mine construction, we will speed up the construction of Bulamao and Talahao Mines and use preferential policies for coal-to-chemicals projects to obtain resources and construct mines. As for resources integration, the Company will acquire the Hongqinghe Mine which is constructing by a group company and integrate certain external coal mines as opportunities arise. The above steps will help to build up sufficient resources reserve for the Company and lay down a foundation for industrial upgrading of the Company.

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



## REPORT OF THE DIRECTORS *(Continued)*

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

#### **(ii) Development strategies of the Company *(Continued)***

Third, we will develop clean coal technology, improve added value of products and extend the coal industry chain. The Company will enhance coal processing and washing processes to supply customers with quality coal products. With domestically leading coal-to-liquids technology, successful operation of China's first indirect coal liquefaction industrialization demonstration project and other large projects under preparation or construction, the Company will have a head start over our rivals in the coal to chemicals industry.

Deep processing of coal is a competitive strategic sector in the coal industry. Dedicated to becoming a leader of the coal industry, the Company aims to improve the overall conversion efficiency through technological innovation and extend its industrial chain by overall planning new coal chemical projects, so as to accelerate the industrial upgrading.

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

## REPORT OF THE DIRECTORS *(Continued)*

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

#### **(ii) Development strategies of the Company *(Continued)***

Fifthly, we will deepen the management reform in which the Company will re-plan the senior management structure and focus on production operation to optimize institutional framework and streamline the management and control procedures. The composition of the Company will be simplified by setting up positions according to its need and recruiting personnel based on the positions, so as to reasonably reduce labor cost. The employment system will be optimized while the competitive selection mechanism will be improved to fully vitalize the enterprise and motivate employees' initiative and creativity, and in turns, form a more advantageous incentive mechanism. The Company will provide its staff with broader occupation development platform by adding three new channels, i.e. professional skill, duties and businesses, and know-how and operation. In addition, the adoption of broadband remuneration links the incomes of staff to their respective performance, which can give our staff's value into full play.

#### **(iii) Business plan**

In 2015, the Company's primary business objectives are to produce 32.75 million tonnes of commercial coal and sell 63.45 million tonnes of coal by our affiliated or controlled coal producers. By focusing on the operation objectives for 2015, the Company will further enhance production safety, facilitate management work and deepen the reform. All the work will be done concretely while great efforts will be made to achieve its targets, so as to fulfil its development objective to make progress steadily.

First, we will continue to give top priority to production safety among various work, strengthen production safety management and continuously improve the responsibility system of production safety target to achieve specific targets, clear responsibilities and strict and impartial rewards and punishments. Safety investment mechanism will be improved while the utilization and management of safety expenditures will be standardized to improve the conditions of production safety. The Company will further facilitate the standardization of safety quality and enhance the standard of safety management. The safety supervisory institutions and the bodies accountable for safety issues will be further clarified to strengthen to optimize their functions. The ability of emergency rescue will be improved by enhancing process control and scrutiny on hidden risks. The Company will vigorously carry out the establishment of production safety guarantee system and safety education training for employees, practically conduct special activities for safe production, and endeavor to build a long-term mechanism for production safety.



## REPORT OF THE DIRECTORS *(Continued)*

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

#### **(iii) Business plan *(Continued)***

Secondly, the foundation for coal production will be consolidated to secure the operation of coal business. For the adverse influence of decrease in coal output, effective measures will be taken to stabilize production capacity while the mine construction and land acquisition and demolishing will be carried out proactively. In the meantime, the Company will conduct technology innovation and renovation while applying “new technology, new technique and new equipment” to production activities, in a bid to improve production efficiency and achieve cost reduction and efficiency enhancement. In addition, the Company will cater to the market trend to enhance management on coal quality and improve processing technique. It will also adjust its portfolio according to the price trend of coal as well as the supply and demand condition to maximize the profits of coal mines.

Thirdly, the Company will take measures to solve the problems and ensure the harmonious development among the production, transportation and sales of coal. To achieve this, the Company firstly shall do its best to develop new market. By leveraging the favorable condition brought about by the operation of the second line of Hohhot-Zhunge'er railway, the Company will make more efforts on marketing to explore its direct-sale customers. Secondly, quality of services and products will be improved to reinforce the strategic cooperation relationship with the existing clients, and thus achieve the goal of “win the market with quality”. Communication with key customers will be enhanced to make sure the smooth operation of its main channels. In the meantime, the analysis and monitoring on market information will be strengthened to improve its market analysis ability, so that it can optimize product structure and proactively explore the markets of different types of coal based on the market demand. Moreover, it will actively coordinate with railway bureaus to win more transportation quota while delivery structure will be further optimized to reduce transportation cost. Last but not least, the Company will take advantage of “inventory cooperation” and “pithead underwriting” to secure the coal sources while efforts will be made to explore new sources of coal to identify more quality coal suppliers with sufficient and quality coal and good reputation and develop strategic cooperation relationship with them.

Fourthly, the overall delivery volume of railways will be improved with an aim to hit a new record in the profit of railway transportation. The Company will gradually improve the management system of railway technology by strengthening technology innovation, reform and management, enhancing equipment maintenance and introducing new equipment, establishing railway expert database, so as to improve transportation efficiency and reduce operation costs. It will reinforce the coordination and cooperation with coal producers, carriers and distributors and the railway bureaus to reasonably plan and deploy the traffic volume of its railways. In addition, the Company will actively increase its transportation capacity to maximize the profit of railways.

## REPORT OF THE DIRECTORS (Continued)

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

#### (iii) Business plan (Continued)

Fifthly, the Company will vigorously develop the coal chemical businesses with coal-to-oil business as the core to accelerate the industrial transformation and upgrading. On one hand, the Company will improve equipment management, optimize production and technique management, actively carry out technology research and maintain technique reserve carefully to solve the bottleneck that restricts the upgrading of equipment's capacity, so as to ensure the 0.16 Mtpa Coal-to-oil Project to put into full and quality operation safely and stably in a long run (「安穩長滿優」運行), which will amplify the demonstrative effect of the project in industrialization, and therefore provide all-round support for the further development of the Company's coal chemical sector. On the other hand, the Company will speed up the construction of distribution system for coal chemical products, actively carry forward such work as product plan, experiment on component blending, acquisition of oil sources, obtaining of qualifications, positioning of target markets, and establish product pricing system and clean energy research and development institution. In addition, the Company will formulate a complete and scientific logistic scheme and proceed with relevant procedures to arrange transportation rationally and provide adequate storage equipment for target markets and transfer markets. Meanwhile, it will carry out relevant approval and construction work relating to gas stations as scheduled, implement quality control system thoroughly and enhance brand-building related work systematically.

Sixthly, the Company will carry out the work in relation to project examination and approval concretely to lay a solid foundation for its development. In the respect of coal chemicals, the Company shall control the pace of project construction while energetically proceeding with the review and approval for supporting documents regarding its coal-to-oil business. In the meantime, the design project demonstration shall be carried out soundly while changes in design will be under stringent control to optimize the resource allocation. In terms of coal mines, the Company will scientifically and rationally arrange the construction schedule of mine construction, civil engineering and installation work for new projects as well as the equipment acquisition plan. It will adhere to the principle of "main construction comes first" to ensure the project to put into operation as soon as practicable. As for the railways, the Company will speed up the preliminary work of the Zhundong-Dongwu rail connecting line, striving to obtain the approval during the year.

Last but not least, the Company will reduce cost and enhance efficiency through in-depth management reform and generate capital source for its project through broadening financing channels. To ensure steady progress of the Company's production and operation as well as project construction. Meanwhile, the Company will strengthen environmental protection, energy conservation and emission reduction and ecological construction, as well as handle the relations between production and construction and environmental protection.



## REPORT OF THE DIRECTORS (Continued)

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

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

##### 1. Capital expenditure plan for the projects of the Company in 2015

Project	Plan for 2015 (RMB'000 million)	Each project as the percentage in total plan of 2015
Talahao Mine/special railway line	7.86	5.09%
Construction of Aermale of Yili Mining	2.82	1.83%
The second track of Togtoh — Zhoujiawan section of Huzhun Railway	2.28	1.48%
The second track of Togtoh — Jialanying section of Huzhun Railway	5.93	3.84%
Nuanshui loading station	0.74	0.48%
Expansion and Renovation of Hushi station	0.22	0.14%
Expansion and Renovation of Jungar Zhao Dama railway project	3	1.94%
1 Mtpa project of Yitai Yili Energy Co., Ltd.	20	12.95%
2 Mtpa project of Yitai Xinjiang Energy Co., Ltd.	27	17.48%
Dalu 2 Mtpa Coal-to-oil Project	6	3.88%
1.2 Mtpa project of Inner Mongolia Yitai Chemical Co., Ltd.	78	50.50%
Construction of petrochemical gas station Technical reformation project	0.44	0.28%
in Suancigou Mine	4.39	2.71%
Zhundong-Dongwu rail connecting line	3	1.85%
<b>Total</b>	<b>161.84</b>	<b>100%</b>

The Company's existing capital expenditure plan for 2015 may vary to the development of business plan (including potential acquisition), progress of capital projects, market condition, outlook on conditions of future business and the acquisition of necessary permits and regulatory approval. Saved as those required by laws, the Company shall not be responsible for updating the figures contained in the capital expenditure plan. By centralizing funds allocation, optimizing assets structure and strictly controlling various expenditures, the Company will speed up capital turnover and reasonably arrange for capital use plans so as to support its healthy development. The Company will sustain the capital demands for day-to-day business operation by drawing on the operating revenue, equity financing and debt financing as well as other financing means to meet the Company's capital needs.



## REPORT OF THE DIRECTORS (Continued)

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

#### (v) Potential risks

- 1. Policy risks.** Given its predominance in China's resource endowment and energy consumption structure, coal has always been the top priority in the country's energy plan and is markedly affected by national policy. With the promotion of energy conservation and emission reduction and reinforcement of ecological civilization construction, the constraints from resource and environment will increase, and the risks generated from environmental protection and ecological issues with energy development will gradually grow, thus the requirements regarding barriers to entry coal mining and coal chemical projects, energy conservation and environmental protection, production safety and others will be more stringent.

To minimize the above risks, the Company will, keep track of the national regulatory policy for the coal industry and change of policy in mineral resources management in a timely manner, continuously enhance corporate management, accelerate industrial upgrading and scale up research and innovation as well as environmental protection and energy saving to comprehensively achieve or exceed the requirements of the policy in terms of production safety and energy saving and environmental protection.

- 2. Risks of macro-economic fluctuations.** The coal industry which the Company belongs to as well as its downstream industries are basic industries of national economy and closely connected with the macro-economy. Therefore, it is very vulnerable to macroeconomic fluctuations. China's macro-economy has entered into medium-to-high-speed growing period. The significant changes in the structure, the development pattern and the system will have certain impact on production operation of the Company, thereby affect the operating results of the Company.

To cope with the above risks, the Company will sum up the past experiences, pay close attention to market dynamics and will strengthen ability in analyzing the coal market. The Company will make the business segments, such as coal production, railways and coal-to-chemicals, bigger and stronger, positively improve its capability and enhance capabilities in diversified and integrative operation to better address macro-economic fluctuations.



## REPORT OF THE DIRECTORS (Continued)

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

#### (v) Potential risks (Continued)

- 3. Risks of industrial competition.** Currently the domestic coal market presents a situation of quantum easing and the structural surplus. The relationship between supply and demand at coal is unlikely to change with further release of industry capacity in the future and demand growth slowing down, giving the market a bigger role in determining coal prices, which will lead to fiercer competition among coal industry.

To cope with intensifying industrial competition, the Company will continuously maintain the leading position in the industry by strengthening cost management, expanding markets through multiple channels by improvement of quality of coal products and brand awareness, enhancing customer service, adjusting product portfolio and marketing structure and continuously improving market competitiveness.

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

To cope with these, the Company will focus on safety work and adhere to the guidance of "safety first, prioritizing precaution and comprehensive governance" to continuously increase investment in production safety, improve the administration system of production safety, enhance on-site management and intensify process control; clarify the responsibilities of persons in charge of production safety, specify responsibilities, objectives, rewards and punishment; continue to promote the safety quality standardization of coal mines, improve coal-to-chemical operation and safety technical regulations as soon as possible; step up efforts for establishing professional team, safety and technical training as well as safety culture cultivation to improve employees' professional competence and increase their awareness of safety; strengthen safety regulation to ensure production safety.

## REPORT OF THE DIRECTORS (Continued)

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

#### (v) Potential risks (Continued)

5. **Risks of rising of costs.** As the government scales up measures for energy conservation, emission reduction, environmental management and production safety, the mining supplies prices and wages rising, and compensation for land acquisition for mining and relocation increasing, the external cost of the Company will increase and the Company's business will be affected to some extent.

As such, the Company will deepen the management reform, take advantage of its strengths in centralized management, strengthen budget management of controllable cost, implement quota-based assessment system, develop potentials, reduce consumption and improve efficiency through good management to minimize the impact of fixed cost on the Company.

#### (vi) Others

1. **Contingent liabilities**

As at 31 December 2014, guarantees given to banks in connection with loans and letters of credit granted to associates and subsidiaries amounted to RMB13,546,777,921.85.

2. **Pledge of Assets**

During the reporting period, the Company did not pledge any assets.

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

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

Applicable                       N/A

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

Applicable                       N/A



## REPORT OF THE DIRECTORS (Continued)

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

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

##### 1. Changes in accounting policies

Content and reasons for changes in accounting policies	Consideration and approval procedures	Remark
In accordance with the newly revised Long-term Equity Investment Policy, equity investment accounted with cost method that does not has control, joint control or significant influence over the invested entity could be incorporated into the available -for-sale financial assets, of which, the subsequent measurement of equity instrument does not have any offer in active market and whose fair values cannot be reliably measured, shall be measured by employing the cost method, and other equity instrument shall be measured by fair value.	The seventh meeting of the sixth session of the Board passed the resolution in relation to changes in accounting policies of the Company on 18 March 2015.	
According to the revised Accounting Standards for Business Enterprises No.30 — Presentation of Financial Statement, the deferred income will be reported independently according to the reporting requirements.		
According to the revised Accounting Standards for Business Enterprises No.30 — Presentation of Financial Statement, those in the original capital reserve which are attributable to other comprehensive income and translation reserve shall be adjusted to report as other comprehensive income.		

## REPORT OF THE DIRECTORS *(Continued)*

### III. EXPLANATION FROM THE BOARD FOR THE ACCOUNTING FIRM'S "NON-STANDARD AUDIT REPORT" *(CONTINUED)*

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

##### 1. Changes in accounting policies *(Continued)*

Explanations on changes in accounting policies:

The Ministry of Finance promulgated or revised a series of Accounting Standards for Business Enterprises in 2014. The Company implemented such new Accounting Standards for Business Enterprises as requested on 1 July 2014 and made adjustments to the comparative financial statements in accordance with the transitional requirements. The explanations on the effect of implementation of the new standards on the comparative financial statements as follows:

##### (1) Long-term equity investments

The Company included equity investments in which the investee does not control, jointly control or has significant influence originally computed by cost accounting method in available-for-sale financial assets pursuant to newly-revised Standards of Long-term Equity Investments. Of which, equity instruments do not have quoted market price in active markets and their fair values cannot be reliably measured are measured at costs subsequently. Other equity instruments are measured at fair values subsequently. The effect of the above retrospective adjustment to changes in accounting policies as follows:

## REPORT OF THE DIRECTORS (Continued)

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

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

##### 1. Changes in accounting policies (Continued)

##### (1) Long-term equity investments (Continued)

The investee	Shareholding (%)	31 December 2013		Shareholders' Equity Attributable to the Parent
		Shareholders' Equity Attributable to the Parent on 1 January 2013	Long-term equity investments	
Mengji Railway Co., Ltd.	9.00	-1,980,000,000.00	1,980,000,000.00	
Zhunshuo Railway Co., Ltd.	18.96	-865,287,000.00	865,287,000.00	
Xin Baoshen Railway Co., Ltd.	15.00	-532,800,000.00	532,800,000.00	
Ordos Nanbu Railway Co., Ltd.	10.00	-200,000,000.00	200,000,000.00	
Mengxi-Huazhong railway Co., Ltd.	10.00	-100,000,000.00	100,000,000.00	
Mianyang Technology Property Investment Fund (Limited Partnership)	1.11	-100,000,000.00	100,000,000.00	
Tangshan Caofeidian Coal Port Co., Ltd.	4.00	-72,000,000.00	72,000,000.00	
Inner Mongolia Conba Pharmaceutical Co., Ltd.	12.00	-27,272,727.27	27,272,727.27	
<b>Total</b>	<b>—</b>	<b>-3,877,359,727.27</b>	<b>3,877,359,727.27</b>	

## REPORT OF THE DIRECTORS (Continued)

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

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

##### 1. Changes in accounting policies (Continued)

##### (2) The effect of changes in reporting of financial statements on the consolidated financial statements

- ① According to the Accounting Standards for Business Enterprises No. 30 — Presentation of Financial Statement, the Company adjusted the terms in the original capital reserve which are attributable to other comprehensive income and translation reserve, which shall be reported as other comprehensive income items, and reported the amount at the beginning of the year employing retrospective method. The impacts of retrospective adjustments are as follows:

Item	1 January 2013		31 December 2013	
	Before adjustment	After adjustment	Before adjustment	After adjustment
Capital reserve	1,511,013,242.53	1,511,013,242.53	1,551,147,027.82	1,570,678,190.73
Translation differences from statements denominated in foreign currencies	-289,674.55		-886,036.61	
Other comprehensive income		-289,674.55		-20,417,199.52
Other	<u>1,510,723,567.98</u>	<u>1,510,723,567.98</u>	<u>1,550,260,991.21</u>	<u>1,550,260,991.21</u>





## REPORT OF THE DIRECTORS (Continued)

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

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

##### 1. Changes in accounting policies (Continued)

(2) The effect of changes in reporting of financial statements on the consolidated financial statements (Continued)

- ② According to the revised Accounting Standards for Business Enterprises No.30 — Presentation of Financial Statement, the deferred income will be reported independently according to the reporting requirements, and the amount at the beginning of the year are reported employing retrospective method. The impacts of retrospective adjustments are as follows:

Item	1 January 2013		31 December 2013	
	Before adjustment	After adjustment	Before adjustment	After adjustment
Deferred income		128,188,997.00		18,520,000.00
Other non-current liabilities	128,188,997.00		18,520,000.00	
Total	<u>128,188,997.00</u>	<u>128,188,997.00</u>	<u>18,520,000.00</u>	<u>18,520,000.00</u>

##### 2. Changes in accounting estimate

The major accounting estimate did not change during the reporting period.

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

Applicable                       Not applicable

## REPORT OF THE DIRECTORS (Continued)

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

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

##### 1. Formulation, execution or adjustment of cash dividend policy

The net profit attributable to shareholders of the Company amount to RMB2,253 million under the PRC Accounting Standards for Business Enterprises in 2014 and basic earnings per share amounted to RMB0.69. The Board proposed to distribute a cash dividend of RMB2.08 per 10 shares (inclusive of tax) to the shareholders, based on the total number of shares, 3,254,007,000. According to the relevant laws and regulations and the Articles of Association of the Company, dividends distributed by the Company are denominated and announced in RMB. Dividends to holders of domestic shares are paid in RMB, dividends to holders of domestically listed foreign shares (B shares) are paid in USD, and dividends to holders of overseas listed foreign shares (H shares) are paid in HKD. The dividend paid in USD to holders of B shares is calculated based on the middle rate of RMB against USD as published by the People's Bank Republic of China on the first working days after the general meeting (namely the 2014 annual general meeting) at which the resolution on distribution of dividend is approved. The dividend paid in HKD to holders of H shares is calculated based on the average of middle rate of RMB against HKD as published by the People's Bank of China on the first working days after the date of the general meeting (namely the 2014 annual general meeting) at which the resolution on distribution of dividend is approved.

## REPORT OF THE DIRECTORS (Continued)

### IV. PLANS FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL (CONTINUED)

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

##### 1. Formulation, execution or adjustment of cash dividend policy (Continued)

As such, the cash dividend distribution of the Company satisfied the requirement of the Guidance of Cash Dividend of Listed Companies in the Shanghai Stock Exchange, which requires that “the percentage of total cash dividends distributed for the year to net profit attributable to shareholders of listed companies for the year is no less than 30%”.

The Company will convene the 2014 annual general meeting on Tuesday, 9 June 2015 for consideration and approval of relevant proposals, including the above proposal regarding final dividends for 2014.

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

Unit: Yuan

Year	Number of bonus shares issued for every 10 existing shares (share)	Dividends paid for every 10 existing shares (yuan)(tax inclusive)	Number of shares transferred to share capital for every 10 existing shares (share)	Amount of cash dividend (yuan)(tax inclusive)	Net profit attributable to shareholders of the Company in the consolidated statements of the year with dividend payment (yuan)	Percentage relative to the net profit attributable to shareholders of the Company in the consolidated statements (%)
2014	0	2.08	0	676,833,456.00	2,252,636,706.56	30.05
2013	0	3.2	0	1,041,282,240.00	3,444,628,337.33	30.23
2012	10	12.5	0	2,033,754,375.00	6,621,880,767.60	30.71

## REPORT OF THE DIRECTORS (Continued)

### IV. PLANS FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL (CONTINUED)

#### (iii) Closure of Register of Members

##### (1) Record date and dividend distribution for B shares

Given that the Company will convene the 2014 annual general meeting on Tuesday, 9 June 2015, and under relevant regulations of China and the market practice adopted in B share market, the Company will publish a separate announcement in respect of dividend distribution to holders of B shares for the year 2014 after the 2014 annual general meeting, which will set out the record date and ex-rights and ex-dividend date of dividend distribution for B Shares.

##### (2) Closure of the register of members of H Shares

The Company will convene the 2014 annual general meeting on Tuesday, 9 June 2015. The shares register of members of the Company will be closed from 9 May 2015 to 9 June 2015 (both days inclusive). In order to qualify for attending and voting at the annual general meeting, holders of H Shares of the Company should submit all the transfer documents to the Company's share registrar for H Shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at no later than 4:30 p.m. on 8 May 2015.

The share register of members of the Company will be closed from 27 June 2015 to 1 July 2015 (both days inclusive). In order to qualify for receiving dividend, holders of H shares of the Company should submit all the transfer documents to the Company's share registrar for H shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at no later than 4:30 p.m., 26 June 2015.

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



## REPORT OF THE DIRECTORS (Continued)

### IV. PLANS FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL (CONTINUED)

#### (iv) Taxation

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

Investors are advised to read the above content carefully. Should be there any changes to their status as shareholders, they should consult their agent or custodian organisation for the relevant procedures. The Company shall withhold and pay enterprise income tax for the non-resident enterprise shareholders whose names appear in the register of members for H shares of the Company on 1 July 2015.

## REPORT OF THE DIRECTORS (Continued)

### IV. PLANS FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL (CONTINUED)

#### (iv) Taxation (Continued)

- (2) In accordance with the Notice on Relevant Issues Regarding the Implementation of the Policy of Differentiated Individual Income Tax for Stock Dividends from Listed Companies issued by the Ministry of Finance, State Administration of Taxation and CSRC (Cai Shui [2012] No. 85) (《財政部、國家稅務總局、證監會關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) (hereafter as the “Notice”), which came into effect on 1 January, 2013, for the shares of the Company listed on the Shanghai Stock Exchange and acquired by individuals (hereafter as “Relevant Individuals”) from public issue and transfer market, all dividends they received from the Company will be withheld and paid the individual income tax in accordance with the policy of differentiated individual income tax. For the Relevant Individuals who have held the shares for more than one years as at the record date, 25% of their dividends shall be included in the taxable income and corresponding individual income tax will be withheld and paid when the Company distributes the dividends; for those who have held the shares for less than 1 year (inclusive) and have not transferred relevant shares as at the record date, 25% of their dividends shall be included in the taxable income and corresponding individual income tax will be withheld and paid temporarily when the Company distributes the dividends; in case that such Relevant Individuals transfer the shares after the record date, China Securities Depository and Clearing Corporation Limited Shanghai Branch will calculate the actual taxable amount based on the term of shareholding (from the date of acquiring the shares to the day before the share transfer) in differentiated ways. Namely, 100% of dividends will be included in the taxable income for those with the term of shareholding of less than 1 month (inclusive); 50% of dividends will be included in the taxable income on a provisional basis for those with the term of shareholding of more than 1 month and less than 1 year (inclusive); and 25% of dividends will be included in the taxable income on a provisional basis for those with the term of shareholding of more than 1 year. The part which has not been withheld will be withheld from the accounts of Relevant Individuals and paid by shares depositories including securities companies to China Securities Depository and Clearing Corporation Limited Shanghai Branch which will transfer the same to the Company for declaration and payment of relevant tax.



## REPORT OF THE DIRECTORS (Continued)

### V. FULFILLMENT OF SOCIAL RESPONSIBILITY

#### (i) Work on social responsibility

Please refer to appendix I for details.

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

Please refer to appendix I for details.

### VI. OTHER DISCLOSURES

#### (i) Pre-emptive rights

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

#### (ii) Reserves

As at 31 December 2014, in accordance with requirements of relevant laws and regulations in the PRC, the available-for-distribution reserves of the Company amounted to RMB12,371,185,095.22.

#### (iii) Auditors

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

#### (iv) Public Float

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



## REPORT OF THE DIRECTORS (Continued)

### VI. OTHER DISCLOSURES (CONTINUED)

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

##### 1. Reserves of the Company's mines

Unit: million tonnes

Mine of the Company	Remaining reserve in the PRC in 2014	Mineable reserve in the PRC in 2014
Suancigou	1,332.94	734.06
Nalinmiao No. 2 mine	140.59	74.00
Hongjingta No. 1 mine	126.73	58.88
Nalinmiao No. 1 mine	23.75	4.16
Yangwangou	13.89	6.32
Fuhua	5.21	2.22
Kaida	192.93	112.09
Dadijing	91.85	57.82
Baoshan	44.46	27.28
Dingjiaqu	45.10	24.19
Chengyi	16.50	6.01
Baijialiang	4.50	—
<b>Under construction</b>		
Talahao	867.38	589.91
Total reserves	<b>2,905.83</b>	<b>1,696.94</b>

##### 2. Mine explorations by the Company during the reporting period

During the reporting period, the Company did not carry out exploration in other mines.



## REPORT OF THE DIRECTORS (Continued)

### VI. OTHER DISCLOSURES (CONTINUED)

#### (v) Mining Exploration, Development and Mining Production Activities (Continued)

##### 3. Progress of the mines under construction as at 31 December 2014

Unit: RMB' 00,000,000

Name of mine	Actual completion for the year 2014	Plan of the year	Ratio of completion
Talahao	5.22	7.82	66.75%
Yili Mining	1.88	6.40	29.38%
Sub-total	7.1	14.22	49.93%

(1) Talahao Mining

Total investment on Talahao Mining Project amounted to RMB2,359 million. The proposed investment in 2014 amounted to RMB782 million, and the amount of investment completed in the year was RMB522 million, representing a completion of 66.75% of the proposed year plan for the year. As at the end of 2014, the accumulated completion of investment amounted to RMB1,459 million, completing 61.85% of the total investment budget. Mining construction, building construction and equipment purchase and installation are orderly commenced presently.

(2) Yili Mining

The investment of Yitai Yili Mining Co., Ltd. for the year amounted to RMB188 million, and the accumulated completion of investment amounted to RMB805 million, equivalent to 11.53% of the total investment budget (RMB6,982 million). At present, the Company is actively carrying out registration of mining warrant and change of mining right.

## REPORT OF THE DIRECTORS (Continued)

### VI. OTHER DISCLOSURES (CONTINUED)

#### (v) Mining Exploration, Development and Mining Production Activities (Continued)

##### 4. Coal mining of the Company

Unit: tonnes

Mine of the Company	Output of coal	
	January to December 2014	January to December 2013
Suancigou	11,727,671.20	9,970,831.07
Nalinmiao No. 2 mine	4,991,928.28	6,164,853.01
Hongjingta No. 1 mine	7,662,093.14	7,487,513.85
Nalinmiao No. 1 mine	2,987,407.97	3,626,617.07
Yangwangou	0	303,871.78
Fuhua	0	77,321.10
Kaida	1,383,188.38	1,624,942.22
Dadijing	6,011,774.66	7,041,804.75
Baoshan	3,536,326.74	3,441,283.30
Dingjiaqu	3,039,595.08	3,742,635.10
Chengyi	1,867,634.86	2,405,877.48
Baijialiang	0	1,835.00
Subtotal	<b>43,207,620.31</b>	<b>45,889,385.73</b>

##### 5. Coal development as at 31 December 2014

As at 31 December 2014, the proposed investment of the Company in 2014 was RMB2,328 million, actual investment was RMB710 million, completing 65.72% of the year plan.

## REPORT OF THE DIRECTORS (Continued)

### VI. OTHER DISCLOSURES (CONTINUED)

#### (v) Mining Exploration, Development and Mining Production Activities (Continued)

##### 6. Construction contracts for coal mine

Project name	Details of contract	Amount of contract (RMB'0000)
Yitai Yili Mining Co., Ltd.	Aermale calamity treatment engineering (阿爾瑪勒災害治理工程)	18,378.85
Talahao mine	Temporary System Installation Project	136.16
Suancigou mine	Exploration of Suancigou mine by using highly accurate and three-dimensional earthquake and instantaneous change of electromagnet method (酸刺溝煤礦全數字高精度三維地震及瞬變電磁法勘探)	692.73
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)	180.00
Suancigou mine	Suancigou mine belt installation engineering in underground coal mine (酸刺溝煤礦井下皮帶安裝工程)	180.00
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)	140.83
Dadijing mine	Dadijing mine 4201 work face of flood prevention in the second panel (大地精煤礦二盤區4201工作面防治水工程)	114.72

## REPORT OF THE DIRECTORS (Continued)

### VI. OTHER DISCLOSURES (CONTINUED)

#### (v) Mining Exploration, Development and Mining Production Activities (Continued)

##### 7. Procurement contracts of facilities for coal mine

Using Unit	Details of contract	Name of provider	Amount of Contract (yuan)
Inner Mongolia Yitai Coal Co., Ltd.	Coal cutter accessories	Joy Global Inc. (US company)(久益環球地下採礦設備公司(美國公司))	2,987,889
Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd.	Mill head moving part	Zhongmei Zhangjiakou Mining Machinery Co., Ltd. (中煤張家口煤礦機械有限責任公司)	790,000
Inner Mongolia Yitai Coal Co., Ltd. (Kaida Mine Scene)	Reactive sets compensation device	Shandong Taikai Power Electronics Co., Ltd.(山東泰開電力電子有限公司)	460,500
Inner Mongolia Yitai Coal Co., Ltd. (Hongyi Mine)	Trackless rubber tire vehicle of explosion-proof diesel engine	Changzhou Scientific Research and Trial-manufacture Centre Co., Ltd.(常州科研試製中心有限公司)	443,798
Inner Mongolia Yitai Coal Co., Ltd.	Coal cutter accessories	Joy Global Inc. (UK company) (久益環球地下採礦設備公司(英國公司))	341,510
Inner Mongolia Yitai Coal Co., Ltd. (Kaida Mine Scene)	Industrial large screen display system	Beijing Dahua Qitian Industrial Technology Co., Ltd. (北京大華啟天工業技術有限公司)	320,000

## REPORT OF THE DIRECTORS (Continued)

### VI. OTHER DISCLOSURES (CONTINUED)

#### (v) Mining Exploration, Development and Mining Production Activities (Continued)

##### 8. Coal mining development of the Company as at 31 December 2014

Unit: yuan

Name	Actual completion in 2014	Plan in the year	Ratio of completion
Suancigou	171,974,414.34	145,948,720.00	118%
Nalinmiao Mine No. 2 mine	225,304,014.69	382,334,267.88	59%
Hongjingta No. 1 mine	52,924,480.56	44,915,555.00	118%
Nalinmiao Mine No. 1 mine	15,084,150.79	19,209,605.58	79%
Yangwangou	63,082,290.25	0.00	
Kaida	111,812,223.13	51,491,215.00	217%
Dadijing	89,265,437.94	100,716,975.00	89%
Baoshan	32,143,412.35	50,022,718.00	64%
Tongda	47,002,051.14	66,661,750.60	71%
Chengyi	10,670,481.77	38,207,867.00	28%
Baijiali	1,059,590.75	6,938,100.00	15%
Total:	<u>820,323,097.71</u>	<u>1,305,409,537.06</u>	<u>90.50%</u>

Note: The table was prepared in accordance with the PRC Accounting Standards for Business Enterprises.

##### 9. Cost of coal

Unit: yuan

	January to December 2014	January to December 2013
Labor cost	<b>18.36</b>	<b>17.20</b>
Production cost	<b>9.94</b>	<b>8.74</b>
per unit of	<b>6.87</b>	<b>3.17</b>
self-produced coal	<b>51.56</b>	<b>66.29</b>
Total production cost for coal	<b>86.72</b>	<b>95.39</b>
Cost per unit of coal purchased domestically	<b>200.18</b>	<b>261.74</b>

Note: The table was prepared in accordance with the PRC Accounting Standards for Business Enterprises.

## REPORT OF THE DIRECTORS (Continued)

### VI. OTHER DISCLOSURES (CONTINUED)

#### (v) Mining Exploration, Development and Mining Production Activities (Continued)

##### 10. Compliance Procedure of the Agreement on Avoidance of Non-Horizontal Competition and its Implementation

The Company has entered into the Agreement on Avoidance of Non Horizontal Competition on 29 May 2012 with holding shareholders. To implement the strategy of expanding the coal business of the Company, and minimize 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 nonexecutive 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;





## REPORT OF THE DIRECTORS *(Continued)*

### VI. OTHER DISCLOSURES *(CONTINUED)*

#### (v) Mining Exploration, Development and Mining Production Activities *(Continued)*

##### 10. Compliance Procedure of the Agreement on Avoidance of Non-Horizontal Competition and its Implementation *(Continued)*

- (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;
- (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.

## REPORT OF THE DIRECTORS (Continued)

### VI. OTHER DISCLOSURES (CONTINUED)

#### (v) Mining Exploration, Development and Mining Production Activities (Continued)

11. On 29 May 2012, Yitai Group and the Company entered into the Agreement on Avoidance of Non-Horizontal Competition, 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

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 other resources licenses were in the process of the proactive application. Under preliminary estimation, Hongqinghe mine will obtain all resources licenses or satisfied the production condition required by 2017.

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 Agreement on Avoidance of Non-Horizontal Competition 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.



## REPORT OF THE DIRECTORS *(Continued)*

### VI. OTHER DISCLOSURES *(CONTINUED)*

#### (v) Mining Exploration, Development and Mining Production Activities *(Continued)*

##### 11. *(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 main board of The Hong Kong Stock Exchange in 2012. Yitai Group undertook in the Agreement on Avoidance of Non-Horizontal Competition 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 Agreement on Avoidance of Non-Horizontal Competition, Yitai Group should compensate all loss (including but not limited to business loss) caused thereby to the Company.

## REPORT OF THE SUPERVISORY COMMITTEE

In 2014, in order to safeguard the interests of the Company and minority shareholders, the Supervisory Committee of the Company supervised the Company's lawful operation and the performance of the Directors and senior management of their duties in strict compliance with requirements of the laws and regulations including the Company Law, the Securities Law and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, and the Articles of Association, thus safeguarding the legal interests of the Company and Shareholders. The specific work of the Supervisory Committee in the past year is as follows:

### I. WORK OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

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

The thirteenth meeting of the fifth session of the Supervisory Committee was convened on 25 March 2014, at which the proposal in relation to general election of the Supervisory Committee of the Company was considered and approved, and the proposal in relation to the 2013 Work Report of the Supervisory Committee of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2013 Internal Control Self-assessment Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2013 Internal Control Audit Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2013 Social Responsibility Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to profit distribution plan of the Company for 2013; the proposal in relation to the 2013 Annual Report of Inner Mongolia Yitai Coal Co., Ltd. and its summary; the proposal in relation to the Confirmation of the Difference between Actual Amount and Estimated Amount of Related Party Transactions in the Ordinary Course of Business of the Company in 2013 and the Estimates for 2014 Related Party Transactions in the Ordinary Course of Business; the proposal in relation to the Agreement of Related Party Transactions in the Ordinary Course of Business and Agreement of Continuous Connected Transaction entered into by the Company; and the proposal in relation to guarantee provided by the Company to its subsidiaries and joint stock subsidiaries were considered and approved.

The fourteenth meeting of the fifth session of the Supervisory Committee was convened on 24 April 2014, at which the proposal of the First Quarterly Report for the Year 2014 of Inner Mongolia Yitai Coal Co., Ltd. was considered and approved.

The fifteenth meeting of the fifth session of the Supervisory Committee was convened on 9 May 2014, at which the proposal in relation to the appointment of audit institution of the Company for 2014 and the appointment of internal audit institution of the Company for 2014 was considered and approved.



## REPORT OF THE SUPERVISORY COMMITTEE (*Continued*)

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

The first meeting of the sixth session of the Supervisory Committee was convened on 30 May 2014, at which the proposal in relation to the election of the Chairman of the Board of Supervisors of the Company was considered and approved.

The second meeting of the sixth session of the Supervisory Committee was convened on 26 August 2014, at which the proposal in relation to the 2014 Interim Report of Inner Mongolia Yitai Coal Co., Ltd. and its summary; the proposal in relation to short-term entrusted wealth management or short-term time deposit by use of working capital of the Company; the proposal in relation to Supplemental Estimated Amount of Related Party Transactions in the Ordinary Course of Business of the Company for 2014 were considered and approved.

The third meeting of the sixth session of the Supervisory Committee was convened on 27 October 2014, at which the proposal in relation to the Third Quarterly Report for the Year 2014 of Inner Mongolia Yitai Coal Co., Ltd. was considered and approved.

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

## REPORT OF THE SUPERVISORY COMMITTEE (Continued)

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

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

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

During the reporting period, the Supervisory Committee inspected and supervised the financial activities of the Company by debrief the special report from the financial officers of the Company, reviewing the regular report of the Company and examining the auditor's report issued by the auditor. The Supervisory Committee was of the view that the financial system of the Company is in compliance with the related provisions under the laws and regulations including the Accounting Law and the Accounting Standards for Business Enterprises. The 2014 annual report of the Company gives a true, accurate and complete view of the financial position, operational results, cash flow and shareholders' equity of the Company, etc. The audit opinions issued by the auditor are objective and fair, and the auditor issued standard unqualified auditor's report for the Company.

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

As at the end of 2014, the actual use of proceeds was in compliance with the commitments under the Prospectus and the project for the change or adjustment of resolutions in the Board and shareholder meetings of the Company.





## REPORT OF THE SUPERVISORY COMMITTEE (Continued)

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

Trading and pricing terms for acquisitions of assets by the Group during the reporting period were fair and there were no insider dealings and transactions which damaged the interests of Shareholders and resulted in any capital loss to the Group.

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

During the reporting period, the connected transactions between the Group and its Controlling Shareholder, Yankuang Group and its subsidiaries were fair, reasonable, lawful and were in the interests of the Shareholders.

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

Da Hua Certified Public Accountants (Special General Partnership) (大華會計師事務所(特殊普通合夥)) and Ernst & Young Certified Public Accountants had issued a standard auditor's report on the Company's 2014 financial statements respectively and the auditor's reports give a true, objective and accurate view of the Company's financial position.

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

The Supervisory Committee reviewed the 2014 Internal Control Self-assessment Report of Inner Mongolia Yitai Coal Co., Ltd., and was of the view that the report was in compliance with relevant requirements under the Basic Rules for Internal Control of Companies and Supporting Guidelines on Internal Control of Companies and gave a comprehensive, objective and true view of the actual conditions of the Company's internal control. From 1 January to 31 December 2014, no material or significant defects were found in the design or execution of the Company's internal control.



## SIGNIFICANT EVENTS

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

Applicable                      ✓      N/A

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

Applicable                      ✓      N/A

### III. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

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

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

Applicable                      ✓      N/A

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

Applicable                      ✓      N/A



## SIGNIFICANT EVENTS (Continued)

### VI. MATERIAL CONNECTED TRANSACTIONS

√ Applicable  N/A

#### (I) Connected transactions in relation to daily operation

1. **Events which have been disclosed in the temporary announcements and have no progress nor change in the subsequent implementation process**

Overview of Matters	Query Index
<p>In 25 March 2015, the Company considered and approved the proposal relating to confirmation of the difference between actual amount and estimated amount of daily connected transactions of the Company for 2013 and the estimation for daily connected transactions for 2014.</p>	<p>For details, please refer to the Announcement on Confirmation of the Difference Between Actual Amount and Estimated Amount of Daily Connected Transactions of Inner Mongolia Yitai Coal Co., Ltd. for 2013 and the Estimation for Daily Connected Transactions for 2014 published on the website of Shanghai Stock Exchange on 26 March 2014.</p>
<p>In 26 August 2014, the Company considered and approved the supplemental estimation by the Company in relation to the daily connected transactions for 2014.</p>	<p>For details, please refer to the Announcement on the Supplemental Estimation by the Company in Relation to the Daily Connected Transactions of Inner Mongolia Yitai Coal Co., Ltd. on 27 August 2014.</p>

## SIGNIFICANT EVENTS (Continued)

### VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

#### (I) Connected transactions in relation to daily operation (Continued)

##### 2. Non-exempt continuing connected transactions

During the reporting period, the summary of the continuing connected transactions of 2014 and the maximum annual trading amounts for 2014 are as follows:

##### (1) Summary of the continuing connected transactions in 2014

Category of transaction	Nature of transaction	For the year ended 31 December 2014 RMB'000
A	Supply of coal by the Company to Beijing Jingneng Thermal Power Co., Ltd. and its subsidiary Inner Mongolia Jingtai Electric Power Generation Co., Ltd.	144,054
B	Supply of materials and services by the Company to Inner Mongolia Yitai Group Co., Ltd. for its retained business and other businesses	5,640
	Supply of materials and services by Inner Mongolia Yitai Group Co., Ltd. to the Company for its retained business and other businesses	694,013
C	Supply of coal by the Company to Guangdong Power Industry Fuel Co., Ltd	1,015,095
D	Purchase of coal by the Company from Inner Mongolia Yitai Group Co., Ltd.	4,592
E	Supply of materials and service from Inner Mongolia Autonomous Region Machine Equipments Complete Co., Ltd. to the Company	11,100
F	Supply of transportation services by the Company to Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	137,662
G	Supply of coal by the Company to Huadian Coal Industry Group Company Limited	529,973
H	Supply of oil products by the Company to Inner Mongolia Yitai Coal-to-oil Co., Ltd.	48,136

## SIGNIFICANT EVENTS (Continued)

### VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

#### (I) Connected transactions in relation to daily operation (Continued)

##### 2. Non-exempt continuing connected transactions (Continued)

##### (2) Maximum annual trading amounts of connected transactions for 2014

The maximum annual trading amounts of continuing connected transactions for 2014 disclosed in the prospectus of the Company dated 29 June 2012 are as follows:

Category of transactions	For the year ended 31 December 2014 RMB million
Supply of coal by the Company to Beijing Jingneng Thermal Power Co., Ltd and its subsidiary Inner Mongolia Jingtai Electric Power Generation Co., Ltd.	515.0
Supply of materials, equipment and services by the Company to Inner Mongolia Yitai Group Co., Ltd. for its retained business and other businesses	71.9
Supply of coal by the Company to Guangdong Power Industry Fuel Co., Ltd	2,449.0

The maximum annual trading amounts of continuing connected transactions for 2014 disclosed in the announcement dated 25 March 2014 are as follows:

Category of transactions	For the year ended 31 December 2014 RMB million
Purchase of coal by the Company from Inner Mongolia Yitai Group Co., Ltd. and its associates	112.0
Purchase of chemical materials, design, technique and equipment by the Company from Inner Mongolia Yitai Group Co., Ltd. and its associates	1,130.0
Sales of oil products by the Company to Yitai Group and its associates and Inner Mongolia Yitai Petrochemical Co., Ltd.	68.0

## SIGNIFICANT EVENTS (Continued)

### VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

#### (I) Connected transactions in relation to daily operation (Continued)

##### 2. Non-exempt continuing connected transactions (Continued)

###### (2) Maximum annual trading amounts of connected transactions for 2014 (Continued)

The maximum annual trading amounts of continuing connected transactions for 2014 disclosed in the announcement dated 26 March 2014 are as follows:

Category of transactions	For the year ended 31 December 2014 RMB million
Supply of transportation services by the Company to Inner Mongolia Mengtai Buliangou Coal Co., Ltd.	200.0
Supply of service from Inner Mongolia Autonomous Region Machine Equipment Complete Co., Ltd. to the Company	24.0

The maximum annual trading amounts of continuing connected transactions for 2014 disclosed in the announcement dated 14 November 2014 are as follows:

Category of transactions	For the year ended 31 December 2014 RMB million
Supply of coal by the Company to Huadian Coal Industry Group Company Limited	530.0



## SIGNIFICANT EVENTS (Continued)

### VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

#### (I) Connected transactions in relation to daily operation (Continued)

##### 3. Independent directors' opinions on the non-exempt continuing connected transactions

The independent non-executive directors of the Company reviewed the continuing connected transactions and were of the view that:

- terms of relevant agreement in respect of each continuing connected transaction were fair and reasonable and in the interests of the shareholders of the Company as a whole;
- the continuing connected transactions were entered into in the ordinary course of business of the Company; and
- the continuing connected transactions were entered into on normal commercial terms or on those as valid and effective as the terms provided from/to an independent third party.

##### 4. Auditor's opinions on the non-exempt continuing connected transactions

- the continuing connected transactions were approved by the Board;
- the prices of the continuing connected transactions were in line with the pricing policy of the Company;
- each of the continuing connected transactions for which relevant written agreement were entered into, was carried out in accordance with such agreement. There is no collateral agreement entered into in relation to any transaction; and
- the annual trading amount of such continuing connected transactions did not exceed the maximum annual trading amount in the appendix II which was disclosed in the Company's prospectus of initial public offering in Hong Kong dated 29 June 2012 and the announcements on continuing connected transactions dated 6 March 2014, 25 March 2014 and 14 November 2014.

#### (II) Connected transactions happened in acquisition and disposal of assets

##### 1. Events which have been disclosed in the temporary announcements and have no progress nor change in the subsequent implementation process

Overview of Matters	Query Index
In 26 March 2015, the Company considered and approved the proposal relating to the Company's acquisition of 5% of equity interest of Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd.	For details, please refer to the Announcement on Connected Transactions of Inner Mongolia Yitai Coal Co., Ltd. published on the website of Shanghai Stock Exchange on 26 March 2014.

## SIGNIFICANT EVENTS (Continued)

### VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

#### (II) Connected transactions happened in acquisition and disposal of assets (Continued)

2. Events which have been disclosed in the temporary announcements but have progress or change in the subsequent implementation process

Nil

3. Events which have not been disclosed in the temporary announcements

Nil

#### (III) Material connected transaction of common foreign investment

1. Events which have been disclosed in the temporary announcements and have progress or change in the subsequent implementation process

##### Overview of Matters

##### Query Index

The Company and its controlling shareholder, Inner Mongolia Yitai Group Co., Ltd. jointly increased capital to Yitai Xinjiang Energy Co., Ltd. The Company increased capital to Xinjiang Energy with RMB1,127.5 million in cash. Inner Mongolia Yitai Group Co., Ltd. increased capital to Xinjiang Energy with RMB122.5 million in cash. Upon completion of the increase in capital, the registered capital of Xinjiang Energy will be increased to RMB2,310 million, and the ratio of shareholdings of the Company and Inner Mongolia Yitai Group Co., Ltd. will remain unchanged.

For details, please refer to the announcement on connected transactions published by the Company on the website of the Shanghai Stock Exchange and Shanghai Securities News and Hong Kong Commercial Daily on 30 October 2014.

The Company and its controlling shareholder, Inner Mongolia Yitai Group Co., Ltd. jointly increased capital to Inner Mongolia Yitai Coal-to-oil Co., Ltd. The Company increased capital to Yitai Coal-to-oil with RMB1,632 million in cash. Inner Mongolia Yitai Group Co., Ltd. increased capital to Yitai Coal-to-oil with RMB304 million in cash. Upon completion of the increase in capital, the registered capital of Yitai Coal-to-oil will be increased to RMB5,552.9 million, and the ratio of shareholdings of the Company and Inner Mongolia Yitai Group Co., Ltd. will remain unchanged.

For details, please refer to the announcement on connected transactions published by the Company on the website of the Shanghai Stock Exchange and Shanghai Securities News and Hong Kong Commercial Daily on 30 October 2014.





## SIGNIFICANT EVENTS (Continued)

### VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Material connected transaction of common foreign investment (Continued)

##### 1. Events which have been disclosed in the temporary announcements and have progress or change in the subsequent implementation process (Continued)

Overview of Matters	Query Index
<p>The Company and its controlling shareholder, Inner Mongolia Yitai Group Co., Ltd. jointly increased capital to Yitai Yili Energy Co., Ltd. The Company increased capital to Yili Energy with RMB1,411.63 million in cash. Inner Mongolia Yitai Group Co., Ltd. increased capital to Yili Energy with RMB153.37 million in cash. Upon completion of the increase in capital, the registered capital of Yili Energy will be increased to RMB2,535 million, and the ratio of shareholdings of the Company and Inner Mongolia Yitai Group Co., Ltd. will remain unchanged.</p>	<p>For details, please refer to the announcement on connected transactions published by the Company on the website of the Shanghai Stock Exchange and Shanghai Securities News and Hong Kong Commercial Daily on 30 October 2014.</p>
<p>The Company and its controlling shareholder, Inner Mongolia Yitai Group Co., Ltd. jointly increased capital to Inner Mongolia Yitai Chemical Co., Ltd. The Company increased capital to Yitai Chemical Company with RMB1,343.98 million in cash. Inner Mongolia Yitai Group Co., Ltd. increased capital to Yitai Chemical Company with RMB146.02 million in cash. Upon completion of the increase in capital, the registered capital of Yitai Chemical Company will be increased to RMB2,260 million, and the ratio of shareholdings of the Company and Inner Mongolia Yitai Group Co., Ltd. will remain unchanged.</p>	<p>For details, please refer to the announcement on connected transactions published by the Company on the website of the Shanghai Stock Exchange and Shanghai Securities News and Hong Kong Commercial Daily on 30 October 2014.</p>

## SIGNIFICANT EVENTS (Continued)

### VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

#### (III) Material connected transaction of common foreign investment (Continued)

##### 1. Events which have been disclosed in the temporary announcements and have progress or change in the subsequent implementation process (Continued)

Overview of Matters	Query Index
<p>The Company and its controlling shareholder, Inner Mongolia Yitai Group Co., Ltd. jointly increased capital to Inner Mongolia Yitai Petrochemical Co., Ltd. The Company increased capital to Yitai Petrochemical with RMB216 million in cash. Inner Mongolia Yitai Group Co., Ltd. increased capital to Yitai Petrochemical with RMB54 million in cash. Upon completion of the increase in capital, the registered capital of Yitai Petrochemical will be increased to RMB300 million, and the ratio of shareholdings of the Company and Inner Mongolia Yitai Group Co., Ltd. will remain unchanged.</p>	<p>For details, please refer to the announcement on connected transactions published by the Company on the website of the Shanghai Stock Exchange and Shanghai Securities News and Hong Kong Commercial Daily on 30 October 2014.</p>
<p>The Company and its controlling shareholder, Inner Mongolia Yitai Group Co., Ltd. jointly increased capital to Yitai Yili Mining Co., Ltd. The Company increased capital to Yili Mining Company with RMB496.1 million in cash. Inner Mongolia Yitai Group Co., Ltd. increased capital to Yili Mining Company with RMB53.9 million in cash. Upon completion of the increase in capital, the registered capital of Yitai Petrochemical will be increased to RMB650 million, and the ratio of shareholdings of the Company and Inner Mongolia Yitai Group Co., Ltd. will remain unchanged.</p>	<p>For details, please refer to the announcement on connected transactions published by the Company on the website of the Shanghai Stock Exchange and Shanghai Securities News and Hong Kong Commercial Daily on 31 December 2014.</p>



## **SIGNIFICANT EVENTS** *(Continued)*

### **VI. MATERIAL CONNECTED TRANSACTIONS** *(CONTINUED)*

#### **(III) Material connected transaction of common foreign investment** *(Continued)*

- 2. Events which have been disclosed in the temporary announcements but have progress or change in the subsequent implementation process**

Nil

- 3. Events which have not been disclosed in the temporary announcements**

Nil

#### **(IV) Amounts due to or from connected parties**

- 1. Events which have been disclosed in the temporary announcements and have progress or change in the subsequent implementation process**

Nil

- 2. Events which have been disclosed in the temporary announcements but have progress or change in the subsequent implementation process**

Nil

- 3. Events which have not been disclosed in the temporary announcements**

Nil

## SIGNIFICANT EVENTS (Continued)

### VII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

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

Applicable  N/A

#### (II) Guarantee

Applicable  N/A

Unit: Yuan

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

Guarantor	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	Whether guaranteed counter-party is a connected party		Relations
								Whether guarantee is completed	Whether is overdue		Whether guaranteed or not	Whether is a connected party	
Inner Mongolia Yitai Coal Co., Ltd.	The Company	Ordos Tiandi Huarun Mine Equipment Co., Ltd. (鄂爾多斯市天地華潤煤礦裝備有限責任公司)	11,200,000	30 November 2009	30 November 2009	29 November 2017	Joint liability guarantee	No	No	No	Yes	Subsidiary not being controlled by the Company	
Total amount of guarantees occurring during the reporting period (excluding those for subsidiaries)													0
Total balance of guarantees at the end of the reporting period (excluding those for subsidiaries) (A)													11,200,000.00
<b>Guarantees of the Company for Subsidiaries</b>													
Total amount of guarantees for subsidiaries occurring during the reporting period													3,850,187,000.00
Total balance of guarantees for subsidiaries at the end of the reporting period (B)													13,535,577,921.85
<b>Total Guarantee Amount (including those for subsidiaries)</b>													
Total guarantee (A+B)													13,546,777,921.85
Percentage of total guarantee in the Company's net assets (%)													59.07
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)													3,166,682,970.00
Amount of total guarantees in excess of 50% of net assets (E)													2,069,708,006.58
Amount of total guarantees above (C+D+E)													5,236,390,976.58
Explanations on outstanding guarantee may be undertaken joint liability for satisfaction													
Explanations on guarantees													

#### (III) Other material contract

Nil

## SIGNIFICANT EVENTS (Continued)

### VIII. FULFILMENT OF UNDERTAKINGS

√ Applicable  Not applicable

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

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

- (II) Asset or project of the Company had profit forecast, and it lasted in the reporting period, explanation on reaching such profit forecast and the reasons thereof

Nil

## SIGNIFICANT EVENTS (Continued)

### IX. APPOINTMENT OR TERMINATION OF APPOINTMENT OF AUDITORS

Unit: RMB0'000

Change of accounting firm:

	Previous appointee	Current appointee
Name of the domestic accounting firm	Da Hua Certified Public Accountants (Special General Partnership)	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm		150
Term of audit of the domestic accounting firm		4
Name of the overseas accounting firm	Ernst & Young Certified Public Accountant	Ernst & Young Certified Public Accountants
Remuneration of the overseas accounting firm		350
Term of audit of the overseas accounting firm		4

	Name	Remuneration
Accounting firm as internal control auditors	Da Hua Certified Public Accountants (Special General Partnership)	85

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

During the reporting period, none of the Company, its Directors, supervisors, senior management members, shareholders holding over 5% of equity interest, De Facto Controller or purchaser 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)

### XI. RISKS RELATED TO SUSPENSION OF LISTING AND TERMINATION OF LISTING

- (I) Reasons of suspension of listing and termination of listing as well as the measures the Company adopted to eliminate suspension of listing and termination of listing

N/A

- (II) Specific arrangement and plan in relation to management of investor relation upon termination of listing

N/A

### XII. CONVERTIBLE CORPORATE BONDS

Applicable                      ✓      N/A

### XIII. IMPACT OF EXERCISE OF NEW ACCOUNTING STANDARDS ON CONSOLIDATED FINANCIAL STATEMENTS

- (I) Impact of changes in long-term equity investment on consolidated financial report (I)

Unit: Yuan

Investees	Basic information of transaction	Shareholders' equity attributable to the parent company as at 1 January 2013 (+/-)	31 December 2013		Shareholders' equity attributable to the parent company (+/-)
			Long-term equity investment (+/-)	Available-for-sale financial assets (+/-)	
Mengji Railway Co., Ltd. (蒙冀鐵路有限責任公司)	Shareholding of 9.00%		-1,980,000,000.00	1,980,000,000.00	
Zhunshuo Railway Co., Ltd. (淮朔鐵路有限責任公司)	Shareholding of 18.96%		-865,287,000.00	865,287,000.00	
Xin Baoshen Railway Co., Ltd. (新包神鐵路有限責任公司)	Shareholding of 15.00%		-532,800,000.00	532,800,000.00	
Ordos South Railway Co., Ltd. (鄂爾多斯市南部鐵路有限責任公司)	Shareholding of 10.00%		-200,000,000.00	200,000,000.00	
Mengxi-Huazhong Railway Co., Ltd. (蒙西華中鐵路股份有限公司)	Shareholding of 10.00%		-100,000,000.00	100,000,000.00	
Mianyang High-Technology City Industrial Investment Fund (special general partnership) (綿陽科技城產業投資基金(有限合夥))	Shareholding of 1.11%		-100,000,000.00	100,000,000.00	
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	Shareholding of 4.00%		-72,000,000.00	72,000,000.00	
Inner Mongolia Conba Pharmaceutical Co., Ltd. (內蒙古康恩貝藥業有限公司)	Shareholding of 12.00%		-27,272,727.27	27,272,727.27	
Total	/		<u>-3,877,359,727.27</u>	<u>3,877,359,727.27</u>	





## **SIGNIFICANT EVENTS** *(Continued)*

### **XIII. IMPACT OF EXERCISE OF NEW ACCOUNTING STANDARDS ON CONSOLIDATED FINANCIAL STATEMENTS** *(CONTINUED)*

**(II) Impact of changes in long-term equity investment on consolidated financial report (II)**

N/A

**(III) Impact of changes in employees' remuneration standards**

N/A

**(IV) Impact of changes in consolidation scope**

N/A

**(V) Impact of changes in classification of joint venture arrangement**

N/A

**(VI) Impact of other changes in standards**

Nil



## SIGNIFICANT EVENTS (Continued)

### XIV. EXPLANATION ON OTHER SIGNIFICANT EVENTS

√ Applicable       N/A

1. Ordos Dama Railway Co., Ltd. (hereafter as “Dama Railway Company”) (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 157.368 million. Dama Railway Company 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 Company convened a general meeting and concluded the following resolutions: 1) approved the adjustment of registered capital from RMB786.8 million to RMB300 million; 2) approved transfer of 6.368% equity interests in Dama Railway Company to Inner Mongolia Yitai Coal Co., Ltd. held by Inner Mongolia Mengtai Coal & Electricity Group Co., Ltd. at a consideration of RMB19.104 million. Upon the above change in registered capital and equity transfer, the original shareholding was changed into: Inner Mongolia Yitai Coal Co., shall contribute RMB94.18 million, representing 31.3933% of registered capital; Jungar Banner Zhengtong Railway Investment Co., Ltd. shall contribute RMB90 million, representing 30% of registered capital; Ordos Xintie Logistics Co., Ltd. shall contribute RMB30 million, representing 10% of registered capital, Hohhot Railway Bureau shall contribute RMB70.82 million, representing 23.60667% of registered capital; Inner Mongolia Huineng Coal & Electricity Group Co., Ltd. (內蒙古匯能煤電集團有限公司) shall contribute RMB10.5 million, representing 3.5% of registered capital and Inner Mongolia Mengtai Coal & Electricity Group Co., Ltd. shall contribute RMB4.5 million, representing 1.5% of registered capital. The above change in registered capital and equity transfer has completed the change of business registration.

On 28 October 2014, Dama Railway Company convened the 2014 shareholders’ meeting, at which, the transfer of 31.3933% equity interests in Dama Railway Co., Ltd. held by Inner Mongolia Coal Co., Ltd. at a consideration of RMB94.18 million was considered and approved.

## SIGNIFICANT EVENTS (Continued)

### XIV. EXPLANATION ON OTHER SIGNIFICANT EVENTS (CONTINUED)

Meanwhile, the increase in registered capital of Dama Railway Company to RMB1,092 million was approved at the 2014 shareholder's meeting of Dama Railway Company. Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司) contributed RMB696,712,800.00, representing 63.8017% of registered capital; Jungar Banner Zhengtong Railway Investment Co., Ltd. contributed RMB195,031,200.00, representing 17.86% of registered capital; Inner Mongolia Huineng Coal & Electricity Group Co., Ltd. contributed RMB109,200,000.00, representing 10% of registered capital; Hohhot Railway Bureau contributed RMB70,820,000.00, representing 6.4853% of registered capital; Ordos Xintie Logistics Co., Ltd. contributed RMB15,736,000.00, representing 1.441% of registered capital; and Inner Mongolia Mengtai Coal & Electricity Group Co., Ltd. contributed RMB4,500,000.00, representing 0.412% of registered capital.

2. Inner Mongolia Hengdong Coal Transportation and Sale Co., Ltd. (內蒙古恒東煤炭運銷有限公司) (hereafter as "Hengdong Transportation and Sale") of Huaibei Coal Group (淮北礦業集團) has a registered capital of RMB45.553275 million and its registered address is at Coal Building, No. 395 Xinhua East Road, Xincheng District, Hohhot. The proposal 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 RMB23.2322 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 was 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)".

On 3 November 2014, the Company and Inner Mongolia Hengdong Energy Group Co., Ltd. (內蒙古恒東能源集團有限責任公司) entered into the Equity Transfer Agreement and agreed the acquisition of 51% equity interests in Hengtai Coal Company held by the Company at a consideration of RMB1 by Inner Mongolia Hengdong Energy Group Co., Ltd. after arm's length negotiations. Procedures for change of business registration in respect of the above equity transfer was completed on 19 November 2014.

3. Inner Mongolia Yitai Tiedong Storage and Transportation Co., Ltd. (內蒙古伊泰鐵東儲運公司), a controlled 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公司) and Ordos 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.



## SIGNIFICANT EVENTS (Continued)

### XIV. EXPLANATION ON OTHER SIGNIFICANT EVENTS (CONTINUED)

4. Ejin Horo Banner Yirun Water Treatment Co., Ltd. (伊金霍洛旗伊潤水處理有限責任公司) (hereafter as “Yirun Water Treatment Company”) is a limited liability company established by the Company, Ejin Horo Banner Yirun Xinmiao Sanxing Mine (伊金霍洛旗新廟三星煤礦), Inner Mongolia Dongxin Mine Co., Ltd. of Tiemei Group (鐵煤集團內蒙古東新煤炭有限責任公司) on 24 December 2014. It is located at Daliuta Village, Nalin Taohai Town, Ejin Horo Banner and engaged in sewage treatment and recycling. Yirun Water Treatment Company had a registered capital of RMB8 million, RMB4 million, RMB2 million and RMB2 million out of which were contributed by the Company, Ejin Horo Banner Yirun Xinmiao Sanxing Mine and Inner Mongolia Dongxin Mine Co., Ltd. of Tiemei Group respectively, representing 50%, 25% and 25% of registered capital respectively.
5. Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司) (hereafter as “Yili Mining”) is a controlled subsidiary of the Company with a registered capital of RMB150 million. The Company and Inner Mongolia Yitai Group Co., Ltd. hold 90.2% equity interest and 9.8% equity interest in the Company, respectively. The Company considered and approved the proposal relating to its capital increase to Yili Mining at the 6th board meeting of the sixth session of the board of directors on 30 December 2014. According to that resolution, the Company and Inner Mongolia Yitai Group Co., Ltd. will increase the capital contribution to Yili Mining according to their respective shareholdings. The Company and Inner Mongolia Yitai Group Co., Ltd. will contribute RMB496.1 million and RMB53.9 million to Yili Mining in cash, respectively. Upon completion of the capital increase, the registered capital of Yili Mining will increase to RMB650 million while the shareholdings of the Company and Inner Mongolia Yitai Group Co., Ltd. remain unchanged. Procedures for change of business registration were completed in respect of the above capital increase on 31 December 2014.
6. Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司) (hereafter as “Yili Energy”) is a controlled subsidiary of the Company with a registered capital of RMB970 million. The Company and Inner Mongolia Yitai Group Co., Ltd. hold 90.2% equity interest and 9.8% equity interest in the Company, respectively. The Company considered and approved the proposal relating to its capital increase to Yili Energy at the fourth board meeting of the sixth session of the board of directors on 29 October 2014. According to that resolution, the Company and Inner Mongolia Yitai Group Co., Ltd. will increase the capital contribution to Yili Energy according to their respective shareholdings. The Company and Inner Mongolia Yitai Group Co., Ltd. will contribute RMB1,411.63 million and RMB153.37 million to Yili Energy in cash, respectively. Upon completion of the capital increase, the registered capital of Yili Energy will increase to RMB2,535 million while the shareholdings of the Company and Inner Mongolia Yitai Group Co., Ltd. remain unchanged.

## SIGNIFICANT EVENTS (Continued)

### XIV. EXPLANATION ON OTHER SIGNIFICANT EVENTS (CONTINUED)

7. Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司) (hereafter as “Xinjiang Energy”) is a controlled subsidiary of the Company with a registered capital of RMB1,060 million. The Company and Inner Mongolia Yitai Group Co., Ltd. hold 90.2% equity interest and 9.8% equity interest in the Company, respectively. The Company considered and approved the proposal relating to its capital increase to Xinjiang Energy at the fourth board meeting of the sixth session of the board of directors on 29 October 2014. According to that resolution, the Company and Inner Mongolia Yitai Group Co., Ltd. will increase the capital contribution to Xinjiang Energy according to their respective shareholdings. The Company and Inner Mongolia Yitai Group Co., Ltd. will contribute RMB1,122.75 million and RMB122.5 million to Xinjiang Energy in cash, respectively. Upon completion of the capital increase, the registered capital of Xinjiang Energy will increase to RMB2,310 million while the shareholdings of the Company and Inner Mongolia Yitai Group Co., Ltd. will remain unchanged.
8. Inner Mongolia Yitai Chemical Co., Ltd. (hereinafter referred to as “Yitai Chemical”) is a controlled subsidiary of the Company with a registered capital of RMB770 million. The Company and Inner Mongolia Yitai Group Co., Ltd. hold 90.2% equity interest and 9.8% equity interest in the Company, respectively. The Company considered and approved the resolution in relation to its capital increase to Yitai Chemical at the fourth meeting of the sixth session of the board of directors on 29 October 2014. According to that resolution, the Company and Inner Mongolia Yitai Group Co., Ltd. will increase the capital contribution to Yitai Chemical according to their respective shareholdings. The Company and Inner Mongolia Yitai Group Co., Ltd. will contribute RMB1,343.98 million and RMB146.02 million to Yitai Chemical in cash, respectively. Upon completion of the capital increase, the registered capital of Yitai Chemical will increase to RMB2,260 million while the shareholdings of the Company and Inner Mongolia Yitai Group Co., Ltd. will remain unchanged.
9. Inner Mongolia Yitai Petrochemical Co., Ltd. (內蒙古伊泰石油化工有限公司) (hereafter as “Yitai Petrochemical Company”) is a wholly controlled subsidiary of Coal-to-oil Company, with a registered capital of RMB30 million. The Company and Inner Mongolia Yitai Group Co., Ltd. hold 80% equity interest and 20% equity interest in the Company, respectively. The Company considered and approved the resolution in relation to its capital increase to Yitai Petrochemical Company at the fourth meeting of the sixth session of the board of directors on 29 October 2014. According to that resolution, the Company and Inner Mongolia Yitai Group Co., Ltd. will increase the capital contribution to Yitai Petrochemical Company according to their respective shareholdings. The Company and Inner Mongolia Yitai Group Co., Ltd. will contribute RMB216 million and RMB54 million to Yitai Petrochemical Company in cash, respectively. Upon completion of the capital increase, the registered capital of Yitai Petrochemical Company will increase to RMB300 million while the shareholdings of the Company and Inner Mongolia Yitai Group Co., Ltd. will remain unchanged. Procedures for change of business registration were completed in respect of the above capital increase on 3 September 2014.
10. Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司) (hereafter as “Coal-to-oil Company”) is a controlled subsidiary of the Company with a registered capital of RMB2,352.90 million. The Company and Inner Mongolia Yitai Group Co., Ltd. hold 80% equity interest and 20% equity interest in the Company, respectively. The Company considered and approved the proposal relating to its capital increase to Coal-to-oil Company at the fourth meeting of the sixth session of the board of directors on 29 October 2014. According to that resolution, the Company and Inner Mongolia Yitai Group Co., Ltd. will increase the capital contribution to Coal-to-oil Company according to their respective shareholdings. The Company and Inner Mongolia Yitai Group Co., Ltd. will contribute RMB1,632 million and RMB304 million to Coal-to-oil Company in cash, respectively. Upon completion of the capital increase, the registered capital of Coal-to-oil Company will increase to RMB5,552.90 million while the shareholdings of the Company and Inner Mongolia Yitai Group Co., Ltd. will remain unchanged.

## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### 1. CHANGES IN SHARE CAPITAL

#### (I) Changes in shares

##### 1. Changes in shares

During the reporting period, there is no change in the number of shares and share capital structure.

##### 2. Details of the changes in shares

Nil

##### 3. Influence of changes in share on financial indicators of earnings per share, net asset per share and etc. of the latest year and latest period (if any)

Nil

##### 4. Disclosure of other information the Company deems necessary or required by the Securities and Futures Commission

Nil

#### (II) Changes in shares subject to selling restrictions

*Unit: share*

Name of Shareholder	Number of shares subject to selling restrictions as at the beginning of the year	Number of shares released over the year	Increase in the number of shares subject to selling restrictions over the year	Number of shares subject to selling restrictions as at the end of the year	Reason of selling restrictions	Date of release of selling restrictions
Inner Mongolia Yitai Coal Co., Ltd.	1,600,000,000	0	0	1,600,000,000	Shares of a domestic non-state-owned legal person	
Total	<u>1,600,000,000</u>	<u>0</u>	<u>0</u>	<u>1,600,000,000</u>	/	/

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



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

### 1. CHANGES IN SHARE CAPITAL *(CONTINUED)*

#### (III) PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company during the year ended 31 December 2014 ("securities" shall have the meaning as defined in the Listing Rules).

### 2. ISSUE AND LISTING OF SECURITIES

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

*Unit: Share*

Class of shares and their derivative securities	Date of issue	Issue price (or interest rate)	Number of shares issued	Date of listing	Number of shares traded with listing approval	Date of cancellation of the transaction
<b>Ordinary shares</b>						
H shares	12 July 2012	43	162,667,000	12 July 2012	162,667,000	
H shares (partial exercise of over-allotment option)	3 August 2012	43	336,500	8 August 2012	336,500	
<b>Convertible corporate bonds, warrant bonds and corporate bonds</b>						
Corporate bonds in 2014 (First tranche)	9 October 2014	6.99%	4,500,000,000	22 October 2014	4,500,000,000	

Details for the issue of securities in the last three years as at the end of the reporting period (details of bonds with different interest rates within the duration to be specified separately):

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





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

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

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

Inner Mongolia Yitai Coal Co., Ltd. obtained approval (Securities Regulatory Commission Approval [2014] No. 382) from China Securities Regulatory Commission on the issue of corporate bonds. On 8 October 2014, the issuer and the joint lead underwriter consulted with the institutional investors on the coupon rate through offline book building. Taking into account the data from the offline book building, the issuer and the joint lead underwriter decided, after thorough discussion and careful consideration, that the issue size of the 2014 corporate bonds (first tranche) of the Company is RMB4.5 billion with a coupon rate of 6.99%. For details on the subscription of the bonds, please refer to Announcement for the Public Offer of 2014 Corporate Bonds (First Tranche) by Inner Mongolia Yitai Coal Co., Ltd. published on Shanghai Securities News and the website of Shanghai Stock Exchange on 30 September 2014.

#### **(II) Changes in the total shares and the shareholders' structure and asset and liability structure of the Company**

As at 31 December 2013, the gearing ratio of the Company was 45.00%. As at 31 December 2014, the gearing ratio of the Company was 53.19%, a 8.19 percentage points up as compared with last year.

#### **(III) Existing internal employee shares**

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

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

### 3. INFORMATION ON SHAREHOLDERS AND THE DE FACTO CONTROLLER

#### (I) Number of shareholders

Total number of shareholders as at the end of the reporting period 80,972  
*(in the number of accounts)*

#### (II) Shareholdings of the Top Ten Shareholders and Top Ten Holders of Tradable Shares (or holders of shares not subject to selling restrictions) as at the End of the Reporting Period

*Unit: Share*

##### Shareholdings of the Top Ten Shareholders

Name of shareholder (in full name)	Increase/ decrease during the reporting period	Number of shares held as at the end of the reporting period	Proportion  (%)	The number of shares held subject to selling restrictions	Pledged or frozen shares status of the shares		Class of Shareholder
					No. of shares		
Inner Mongolia Yitai Group Co., Ltd.	0	1,600,000,000	49.17	1,600,000,000	Nil		domestic non-state-owned legal person
HKSCC NOMINEES LIMITED	1,600	325,920,400	10.02	0	Unknown		Foreign legal person
Yitai (Group) HK Co., Ltd.	5,848,663	312,000,000	9.59	0	Nil		Foreign legal person
FTIF TEMPLETON ASIAN GROWTH FUND 5496	0	74,061,448	2.28	0	Unknown		Foreign legal person
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	-3,632,695	19,110,498	0.59	0	Unknown		Foreign legal person
China Merchants Securities (HK) Co., Limited	2,177,602	16,425,685	0.50	0	Unknown		Foreign legal person
JPMCB/STICHTING PENSINENFONDS ABP	5,240,950	15,277,293	0.47	0	Unknown		Foreign legal person
ABU DHABI INVESTMENT AUTHORITY	-745,467	13,265,030	0.41	0	Unknown		Foreign legal person
GIC PRIVATE LIMITED	665,953	11,699,052	0.36	0	Unknown		Foreign legal person
EMPLOYEES PROVIDENT FUND	0	9,519,139	0.29	0	Unknown		Foreign legal person

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

### 3. INFORMATION ON SHAREHOLDERS AND THE DE FACTO CONTROLLER *(CONTINUED)*

#### (II) Shareholdings of the Top Ten Shareholders and Top Ten Holders of Tradable Shares (or holders of shares not subject to selling restrictions) as at the End of the Reporting Period *(Continued)*

##### Top Ten Holders of Shares Not Subject to Selling Restrictions

Name of shareholder	Number of shares held not subject to selling restrictions	Class and number of shares	
		Class	Number
HKSCC NOMINEES LIMITED	325,920,400	Overseas-listed foreign shares	325,920,400
Yitai (Group) HK Co., Ltd.	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	19,110,498	Domestic listed foreign shares	19,110,498
China Merchants Securities (HK) Co., Limited	16,425,685	Domestic listed foreign shares	16,425,685
JPMCB/STICHTING PENSINFONDS ABP	15,277,293	Domestic listed foreign shares	15,277,293
ABU DHABI INVESTMENT AUTHORITY	13,265,030	Domestic listed foreign shares	13,265,030
GIC PRIVATE LIMITED	11,699,052	Domestic listed foreign shares	11,699,052
EMPLOYEES PROVIDENT FUND	9,519,139	Domestic listed foreign shares	9,519,139
BLACKROCK INSTITUTIONAL TRUST COMPANY, N.A.	9,333,407	Domestic listed foreign shares	9,333,407

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

Details of the preference shareholders whose voting rights have been restored and the number of shares held

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

### 3. INFORMATION ON SHAREHOLDERS AND THE DE FACTO CONTROLLER *(CONTINUED)*

#### (II) Shareholdings of the Top Ten Shareholders and Top Ten Holders of Tradable Shares (or holders of shares not subject to selling restrictions) as at the End of the Reporting Period *(Continued)*

The number of shares held by top ten holders of shares subject to selling restrictions and the reason for selling restrictions

*Unit: Share*

No.	Name of shareholder subject to selling restrictions	Number of shares held subject to selling restrictions	Listing status of shares subject to selling restrictions	Time of Listing	Number of newly listed shares	Reason for selling restrictions
1	Inner Mongolia Yitai Coal Co., Ltd.	1,600,000,000				Domestic non-state-owned legal person shares

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

Inner Mongolia Yitai Group Co., Ltd. is the controlling shareholder of the Company.

#### (III) Strategic investors or general legal persons who became top ten shareholders due to share placement

Nil

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

### 4. INFORMATION ON CHANGES IN THE CONTROLLING SHAREHOLDER AND THE DEFACTO CONTROLLER

#### (I) Information on the controlling shareholder

##### 1 Legal person

*Unit: Yuan*

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

##### 2 Specific explanation to the non-existence of controlling shareholder of the Company

N/A

##### 3 References of changes and date of changes in controlling shareholder during the reporting period

Nil

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

### 4. INFORMATION ON CHANGES IN THE CONTROLLING SHAREHOLDER AND THE DEFACTO CONTROLLER *(CONTINUED)*

#### (II) Information on the de facto controller

##### 1 Legal person

*Unit: Yuan*

Name	Inner Mongolia Yitai Investment Co., Ltd.
Responsible person of the institution or legal representative	Zhang Shuangwang
Date of incorporation	2 December 2005
Organization code	78705310-5
Registered capital	720,495,144.00
Principal business	The investment in the energy industry and the railway construction.

##### 2 Specific explanation to the non-existence of controlling shareholder of the Company

N/A

##### 3 References of changes and date of changes in controlling shareholder during the reporting period

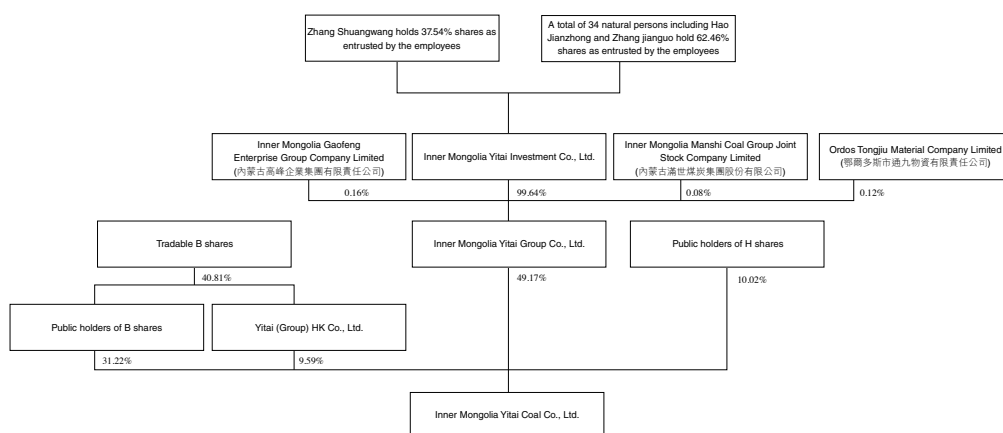
Nil

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

### 4. INFORMATION ON CHANGES IN THE CONTROLLING SHAREHOLDER AND THE DEFACTO CONTROLLER (CONTINUED)

#### (II) Information on the de facto controller (Continued)

#### 4 Chart concerning the property rights and controlling relationship between the Company and the de facto controllers



- (1) Inner Mongolia Ximeng Group Co., Ltd.\* (內蒙古西蒙集團有限公司), a Shareholder of Inner Mongolia Yitai Group Co., Ltd., has transferred all its 0.096% equity interests held in Inner Mongolia Yitai Group Co., Ltd. to Inner Mongolia Yitai Investment Co., Ltd. with a consideration of RMB1 million.
- (2) The number of natural person shareholders of Inner Mongolia Yitai Investment Co., Ltd., a shareholder of Inner Mongolia Yitai Group Co., Ltd., increased from 31 to 35. In particular, Zhang Shuangwang holds 37.54% shares as entrusted by the employees, and a total of 34 natural persons including Hao Jianzhong and Zhang Jianguo hold 62.46% shares as entrusted by the employees.

#### 5 The de facto controller controls the Company by trust or other types of asset management

N/A



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

### 4. INFORMATION ON CHANGES IN THE CONTROLLING SHAREHOLDER AND THE DEFACTO CONTROLLER *(CONTINUED)*

#### (III) Other information on the controlling shareholder and the de facto controller

Inner Mongolia Yitai Group Co., Ltd. holds 1,600 million shares of the Company, representing 49.17% of the total share capital of the Company. On 26 December 2011, Inner Mongolia Yitai Group Co., Ltd. changed its registered capital, which was increased from RMB545.70 million to RMB1,250 million and the increased part of RMB704.30 million was contributed by Inner Mongolia Yitai Investment Co., Ltd.. After the change in the registered capital, the equity proportion of Inner Mongolia Yitai Group Co., Ltd. is: Inner Mongolia Yitai Investment Co., Ltd., holding the shares on behalf of the employees in the Group, contributed RMB1,245.50 million, representing 99.64%, Inner Mongolia Gaofeng Enterprise Group Company Limited (內蒙古高峰企業集團有限責任公司) contributed RMB2 million, representing 0.16%, Inner Mongolia Manshi Coal Group Joing Stock Company Limited (內蒙古滿世煤炭集團股份有限公司) contributed RMB1 million, representing 0.08%, and Ordos Tongjiu Material Company Limited (鄂爾多斯市通九物資有限責任公司) contributed RMB1.5 million, representing 0.12%. The corporate nature of the Company is a limited liability company. The scope of business of Inner Mongolia Yitai Group Co., Ltd. includes the production of raw coal, the processing, transportation and sales of raw coal, the railway construction and the railway transportation of passengers and goods, the import of equipments, accessories and technology for mines, the construction and operation of highways, the coal-related chemical operation and selling of related products as well as plantation and breeding. The legal representative is Zhang Shuangwang. The registration address is Liuzhongnan Jiefang Area, No.14 South Yimei Road, Dongsheng District, Ordos City (鄂爾多斯市東勝區伊煤路南14號街坊區六中南). No shares held have been pledged or frozen.

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

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

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

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

As at 31 December 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 Securities and Futures Ordinance ("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 underlying shares in issue (%) <sup>6,7</sup>	Percentage of the total issued shares (%) <sup>6,7</sup>
Billion Giant Development Limited <sup>1</sup>	H Shares	Interest of controlled corporation	Long	10,008,500	6.14	0.30
BOS Trust Company (Jersey) Limited as Trustee <sup>1</sup>	H Shares	Trustee	Long	10,008,500	6.14	0.30
Chen Yihong <sup>1</sup>	H Shares	Interest of controlled corporation	Long	10,008,500	6.14	0.30
China Datang Corporation <sup>2</sup>	H Shares	Interest of controlled corporation	Long	18,031,100	11.08	0.55
CITIC Sandwich (Shanghai) Investment Centre (Limited Partnership)	H Shares	Beneficial owner	Long	17,543,200	5.38	0.53
Credit Suisse AG <sup>3</sup>	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 <sup>3</sup>	H Shares	Interests held jointly with another person	Long Short	24,400,000 24,400,000	15.00 15.00	0.74 0.74

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

### 6. 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	Percentage of
					the underlying shares in issue (%) <sup>6,7</sup>	the total issued shares (%) <sup>6,7</sup>
Datang International (Hong Kong) Limited <sup>2</sup>	H Shares	Beneficial owner	Long	18,031,100	11.08	0.55
Datang International Power Generation Co., Ltd <sup>2</sup>	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
Harvest Luck Development Limited <sup>1</sup>	H Shares	Interest of controlled corporation	Long	10,008,500	6.14	0.30
Inner Mongolia Man Shi Investment Group Limited	H Shares	Beneficial owner	Long	28,321,000	8.68	0.87
Inner Mongolia Ordos Investment Holding Group Co., Ltd	H Shares	Beneficial owner	Long	27,122,600	8.31	0.83
Inner Mongolia Yitai Group Co., Ltd. <sup>4</sup>	Non-overseas-listed foreign shares	Beneficial owner/ Interest of controlled corporation	Long	1,912,000,000	65.3	58.75
Inner Mongolia Yitai Investment Co., Ltd. <sup>5</sup>	Non-overseas-listed foreign shares	Interest of controlled corporation	Long	1,912,000,000	65.3	58.75
Ordos Hongrui Trade Company Limited	H Shares	Beneficial owner	Long	27,168,000	8.33	0.83

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

### 6. 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 underlying shares in issue (%) <sup>1,6,7</sup>	Percentage of the total issued shares (%) <sup>1,6,7</sup>
Ordos Vanzip Project Construction Company Limited	H Shares	Beneficial owner	Long	28,321,000	8.68	0.87
Poseidon Sports Limited <sup>1</sup>	H Shares	Beneficial owner	Long	10,008,500	6.14	0.30
Talent Rainbow Far East Limited <sup>1</sup>	H Shares	Interest of controlled corporation	Long	10,008,500	6.14	0.30
Yitai Group (Hongkong) Co., Ltd. <sup>4</sup>	Non-overseas-listed foreign shares	Beneficial owner	Long	312,000,000	10.65	9.58

**Notes:**

- 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 hold 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.

- 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 in 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.

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

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

*Notes: (Continued)*

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 (Hongkong) Co., Ltd. and is thus deemed to be interested in the 312,000,000 shares held by Yitai Group (Hongkong) 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 1,912,000,000 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, namely (i) "non-overseas-listed-foreign shares" which include Domestic Shares and B Shares; and (ii) H Shares.
7. The percentage of the shareholdings is rounded down to the two decimal places.

Save as disclosed above, as at 31 December 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" above, had any interest or short position in the shares or underlying shares of the Company that are required to be recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION

#### (I) Remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period

Unit: Share

Names	Position	Gender	Age	Starting date of term	End date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/decrease in number of shares during the year	Reason for the increase/decrease	Total remuneration received from the Company during the reporting period	Total remuneration received from shareholders' Companies during the reporting period
										(RMB 0,000)	(RMB 0,000)
	(Note)									(before tax)	(RMB 0,000)
Zhang Donghai	Chairman	Male	44	2011-2-18						196.73	1.8
Liu Chunlin	Executive Director	Male	48	2011-2-18						129.53	1.8
Zhang Dongsheng	Executive Director	Male	44	2011-2-18						65.35	1.8
Zhang Xinrong	Executive Director and General Manager	Male	50	2011-2-18						105.1	
Ge Yaoyong	Executive Director	Male	44	2011-2-18						68.78	1.8
Kang Zhi	Executive Director and Deputy Manager	Male	56	2011-2-18	2014-5-30					61.59	
Lv Guiliang	Executive Director and Chief Finance Officer	Male	49	2011-2-18						87.39	
Song Zhanyou	Executive Director	Male	50	2014-5-30						43.05	
Yu Youguang	Independent Director	Male	60	2013-6-28						10	
Qi Yongxing	Independent Director	Male	44	2013-12-11						10	
Song Jianzhong	Independent Director	Female	61	2011-2-18						10	
Tam Kwok Ming, Benny	Independent Director	Male	52	2011-2-18						20	
Li Wenshan	Chairman of the Board of Supervisors	Male	52	2011-2-18						102.72	0.96
Zhang Guisheng	Supervisor	Male	52	2012-10-15						27.31	
Han Zhanchun	Supervisor	Male	51	2011-2-18						21.51	
Wang Xiaodong	Supervisor	Male	44	2013-4-26						61.16	
Ji Zhifu	Supervisor	Male	31	2011-2-18						22.93	
Wang Yongliang	Independent Supervisor	Male	52	2011-2-18						6	
Wu Qu	Independent Supervisor	Male	50	2011-2-18						6	
Liu Jian	Deputy Manager	Male	48	2012-12-21						77.7	
Zhang Liming	Deputy Manager	Male	47	2014-8-26						25.2	
Wang Sanming	Deputy Manager	Male	41	2013-4-26	2014-3-25					75.26	
Zhang Mingliang	Chief Engineer	Male	46	2012-10-15						92.65	
Lian Tao	Deputy Manager and Secretary to the Board	Male	38	2012-9-24						77.7	
Total										1,403.66	8.16

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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(CONTINUED)*

#### (I) Remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period *(Continued)*

Name	Principle duties in the past 5 years
Zhang Donghai	Mr. Zhang has been acting as an executive Director of our Company since March 2001 and was appointed as the Chairman of our Board in April 2003. He is primarily responsible for the overall corporate strategy, planning and business development of our Group. He also plays an integral role in supervising our Company's operational management, and has 20 years of experience in corporate management in the coal mining industry during which he gained intricate understanding of the coal industry. Mr. Zhang is a son of Mr. Zhang Shuangwang. Mr. Zhang has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.
Liu Chunlin	Mr. Liu has been an executive Director of the Board since May 2004. Mr. Liu has been the director and the chief accountant of Yitai Group since June 2004. Mr. Liu has abundant experience in accounting and capital management. Over many years of experience in coal industry and the financial department, Mr. Liu gained intricate understanding in coal industry and accumulated expertise in corporate finance. Mr. Liu graduated, as a correspondence student (函授生), from Inner Mongolia University (內蒙古大學) with a university diploma in July 2003. He graduated from Tsinghua University (清華大學) with an EMBA degree in 2010. Mr. Liu was awarded the qualification of senior accountant by the Department of Personnel of Inner Mongolia in July 2001. Mr. Liu has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.
Zhang Dongsheng	Mr. Zhang has been an executive Director of the Board since May 2009. He is primarily responsible for the construction and operation of our Group's railway lines. Mr. Zhang is a director of Yitai Group. He has served as the chairman of Zhundong Railway Company since November 2008, the chairman of Huzhun Railway Company since July 2009 and its general manager since November 2007 and the general manager of the Railway Business Department of the Company since 13 December 2013. Mr. Zhang is a nephew of Mr. Zhang Shuangwang. Mr. Zhang has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.





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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(CONTINUED)*

#### (I) Remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period *(Continued)*

Name	Principle duties in the past 5 years
Zhang Xinrong	<p>Mr. Zhang was appointed as our executive Director in February 2011 and has served as the general manager of the Company since May 2014. He served as a deputy general manager of the Company from October 2004 to March 2014 and the manager of our Coal Production Business Department from November 2006 to October 2014. Mr. Zhang has been responsible for management of coal production in our Company for years, during which he gained abundant experience in production and operational management for coal enterprises. Mr. Zhang joined Ikochao League Coal Company (伊克昭盟煤炭公司), a predecessor of Yimei Group, in February 1991 and joined the Company in March 1998. Mr. Zhang currently serves as a director of Yitai Baoshan and Yitai Tongda. Mr. Zhang served as an assistant to general manager and an executive deputy general manager of Inner Mongolia Yitai Bio-High-Tech Co., Ltd.* (內蒙古伊泰生物高科有限公司) from October 2002 to October 2004, and the head of our Quality Inspection Division, Quality Control Division and Enterprise Management Division from July 1999 to October 2002. Mr. Zhang did not hold any directorship in any other listed public companies (except for the Company) in the three years preceding the Latest Practicable Date.</p>
Ge Yaoyong	<p>Mr. Ge has been an executive Director of our Board since December 2008, and served as our general manager from November 2008 to May 2014. He is primarily responsible for the day-to-day management and operation of our Group as well as our mine construction. Mr. Ge has also served as a director of Yitai Group since November 2008 and served as the chairman of Yitai Pharmaceutical from January 2009 to June 2011. Mr. Ge has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.</p>

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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

#### (I) Remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Principle duties in the past 5 years
Kang Zhi	<p>Mr. Kang was appointed as our executive director from February 2011 to May 2014 and as our vice general manager in March 2002. Mr. Kang joined Yimei Group in February 1992 and joined us in January 2001 during which he was in charge of our coal sales business for years, and gained abundant experience in sales and marketing. Mr. Kang was granted the qualification of intermediate level engineer and intermediate level economist by the Department of Personnel of Inner Mongolia in May 1993 and June 1995, respectively. Mr. Kang has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.</p>
Lv Guiliang	<p>Mr. Lv was appointed as our executive Director in February 2011 and as the chief finance officer of our Company in April 2008. He is responsible for our financial management. Mr. Lv graduated, as a correspondence student (函授生) from the Correspondence Institute of the Party School of the Central Committee of C.P.C.(中共中央黨校函授學院) in December 2008 with a university diploma, and graduated from Huazhong University of Science &amp; Technology (華中科技大學) with an EMBA degree in June 2011. Mr. Lv was granted the qualification of intermediate level accountant by the Department of Personnel of Inner Mongolia November 1993. Mr. Lv has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.</p>
Song Zhanyou	<p>Mr. Song has been a deputy manager of the Company since May 2014 and an executive Director of the Company since May 2014. Mr. Song, graduated from Shanxi Mining Institute (山西礦務學院) majoring in mining engineering and has the qualification of senior engineer. He served as the head of the Engineering Department of Inner Mongolia Yitai Group Co., Ltd. and concurrently served as the deputy general manager of Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. from May 2007 to November 2010. He was also the deputy general manager of Yitai Yili Energy Co., Ltd. from December 2010 to February 2012; the general manager of Yitai Yili Energy Co., Ltd. from March 2012 to December 2012; and the chairman and general manager of Yitai Yili Energy Co., Ltd. from January 2013 to March 2014. Mr. Song has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.</p>



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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(CONTINUED)*

#### (I) Remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period *(Continued)*

Name	Principle duties in the past 5 years
Yu Youguang	<p>Mr. Yu has been an independent non-executive Director of the Board since June 2013. Mr. Yu is the deputy president of Inner Mongolia Zhongtian Huazheng Accounting Firm and the executive councilor of Certified Public Accountant Association of Inner Mongolia Autonomous Region. He has 27 years of financial and accounting experience. He taught in Inner Mongolia Light Industry School from July 1981 to November 1985. He worked in the Audit Bureau of Baotou from November 1985 to September 1999. He has been serving as the deputy president of Inner Mongolia Zhongtian Huazheng Accounting Firm since September 1999. He graduated from Inner Mongolia Light Industry School with a junior college diploma in accounting in 1981. He became a certified public accountant in 1994 and obtained senior auditor's qualification in 2001. Mr. Yu has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.</p>
Qi Yongxing	<p>Mr. Qi has been an independent non-executive Director of the Board since December 2013. Mr. Qi serves in the capacities of associate dean and associate professor in the MBA Institute of Education in Inner Mongolia Finance &amp; Economics College. Mr. Qi has 19 years of experience in the education and practices of management. Mr. Qi taught in the Department of Industrial Economics in Cadre Institute of Inner Mongolia Economic Management from July 1994 to December 1999. He has worked in the Inner Mongolia Finance &amp; Economics College since January 2000 and was the deputy director in the Department of Human Resource Management in 2002, the head of Department of Property Management in 2007 and the associate dean of MBA Institute of Education in 2011. He obtained his bachelor degree in engineering from the Department of Management Engineering in Inner Mongolia University of Technology in 1994, master degree in management from Dongbei University of Finance and Economics in 2006, and his doctor degree in Industrial Economics from Wuhan University of Technology in 2008. Mr. Qi has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.</p>

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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(CONTINUED)*

#### (I) Remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period *(Continued)*

Name	Principle duties in the past 5 years
Song Jianzhong	<p>Ms. Song has been an independent non-executive Director of the Board since August 2009. Ms. Song is currently the chief partner of Inner Mongolia Jianzhong Law Firm (previously served as a member of Party Group and vice chairman of National People's Congress Law Committee as well as the chairman of the Female Lawyers Association), vice president of the Institute of Legal System Studies of Southwest University of Political Science &amp; Law (西南政法大學法律制度研究院) as well as a part-time law professor at Renmin University of China (中國人民大學), Tianjin University (天津大學) and Inner Mongolia University of Science and Technology (內蒙古科技大學). Ms. Song is currently an independent non-executive director of Beijing Sanyuan Food Joint Stock Co., Ltd. (Stock Code: 600429), Tianjin Quanyechang (Group) Co., Ltd. (Stock Code: 600821) and Inner Mongolia Jinyu Group Co., Ltd. (Stock Code: 600201).</p>
Tam Kwok Ming, Banny	<p>Mr. Tam has been an independent non-executive Director of the Board since February 2011. Mr. Tam is an ordinary resident in Hong Kong. Mr. Tam has extensive experience in auditing for PRC B Share companies, H Share companies and Hong Kong listed companies. Mr. Tam obtained a certification of accountancy from the Hong Kong Polytechnic University (香港理工大學) in 1993. He holds the qualification of Certified Public Accountant and a fellow member of Hong Kong Institute of Certified Public Accountants (formerly known as the "Hong Kong Society of Accountants"). Mr. Tam is currently a partner of a Hong Kong accounting firm and an independent non-executive director of China 3D Digital Entertainment Limited (Stock Code: 8078). He retired as an independent non-executive director of Legend Strategy International Holdings Group Company Limited (Stock Code: 8160) in September 2013.</p>
Li Wenshan	<p>Mr. Li has been the chairman of the board of supervisors of our Company since December 2008. He has also been the chairman of the board of supervisors of Yitai Group and Yitai Coal-to-oil since November 2008. Mr. Li has accumulated rich experience in enterprise management and corporate governance. Mr. Li joined Ikochao League Coal Company, a predecessor of Yimei Group, in September 1992 and joined us in August 1997. He was our Director from July 1999 to December 2008 and our vice president from August 2005 to November 2008 and from January 2002 to March 2004, and was the deputy general manager and general manager of Zhundong Railway Company from March 2004 to August 2005. Mr. Li has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.</p>



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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(CONTINUED)*

#### (I) Remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period *(Continued)*

Name	Principle duties in the past 5 years
Zhang Guisheng	Mr. Zhang has been a Supervisor of our Company since 15 October 2012. Mr. Zhang has extensive experience in the production, operation and management of coal enterprises. He acted as the deputy head of the sales division of the Industrial Development Company from February 1997 to April 1999, the deputy head of the safety technology division of the Industrial Development Company from April 1999 to September 1999, the head of Chuanlong Coal Mine (川龍煤礦) from September 1999 to February 2002, the head of Nalinmiao Coal Mine of the production technology department from February 2002 to March 2006 and the head of Dadijing Coal Mine from March 2006 to August 2013. Since 16 August 2013, he has been the vice-chairman and deputy general manager of Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司). Mr. Zhang has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.
Han Zhanchun	Mr. Han has been a Supervisor of the Company since February 2011 and an engineer at the level of deputy head of Cost-fixing Division of General Office of Department of Coal Production since July 2013. Mr. Han is experienced in finance and accounting. He has been the director of Operating Office of the Department of Coal Production of our Company from December 2010 to July 2013. He was the deputy head of the Finance Department of the Company from March 2010 to December 2010. Mr. Han has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.




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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(CONTINUED)*

#### (I) Remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period *(Continued)*

Name	Principle duties in the past 5 years
Wang Xiaodong	<p>Mr. Wang has been a Supervisor of our Company since April 2013. Mr. Wang was the deputy head of Loading Facility in Baoshen Line from April 2001 to February 2002, and deputy manager of the Transportation Department from February 2002 to February 2004. From February to July 2004, Mr. Wang was the head of the Office of Huhhot. He was the head of Tianjin Office of the Operation Department from July 2004 to August 2005. From August 2005 to March 2006, Mr. Wang was the chief of the Qinhuangdao Office of the Operation Department. From March 2006 to April 2007, he was the chief of the Qinhuangdao Office of the Coal Transportation and Sales Department. Mr. Wang was the head of the Supplies Purchase and Supply Department of the Company from April 2007 to November 2010. He was the deputy general manager of Inner Mongolia Yitai Coal-to-oil Co., Ltd. from November 2010 to July 2012. From July 2012 to March 2013, Mr. Wang was the general manager of the Yitai Oil Product Selling Co., Ltd. (伊泰油品銷售有限公司), and from March 2013 to the present, Mr. Wang is the general manager of Inner Mongolia Yitai Petroleum &amp; Chemical Co., Ltd.(內蒙古伊泰石油化工有限公司). Mr. Wang has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.</p>
Ji Zhifu	<p>Mr. Ji has been a Supervisor of our Company since February 2011. He is also the head of the Corporate Department of the Company. Mr. Ji has rich experience in finance. He joined Zhundong Railway Company in 2005 and joined our Company in 2006. He was the director of Operation Management Office of Coal Transportation and Sales Business Department of our Company from September 2011 to March 2013. He was the director of General Affair Office of Coal Transportation and Sales Business Department of our Company from February 2009 to September 2011. He was the deputy head of the Finance Department of our Company from March 2008 to February 2009. Mr. Ji has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.</p>



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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

#### (I) Remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Principle duties in the past 5 years
Wang Yongliang	Mr. Wang has been a Supervisor of our Company since February 2011. He is also the director of Inner Mongolia Ikochao League Law Firm since March 2001. Mr. Wang has extensive experience in legal issues. He was the head of Business Department of Ikochao League Law Firm from April 1996 to March 2001 and served as the deputy head of the Correctional Division and office of the Judicial Department of Ikochao League from March 1990 to April 1996. He was a teacher in Ikochao League Politics & Law School (伊盟政法幹校) from December 1986 to March 1990 and a member of Ikochao League Correctional Division from August 1985 to December 1986. Mr. Wang has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.
Wu Qu	Mr. Wu has been a Supervisor of our Company since February 2011. He is also the head of the Auditing Department of Inner Mongolia Dongshen Accounting Firm Co., Ltd since 2001. Mr. Wu is very experienced in auditing and finance. He was the finance manager of Ordos Rongze Food Co., Ltd. from December 1998 to October 2000, the head of Finance Department of Inner Mongolia Shengyi Plastic Products Co., Ltd. (內蒙古勝億塑料製品有限公司) from October 1994 to December 1998. He acted as the head of Finance Department of Ikochao League Dongsheng Food Industry Company from July 1986 to October 1994. Mr. Wu has not held any directorship in any other listed public companies (except for our Company) in the three years preceding the Latest Practicable Date.
Liu Jian	Mr. Liu has been acting as the deputy general manager of the Company since December 2012. He graduated from the Universitat Duisburg- Essen in July 2004 with a Doctor's degree in cardiology. He acted as the project manager in China of Germany Special Machinery Company (德國迪目根特種機器公司) from August 2004 to June 2005, executive deputy general manager of Inner Mongolia Yitai Pharmaceutical Co., Ltd. from August 2005 to February 2007, the general manager of Inner Mongolia Yitai Pharmaceutical Co., Ltd. from February 2007 to August 2012 and he worked for the Company from August 2012 to December 2012. Mr. Liu has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.



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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(CONTINUED)*

#### (I) Remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period *(Continued)*

Name	Principle duties in the past 5 years
Mr. Zhang Liming	Mr. Zhang has been a deputy manager of the Company since August 2014. Mr. Zhang graduated from Huazhong University of Science and Technology (華中科技大學) with a master degree in EMBA and is a senior economist. He is currently studying a doctoral degree in Huazhong University of Science and Technology He was the deputy general manager of Inner Mongolia Yitai Huzhun Railway Co., Ltd. from August 2005 to April 2009; the deputy general manager of Inner Mongolia Yitai Coal-to-oil Co., Ltd. from April 2009 to September 2009; and the chairman and the general manager of Inner Mongolia Yitai Chemical Co., Ltd. from October 2009 to March 2010. He served as the chairman of Inner Mongolia Yitai Real Estate Co., Ltd. from March 2010 to July 2014. Mr. Zhang has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.
Wang Sanmin	Mr. Wang served as the deputy manager of our Company from April 2013 to March 2014. He was also a Supervisor of our Company from February 2011 April 2013, and the head of the supply department of our Company from December 2010 to July 2013. Mr. Wang has extensive experience in finance and management. He joined Yimei Group in 1996 and joined us in April 2005. He was the head of our Corporate Management Department from April 2007 to November 2010, deputy administrative general manager of Yitai Pharmatech Co., Ltd. from October 2006 to March 2007. Mr. Wang was the president of the labor union and the deputy general manager of the Shenglong Branch of Yitai Pharmaceutical from April 2005 to September 2006. He was the head of the accounting department of Yitai Group from April 2004 to April 2005. Mr. Wang has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.
Zhang Mingliang	Mr. Zhang has been acting as the Chief Engineer of the Company since October 2012 and has obtained a master's degree. He was granted the qualification of intermediate level engineer by the Department of Personnel of Inner Mongolia in August 2007. He served as the Supervisor of our Company from April 2002 to October 2012 and the deputy general manager of our Production Department from February 2012 to September 2012. He joined Yimei Group and joined us in January 1994 and in November 1997, respectively. He was the director of Jungar Temple dispatching station of our Coal Transportation Department from March 2011 to February 2012, the head of Sujiahao Mine of Yitai Group from June 2009 to March 2011. Mr. Zhang has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.



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

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION *(CONTINUED)*

#### (I) Remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period *(Continued)*

Name	Principle duties in the past 5 years
Lian Tao	Mr. Lian joined North China Power Corporation and served as an accountant in August 1998. From December 2001 to November 2003, Mr. Lian acted as the head of legal affairs of CapitalBio Corporation (博奥生物芯片有限公司) of Tsinghua University Enterprise Group, the general manager of group legal department of Sunco China Holdings Limited (順馳中國控股有限公司) from November 2003 to October 2006, the general legal counsel and company secretary of Vtion Wireless Technology AG at Frankfurt, Germany from July 2008 to October 2011, the deputy chief accountant of Yitai Group from January 2012 to August 2012 and currently serves as the deputy general manager and secretary to the Board (joint company secretary) of the Company. Mr. Lian has not held any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

Explanation of other matters

#### (II) Particulars about share option incentives granted to directors, supervisors and senior management during the reporting period

Applicable                       N/A

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

### II PARTICULARS ABOUT THE INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

#### (I) Particulars concerning positions held in shareholders' entities


√ Applicable  N/A

Name of incumbent	Name of shareholders' entity	Position held in shareholders' entity	Starting date of term	Ending date of term
Zhang Donghai	Inner Mongolia Yitai Group Co., Ltd.	Director and General Manager	15 June 2004	
Ge Yaoyong	Inner Mongolia Yitai Group Co., Ltd.	Director	14 November 2008	
Liu Chunlin	Inner Mongolia Yitai Group Co., Ltd.	Director and Chief Accountant	15 June 2004	
Zhang Dongsheng	Inner Mongolia Yitai Group Co., Ltd.	Director	14 November 2008	
Li Wenshan	Inner Mongolia Yitai Group Co., Ltd.	Chairman of the Board of Supervisors	14 November 2008	
Explanation of particulars concerning positions held in shareholders' entities				

#### (II) Particulars concerning positions held in other entities

√ Applicable  Not applicable

Name of incumbent	Name of other entity	Position held in other entity	Starting date of term	Ending date of term
Yu Youguang	Inner Mongolia Zhongtian Huazheng	Deputy president	28 June 2013	
Qi Yongxing	MBA Institute of Education in Inner Mongolia Finance & Economics College	Deputy dean	11 Dec 2013	
Song Jianzhong	Inner Mongolia Jianzhong Law Firm	Director	15 July 1986	
Tam Kwok Ming, Banny	YATA Certified Public Accountants	Partner	1 July 2011	
Wang Yongliang	Inner Mongolia Ikochao League Law Firm	Director	1 March 2001	
Wu Qu	Inner Mongolia Dongshen Accounting Firm Co., Ltd.	Head of Auditing Department	1 July 2001	
Explanation of particulars concerning positions held in other entities				



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

### III. 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) x10000. Performance-based annual salary = Service grade coefficient x Coefficient of return rate of net assets x (1 + Growth rate of profits during the reporting period) x 10000. All basic annual salaries shall be released on monthly basis, while performance-based annual salaries shall initially be released by 50 percent, the remaining of which shall be released at the end of the year after assessment.</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	RMB14.0366 million

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

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

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

### V. EMPLOYEES INFORMATION OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES

#### (I) Information on Employees

Number of in-service employees in the parent company	3,489
Number of in-service employees in major subsidiaries	3,632
Total number of in-service employees	7,121
Number of employees retired for whom the parent company and major subsidiaries have to pay pension	222

Category	Specialty composition	Headcount
Production		3,411
Sales		2,140
Technician		592
Finance		229
Administration		749
Total		7,121



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

### V. EMPLOYEES INFORMATION OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES *(CONTINUED)*

#### (I) Information on Employees *(Continued)*

Category	Education level	Headcount (persons)
Postgraduate		275
Undergraduate		2,597
College graduate and secondary technical school		2,839
Below secondary technical school		1,410
Total		<u>7,121</u>

#### (II) Remuneration policy

The Company adheres to the making distributions based on performance principally and on various other factors simultaneously and the principle of distribution efficiency as top priority with equal importance to fairness. The Company has established a modern corporation payroll distribution system which can be concluded as “salary is determined by position, salary varies with position”, as well as established a payroll mechanism on the basis of position-points payroll distribution with an emphasis on “value of position as major concern, administrative duties as subordinate”. Incentive and control mechanisms on payroll distribution have been formed. During the reporting period, the total staff remuneration of the Company was RMB948 million.

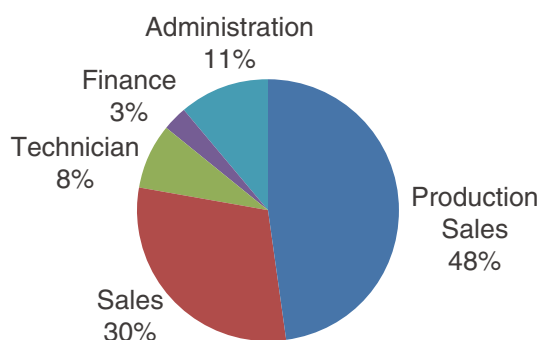
#### (III) Training program

The Company has established a comprehensive system of staff training to continuously improve staff knowledge and skills and create a workforce adaptable to the development of our Company, so as to create a learning-oriented enterprise. Our training management adheres to the “people-oriented, demand-driven; unified system, layered implementation; goal management, process-driven; resource sharing, internal-oriented” principles and have the training implemented all over the world. Our training is a combination of internal and external training. According to the quality of personnel and capacity requirements set by the “Twelfth Five Year Plan” of Yitai Group, we, importing knowledge and skills in line with the strategic needs, set for different groups with corresponding training courses designed to cultivate talents living up to the development strategies of Yitai Group.

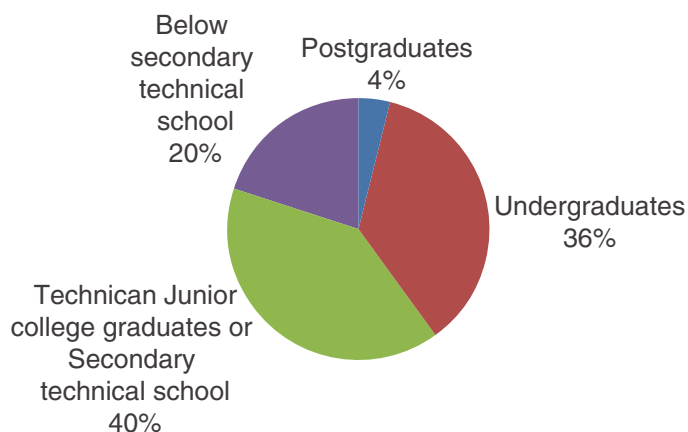
## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(Continued)*

### V. EMPLOYEES INFORMATION OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES *(CONTINUED)*

#### (IV) Chart of Specialty Constitution



#### (V) Chart of Education Level



#### (VI) Subcontracting information

Total working hours for subcontracting  
Total remuneration paid for subcontracting

949,848 hours  
RMB23.9348 million



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

### V. EMPLOYEES INFORMATION OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES (CONTINUED)

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

As at 31 December 2014, the interests of the directors, supervisors and chief executives of the Company in the shares of the Company and its associated corporations, which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code"), to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

##### Long positions in the shares of associated corporation of the Company

Name of director/ supervisor	Name of associated corporation	Type of interest	Number of ordinary shares interested	Percentage of the associated corporation's issued share capital (%)
<b>Directors:</b>				
Mr Zhang Donghai	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	10,903,593	1.51
		Interest of spouse	500,000	0.06
		Interests held as a trustee	15,831,123 <sup>1</sup>	2.20
Mr Liu Chunlin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	6,000,000	0.83
		Interests held as a trustee	8,986,299 <sup>1</sup>	1.25
Mr Ge Yaoyong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,000,000	0.69
		Interest of spouse	51,250	0.01
		Interests held as a trustee	7,413,316 <sup>1</sup>	1.03
Mr Zhang Dongsheng	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,000,000	0.69
		Interest of spouse	148,947	0.02
		Interests held as a trustee	7,315,619 <sup>1</sup>	1.02
Mr Song Zhanyou	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,200,000	0.30


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

### V. EMPLOYEES INFORMATION OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES (CONTINUED)

#### (VII) Directors', Supervisors' and Chief Executives' interests and short positions in shares and underlying shares (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 (%)
Mr Zhang Xinrong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,808,514	0.39
		Interest of spouse	114,871	0.01
		Interests held as a trustee	4,065,418 <sup>1</sup>	0.56
Mr Lv Guiliang	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,200,000	0.30
<b>Supervisors:</b>				
Mr Li Wenshan	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	4,000,000	0.55
		Interests held as a trustee	6,014,883 <sup>1</sup>	0.83
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.



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

### **V. EMPLOYEES INFORMATION OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES** *(CONTINUED)*

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

Save as disclosed above, as at 31 December 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.

#### **(VIII) Other significant matters in relation to Directors, Supervisors and Senior Management**

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

As of 31 December 2014, the Company had not granted any rights to any directors, supervisors of the Company or their spouses or children under 18 years old to acquire shares or debentures of the Company or its associated corporations.

Save for their service agreements with the Company, none of the directors and supervisors of the Company has any material interests, directly or indirectly, in material contracts entered into by the Company or any of its subsidiaries in 2014 and subsisting during or at the end of the year.

## CORPORATE GOVERNANCE

### I. RELEVANT INFORMATION OF CORPORATE GOVERNANCE AND MANAGEMENT OF INSIDER REGISTRATION

During the reporting period, the Company has gradually improved its corporate governance system and standardized its operation pursuant to the Company Law (《公司法》), Securities Law (《證券法》) and relevant laws and regulations. The general meeting, the Board and senior management of the Company carried out well performance and interaction among duties.

The Company continued to strengthen information disclosure and relationship with investors. During the reporting period, the Company disclosed all material information promptly, accurately, truly and completely to ensure that all shareholders could enjoy the right to be informed fairly. From 2 to 4 September 2014, the Company issued corporate bonds and organized a large-scale reverse roadshow for investors, effectively enhancing communications and interactions with investors and promoting the reputation and influence of the Company in the capital market.

The Company strictly executed the management system of insider registration. During the sensitive period of information disclosure, the Company required specialists to provide sufficient reminders to relevant personnel through certain ways, including writing, messages, mails and internal OA system in the Company, preventing relevant personnel from breaking the regulations to deal in the shares of the Company.

The Company will continue to strictly comply with the Company Law and relevant stipulations and requirements of CSRC and other institutions with authority in respect of corporate governance, and improve its corporate governance system to gradually enhance the capability of corporate governance.

Whether there is inconformity between the corporate governance of the Company and the Company Law and requirements of CSRC in respect of corporate governance system and corporate governance structure. If any, please specify the reason and explain.

There is no inconformity between the corporate governance of the Company and the Company Law and requirements of CSRC.



## CORPORATE GOVERNANCE (Continued)

### II. PARTICULARS OF GENERAL MEETINGS

Session of the meeting	Convening date	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designated website for the publication of the proposals	Date of disclosure of the publication of the proposals
The first extraordinary general meeting in 2014	25 March 2014	<ol style="list-style-type: none"> <li>1. Considered and approved the proposal relating to the project investment plan of the Company;</li> <li>2. Considered and approved the proposal relating to the amendments to the Articles of Association of the Company;</li> <li>3. Considered and approved the proposal relating to the guarantee provided to Inner Mongolia Yitai Chemical Co., Ltd.</li> </ol>	All passed	<a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	26 March 2014
Annual general meeting in 2013	30 May 2014	<ol style="list-style-type: none"> <li>1. Considered the proposal relating to the report of the work of the Board of Directors for 2013;</li> <li>2. Considered the proposal relating to the report on the work of the supervisory committee of Inner Mongolia Yitai Coal Co., Ltd. for 2013;</li> <li>3. Considered the proposal relating to the work report of independent Directors of Inner Mongolia Yitai Coal Co., Ltd. for 2013;</li> <li>4. Considered the proposal relating to the annual report and its summary of Inner Mongolia Yitai Coal Co., Ltd. for 2013;</li> <li>5. Considered the proposal relating to confirmation of the difference between actual amount and estimated amount of related party transactions in the ordinary course of business of the Company in 2013 and the estimates for 2014 related party transactions in the ordinary course of business;</li> <li>6. Considered the proposal relating to project investment plan of the Company for 2014;</li> </ol>	All passed	<a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	31 May 2014

## CORPORATE GOVERNANCE (Continued)

### II. PARTICULARS OF GENERAL MEETINGS (CONTINUED)

Session of the meeting	Convening date	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designated website for the publication of the proposals	Date of disclosure of the publication of the proposals
		7. Considered the proposal relating to the nomination of candidates of independent directors general election of the sixth session of the board of directors of the Company;			
		8. Considered the proposal relating to the general election of the supervisory committee of the Company;			
		9. Considered the proposal relating to the acquisition of 5% equity interest of Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. by the Company;			
		10. Considered the proposal relating to the profit distribution plan of the Company for 2013;			
		11. Considered the proposal relating to the appointment of audit institution of the Company for 2014;			
		12. Considered the proposal relating to the appointment of internal control audit institution of the Company for 2014;			
		13. Considered the proposal relating to the adjustment of project investment plan of the Company for 2014;			
		14. Considered the proposed guarantee to be provided to subsidiaries of the Company;			
		15. Considered the proposal to grant general mandate to the board of directors to allot, issue and otherwise deal with additional H Shares representing up to the limit of 20% of the aggregate nominal values of H Shares in issue on the date of passing this resolution and authorize the board of directors to make corresponding amendments to the articles of association of the Company as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares;			
		16. Considered and approved the proposal relating to the amendments to the Articles of Association of the Company.			

## CORPORATE GOVERNANCE (Continued)

### II. PARTICULARS OF GENERAL MEETINGS (CONTINUED)

Session of the meeting	Convening date	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designated website for the publication of the proposals	Date of disclosure of the publication of the proposals
The second extraordinary general meeting in 2014	25 November 2014	<ol style="list-style-type: none"> <li>1. Considered and approved the proposal relating to the Company's amendment of the Rules of Procedures of the General Meetings of Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. ;</li> <li>2. Considered and approved the proposal on the supplemental estimation of the Company in relation to the daily connected transactions for the year 2014;</li> <li>3. Considered and approved the proposal on the matters in relation to the upfront capital expenditure for the 1.8 Million Tonnes/Year coal-to-oil project of Yitai Xinjiang Energy Co., Ltd.</li> <li>4. Considered and approved the proposal of the connected transaction in relation to provision of construction and technical services by Synfuels China Co., Ltd. to the controlling subsidiaries of the Company;</li> <li>4.1 Considered and approved the proposal relating to the 1.2 Million Tonnes/Year Technical Services Contract and the discloseable and connected transactions contemplated thereunder of Inner Mongolia Yitai Chemical Co., Ltd.;</li> <li>4.2 Considered and approved the proposal relating to the 1.2 Million Tonnes/Year Construction Contract of demonstration project of fine Chemicals and the discloseable and connected transactions contemplated thereunder of Inner Mongolia Yitai Chemical Co., Ltd.;</li> <li>4.3 Considered and approved the proposal relating to the 2 Million Tonnes/Year Technical Services Contract and the discloseable and connected transactions contemplated thereunder of Inner Mongolia Yitai Coal-to-oil Co., Ltd.;</li> <li>4.4 Considered and approved the proposal relating to the 2 Million Tonnes/Year Construction Contract and the discloseable and connected transactions contemplated thereunder of Inner Mongolia Yitai Coal-to-oil Co., Ltd.;</li> </ol>	All passed	<a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	26 November 2014



## CORPORATE GOVERNANCE (Continued)

### II. PARTICULARS OF GENERAL MEETINGS (CONTINUED)

Session of the meeting	Convening date	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designated website for the publication of the proposals	Date of disclosure of the publication of the proposals
		4.5 Considered and approved the proposal relating to 1 Million Tonnes/Year Technical Services Contract of coal-to-oil demonstration project and the discloseable and connected transactions contemplated thereunder of Yitai Yili Energy Co., Ltd.;			
		4.6 Considered and approved the proposal relating to 1 Million Tonnes/Year Construction Contract of coal-to-oil demonstration project and the discloseable and connected transactions contemplated thereunder of Yitai Yili Energy Co., Ltd.;			
		5. Considered and approved the proposal relating to the capital increase for Yitai Xinjiang Energy Co., Ltd. by the Company;			
		6. Considered and approved the proposal relating to the capital increase for Inner Mongolia Yitai Coal-to-oil Co., Ltd. by the Company;			
		7. Considered and approved the proposal relating to the capital increase for Yitai Yili Energy Co., Ltd. by the Company;			
		8. Considered and approved the proposal relating to the capital increase for Inner Mongolia Yitai Chemical Co., Ltd. by the Company;			
		9. Considered and approved the proposal relating to the capital increase for Inner Mongolia Yitai Petroleum & Chemical Co., Ltd. by the Company;			



## CORPORATE GOVERNANCE (Continued)

### II. PARTICULARS OF GENERAL MEETINGS (CONTINUED)

Session of the meeting	Convening date	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designated website for the publication of the proposals	Date of disclosure of the publication of the proposals
		10. Considered and approved the proposal relating to the amendments to the Articles of Association of Inner Mongolia Yitai Coal Co., Ltd. by the Company (considered and approved in the second meeting of the six session of the Board);			
		11. Considered and approved the proposal relating to the amendments to the Articles of Association of Inner Mongolia Yitai Coal Co., Ltd. by the Company (considered and approved in the fourth meeting of the sixth session);			
		12. Considered and approved the proposal relating to the provision of security for the subsidiaries by the Company;			
		13. Considered and approved the proposal relating to the provision of the loan guarantee for Yitai Xinjiang Energy by the Company.			

## CORPORATE GOVERNANCE (Continued)

### III. DIRECTORS' PERFORMANCE OF THEIR DUTIES

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

Name of directors	Whether or not an independent non-executive director	Mandatory times of attendance in Board meetings during the year	Attendance of Board meeting (s)			Whether or not he or she has been absent in person for two consecutive times		Attendance in general meeting(s)
			Times of attendance in person	Times of attendance by telecommunication	Times of attendance by proxy	Times of absence	Times of attendance in general meetings	
Zhang Donghai	No	13	13	10	0	0	No	3
Ge Yaoyong	No	13	13	9	0	0	No	3
Liu Chunlin	No	13	13	9	0	0	No	3
Zhang Dongsheng	No	13	13	9	0	0	No	3
Zhang Xinrong	No	13	13	9	0	0	No	3
Lv Guiliang	No	13	13	9	0	0	No	3
Song Zhanyou	No	13	6	3	0	0	No	2
Yu Youguang	No	13	13	9	0	0	No	3
Qi Yongxing	No	13	13	9	0	0	No	3
Song Jianzhong	No	13	13	9	0	0	No	3
Tam Kwok Ming, Banny	No	13	13	9	0	0	No	3

Description of directors who has been absent in person for two consecutive times

Number of Board meetings convened during the year	13
Of which: number of meetings on-site	3
Number of meetings held by teleconference	9
Number of meetings held both on-site and via teleconferencing	1

#### (II) Matters voted against by the independent directors of the Company

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

#### (III) Others

During the reporting period, all directors were dedicated to their work, attended meetings punctually, performed their duties independently, fairly and responsibly, and made decisions in serious, accountable and reasonable manners, greatly contributing to the development of the Board and the Company.



## CORPORATE GOVERNANCE (Continued)

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

Nil

### V. EXPLANATION ON RISKS OF THE COMPANY DETECTED BY THE SUPERVISORY COMMITTEE

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

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

The Company is completely independent of the controlling shareholder with respect to business, personnel, assets, organization and finance, and is able to make decisions independently and operate autonomously. For the perspective of business, the Company owns independent and complete production, transportation and sales system, and is capable to operate autonomously, independently develop various businesses, and independently assume responsibility and risks. For personnel, the Company has established an independent human resources department, built a sound system for personnel management, developed an independent system for personnel employment, arrangement, assessment and appointment, independently decided to hire and dismiss the personnel in the Company, and there does not exist any intervention of appointment of personnel by the Company's controlling shareholder in the Company. For assets, there is a transparent relationship between the Company and the controlling shareholder, and the Company owns integrated production equipment and places for operation, ensuring the completeness of assets during the production process. For institution, with sound and complete organizational and institutional system, the Company's holding subsidiaries and functional departments operate independently, and are not dependent on the controlling shareholder. In financial aspect, the Company does not have an independent financial accounting department to establish an independent accounting and auditing system and financial management system. Yet, the Company has established independent financial accounts, so there does not exist sharing of bank accounts with the controlling shareholder.

## CORPORATE GOVERNANCE (Continued)

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

Incentive mechanism of the Company has been implemented according to the Measures Regarding the Annual Remuneration for the Directors and Senior Management of the Company (《公司關於董事及高級管理人員年薪報酬的方案》). During the reporting period, as the pressure of downturn of industrial market has been increasingly significant, the Company seized the opportunities and set up a system in the enterprise in which the management personnel was competitive and capable to take up different tasks, where employees were talented and proactive, and operating results with flexible revenue were prioritized. Position management was regarded as the core and competitive position was regarded as the basis and thus, a human resources management system backed by sound remuneration system, result assessment system and profession development system was formed.

### VIII. CORPORATE GOVERNANCE PRACTICES

#### Corporate Governance Practices

The board of directors (the “Board”) of the Company has committed to maintaining high corporate governance standards.

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

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

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

The Board is of the view that throughout the year ended 31 December 2014, the Company has complied with all the code provisions as set out in the CG Code.



## CORPORATE GOVERNANCE (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

#### Directors' Securities Transactions

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2014.

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

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

#### Board of Directors

The Board of the Company currently comprises the following directors:

##### **Executive Directors:**

Zhang Donghai (*Chairman*)

Liu Chunlin

Ge Yaoyong (*Ceased the position as President on 30 May 2014*)

Zhang Dongsheng

Kang Zhi (*Resigned on 30 May 2014*)

Song Zhanyou (*Appointed on 30 May 2014*)

Zhang Xinrong (*Appointed as President on 30 May 2014*)

Lv Guiliang

##### **Independent Non-executive Directors:**

Yu Youguang

Qi Yongxing

Song Jianzhong

Tam Kwok Ming, Banny

The biographical information of the directors are set out in the section headed "Directors, Supervisors, Senior Management and Employees" on pages 115 to 124 of the annual report for the year ended 31 December 2014.

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

## CORPORATE GOVERNANCE *(Continued)*

### VIII. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

#### **Board of Directors** *(Continued)*

##### **Chairman and President**

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

##### **Independent Non-executive Directors**

During the year ended 31 December 2014, the Board at all times exceeded the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

##### **Non-executive Directors and Directors' Re-election**

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

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





## CORPORATE GOVERNANCE (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

#### Board of Directors (Continued)

##### **Responsibilities, Accountabilities and Contributions of the Board and Management**

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

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

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

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

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

## CORPORATE GOVERNANCE (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

#### Board of Directors (Continued)

##### Continuous Professional Development of Directors

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

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

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

During the year ended 31 December 2014, the following Directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills:

Directors	Topic <sup>Note</sup>
<b>Executive Directors</b>	
Zhang Donghai	1,2,3,4
Liu Chunlin	1,2,3,4
Ge Yaoyong (Resigned on 30 May 2014)	1,2,3,4
Zhang Dongsheng	1,2,3,4
Song Zhanyou (Appointed on 30 May 2014)	1,2,3,4
Zhang Xinrong	1,2,3,4
Lv Guiliang	1,2,3,4
Kang Zhi (Resigned on 30 May 2014)	1,2,3,4
<b>Independent Non-Executive Directors</b>	
Yu Youguang	1,2,3,4
Qi Yongxing	1,2,3,4
Song Jianzhong	1,2,3,4
Tam Kwok Ming, Banny	1,2,3,4

*Notes:*

1. Compliance training of Inner Mongolia Yitai Coal Co., Ltd.
2. Amendments to the Listing Rules in respect of connected transactions
3. Pricing policies for continuing connected transactions and disclosure of relevant information
4. Companies Ordinance of Hong Kong with effect from 3 March 2014

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



## CORPORATE GOVERNANCE (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

#### Board Committees

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

The majority of the members of the Audit Committee, Remuneration and Assessment Committee, and Nomination Committee are Independent Non-executive Directors. The list of the chairman and members of each Board committee is set out under "Corporate Profile" on pages 3 to 4.

#### Strategic Planning Committee

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

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

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

#### Audit Committee

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

## CORPORATE GOVERNANCE *(Continued)*

### VIII. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

#### **Board Committees** *(Continued)*

##### **Audit Committee** *(Continued)*

The Audit Committee held 6 meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2014 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, related party transactions and arrangements for employees to raise concerns about possible improprieties.

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

##### **Remuneration and Assessment Committee**

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

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

##### **Nomination Committee**

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

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.



## CORPORATE GOVERNANCE (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

#### Board Committees (Continued)

##### Nomination Committee (Continued)

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

The Nomination Committee met three times to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors, to consider the qualifications of the retiring directors standing for election at the Annual General Meeting and to consider and recommend to the Board on the appointment of Song Zhanyou as Executive Director. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

##### Production Committee

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

The responsibilities of the Production Committee include, among others:

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

##### Corporate Governance Functions

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

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

## CORPORATE GOVERNANCE (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

#### Attendance Record of Directors and Committee Members

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2014 is set out in the table below:

Name of Director	Board	Attendance/Number of Meetings			Annual General Meeting	Other General Meetings (if any)
		Nomination Committee	Remuneration and Assessment Committee	Audit Committee		
Zhang Donghai	13/13	3/3	1/1	—	1/1	2/2
Liu Chunlin	13/13	3/3	1/1	—	1/1	2/2
Ge Yaoyong <i>(Note A)</i>	13/13	2/3	1/1	—	1/1	2/2
Zhang Dongsheng	13/13	—	—	—	1/1	2/2
Kang Zhi <i>(Note B)</i>	7/13	—	—	—	—	1/2
Song Zhanyou <i>(Note C)</i>	6/13	—	—	—	1/1	1/2
Zhang Xinrong <i>(Note D)</i>	13/13	1/3	—	—	1/1	2/2
Lv Guiliang	13/13	—	—	—	1/1	2/2
Song Jianzhong	13/13	3/3	1/1	6/6	1/1	2/2
Tam Kwok Ming, Banny	13/13	3/3	1/1	6/6	1/1	2/2
Yu Youguang	13/13	3/3	1/1	6/6	1/1	2/2
Qi Yongxing	13/13	3/3	1/1	6/6	1/1	2/2

*Note A:* Ge Yaoyong ceased as the members of Nomination Committee and Remuneration and Assessment Committee of the Company on 30 May 2014 and attended all the meetings of Nomination Committee and Remuneration and Assessment Committee held from 1 January 2014 up to his cessation.

*Note B:* Kang Zhi resigned as an executive director of the Company on 30 May 2014 and attended all the meetings held from 1 January 2014 up to his resignation.

*Note C:* Song Zhanyou appointed as an executive director of the Company on 30 May 2014 and attended all the meetings held since his appointment.

*Note D:* Zhang Xinrong appointed as the members of Nomination Committee and Remuneration and Assessment Committee of the Company on 30 May 2014 and attended all the meeting of Nomination Committee held since his appointment.

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



## CORPORATE GOVERNANCE (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

#### Directors' Responsibility in Respect of the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 157 to 158.

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

#### Auditors' Remuneration

An analysis of the remuneration paid to the external auditors of the Company, Messrs Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2014 is set out below:

Service Category	Fees Paid/Payable
Audit Services	RMB3.5 million
Non-audit Services	
— Others	0



## CORPORATE GOVERNANCE (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

#### Internal Controls

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

1. The Company established a sound internal control system, an audit committee was set up under the Board to be responsible for the communication, inspection and supervisor on external audit; the in-house audit department of the Company is in charge of the organization and implementation of internal control and assessment, and to assess on the high-risk areas and entities which are included in the assessment scope; the internal control and assessment group is in charge of the organisation and assessment of the detailed internal control and is accountable to the Board.
2. Further reinforce and standardise on the internal control of the Company, ensure the activities of the Company to be conducted in a standardised and orderly manner, enhance the operation, management and risk prevention capability of the Company and to promote its sustainable development, implement Basic Rules for Internal Control of Companies (《企業內部控制基本規範》) and the relevant requirements of the related guidelines. The Company formulated the Internal Control System of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司內部控制制度》), thereby rectified the core internal control procedures in its management and operation, and prepared the Internal Control Manual of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司內部控制手冊》), thereby established a systematic assurance on the implementation, supervision and assessment of the internal control of the Company.
3. In 2012, the Company engaged Roland Berger Strategy Consultants (Shanghai) Ltd. for the provision of consulting services on the internal control of the Company.
4. The internal control and assessment group will conduct assessment on the reasonableness and operating efficiency of the design of the internal control of the departments and subsidiaries which are included in the assessment scope in accordance with the Internal Control and Assessment Plan of Inner Mongolia Yitai Coal Co., Ltd. 2012 (《內蒙古伊泰煤炭股份有限公司2012年內部控制評價方案》). Please refer to Appendix II 2012 Internal Control Self-assessment Report of Inner Mongolia Yitai Coal Co., Ltd (《內蒙古伊泰煤炭股份有限公司2012年內部控制自我評價報告》) for the details of internal control.

#### Company Secretary

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



## CORPORATE GOVERNANCE (Continued)

### VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

#### Shareholders' Rights

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

#### Convening an Extraordinary General Meeting by Shareholders

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

#### Putting Forward Proposals at General Meetings

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

#### Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

#### Contact Details

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

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

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

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

## CORPORATE GOVERNANCE *(Continued)*

### VIII. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

#### **Communication With Shareholders and Investors**

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

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

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

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

During the year under review, the Company has amended its Articles of Association. Details of the amendments are set in the circulars dated 23 January 2014 and 2 September 2014 and the supplementary circular dated 15 May 2014 to the shareholders. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.



## INTERNAL CONTROL

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

It is the Board of the Company's responsibility to establish a comprehensive and effectively implemented an internal control in accordance with the requirements of corporate internal control rules and system to evaluate its effectiveness and disclose internal control evaluation reports in accordance with the truth. The Supervisory Committee monitored the establishment and implementation of internal control by the Board. The management is responsible for the organizing and leading the daily operations of corporate internal control. The Board, the Supervisory Committee and the Directors, the supervisors and the senior management of the Company guarantee that the content in this report does not contain any false representation, misleading statement or material omission, and severally and jointly accept the legal responsibility for the truthfulness, accuracy and completeness of the content in the report.

The objectives of internal control of the Company are to reasonably guarantee the legal compliance of operations and management according to the laws and regulations; to be true and complete information relating to asset security, financial reports and other relevant information; to enhance efficiency and results of operations; and to facilitate the achievement of development strategies. Since there are inherent limitations in internal control, only reasonable guarantees can be provided for achieving the abovementioned objectives. In addition, projections of any evaluation of the effectiveness of the internal control in the future over the results of appraisal on internal control are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Whether or not to disclose the Internal Control Self-Appraisal Report: Yes

### II. RELEVANT EXPLANATIONS ON THE AUDIT REPORT OF INTERNAL CONTROL

As a result of its audit, Da Hua Certified Public Accountants (Special General Partnership) has issued its standard unqualified auditor's report for our internal control assessment.

Whether or not to disclose the Internal Control Audit Report: Yes

## INTERNAL CONTROL (Continued)

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

The policy of Punishment System for Blunders in Inner Mongolia Yitai Coal Co., Ltd. Annual Report Information was considered and approved in the twenty-fifth meeting of the fourth session of the Board (《內蒙古伊泰煤炭股份有限公司年報信息重大差錯責任追究制度》). The policy clearly stipulates the scope and circumstances applicable to accountability for blunders in annual report information. As such, the accountability for blunders in annual report information of the Company can be achieved in accordance with the policy and thus the quality and transparency of the disclosure of annual report information of the Company can be enhanced.

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



## FIVE-YEAR FINANCIAL SUMMARY

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

	2010	2011	2012	2013	2014
	RMB0'000	RMB0'000	MB0'000	RMB0'000	RMB0'000
<b>Revenue and profit</b>					
Revenue	2,325,591.67	2,788,424.20	3,246,332.47	2,506,354.91	2,539,360.49
Total operating costs	1,431,845.17	1,814,077.90	2,431,062.51	2,044,913.90	2,204,756.94
Operating costs	1,165,025.42	1,481,723.29	2,023,798.87	1,590,322.42	1,775,056.01
Cost of sales	124,855.78	119,041.38	117,518.14	140,816.55	137,926.71
Administrative expenses	95,466.44	112,207.26	165,039.99	163,862.93	164,301.36
Finance costs	13,091.77	23,682.05	43,383.17	81,736.36	67,895.93
Other operating costs, net	33,405.77	77,423.92	81,322.33	68,175.63	5.96
Operating profit	894,174.13	976,748.43	838,418.07	464,815.79	349,104.68
Total profit	884,020.44	989,666.55	871,831.71	463,386.33	340,007.46
Income tax	151,965.19	162,946.72	139,943.61	70,946.75	63,875.78
Net profit	732,055.25	826,719.83	731,888.10	392,439.58	276,131.69
Profit attributable to the owners of the parent company	684,671.46	772,048.91	662,188.08	344,462.83	225,263.67
Basic earnings per share	4.68	5.27	4.30	1.06	0.69
<b>Assets and Liabilities</b>					
Current assets	721,229.02	782,509.53	1,117,239.51	1,032,201.65	1,302,595.66
Non-current assets	2,181,930.12	2,562,001.32	3,019,474.85	3,516,249.11	4,571,812.20
Current liabilities	457,393.28	558,307.08	1,039,468.87	453,645.25	562,664.00
Non-current liabilities	711,840.32	649,426.93	903,358.70	1,593,364.62	2,562,078.56
Owners' equity	1,733,925.54	2,136,776.84	2,193,886.79	2,501,440.89	2,749,665.30

## INDEPENDENT AUDITORS' REPORT

### **To the shareholders of Inner Mongolia Yitai Coal Company Limited**

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

We have audited the accompanying consolidated financial statements of Inner Mongolia Yitai Coal Company Limited (內蒙古伊泰煤炭股份有限公司, the "Company") and its subsidiaries (together, the "Group") set out on pages 159 to 277, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITORS' RESPONSIBILITY

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

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





## INDEPENDENT AUDITORS' REPORT (*Continued*)

### AUDITORS' RESPONSIBILITY (*CONTINUED*)

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

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

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### **Ernst & Young**

*Certified Public Accountants*

Hong Kong

18 March 2015

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	5	24,806,104	24,274,873
Cost of sales		(18,004,758)	(16,085,179)
Gross profit		6,801,346	8,189,694
Other income and gains	5	290,564	276,838
Selling and distribution expenses		(1,355,153)	(1,258,017)
Administrative expenses		(1,610,984)	(1,593,137)
Other expenses		(121,415)	(191,981)
Finance income	6	98,478	38,212
Finance costs	7	(742,909)	(805,695)
Exchange gains/(losses), net		483	(41,358)
Share of profits of associates		39,665	19,308
PROFIT BEFORE TAX	8	3,400,075	4,633,864
Income tax expense	10	(638,758)	(709,468)
PROFIT FOR THE YEAR		2,761,317	3,924,396
Attributable to:			
Owners of the parent	13	2,252,637	3,427,575
Non-controlling interests		508,680	496,821
		2,761,317	3,924,396
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— For profit for the year	13	RMB0.69	RMB1.05

Details of the dividends payable and proposed for the year are disclosed in Note 11 to the financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
PROFIT FOR THE YEAR	<u>2,761,317</u>	<u>3,924,396</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	107,106	(22,978)
Income tax effect	(26,777)	3,447
Reclassification adjustments for losses included in the consolidated statement of profit or loss — impairment losses, net of tax	<u>38,577</u>	—
	<u>118,906</u>	(19,531)
Exchange differences on translation of foreign operations	<u>70</u>	(596)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>118,976</u>	(20,127)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>118,976</u>	(20,127)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>2,880,293</u>	<u>3,904,269</u>
Attributable to:		
Owners of the parent	2,371,613	3,407,448
Non-controlling interests	<u>508,680</u>	<u>496,821</u>
	<u>2,880,293</u>	<u>3,904,269</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

		31 December 2014	31 December 2013
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	<b>36,803,276</b>	28,458,153
Investment properties	15	<b>137,856</b>	45,509
Prepaid land lease payments	16	<b>1,003,718</b>	985,279
Mining rights	17	<b>409,169</b>	441,102
Other intangible assets	18	<b>78,837</b>	74,522
Investment in a joint venture	21	<b>49,000</b>	—
Investments in associates	22	<b>385,626</b>	362,064
Available-for-sale investments	23	<b>5,618,404</b>	4,006,498
Deferred tax assets	24	<b>1,177,511</b>	744,140
Other non-current assets	19	<b>24,702</b>	12,328
Total non-current assets		<b>45,688,099</b>	35,129,595
<b>CURRENT ASSETS</b>			
Inventories	25	<b>1,709,750</b>	1,421,486
Trade and bills receivables	26	<b>2,866,309</b>	3,112,895
Prepayments, deposits and other receivables	27	<b>1,477,498</b>	1,966,253
Restricted cash	28	<b>42,476</b>	39,747
Cash and short-term deposits	28	<b>6,959,946</b>	3,814,532
Total current assets		<b>13,055,979</b>	10,354,913
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	29	<b>1,050,638</b>	1,081,567
Financial liabilities at fair value through profit or loss		—	446
Other payables and accruals	30	<b>3,349,042</b>	2,641,101
Interest-bearing bank borrowings	31	<b>1,218,282</b>	1,012,233
Income tax payable		<b>8,678</b>	(198,894)
Total current liabilities		<b>5,626,640</b>	4,536,453
<b>NET CURRENT ASSETS</b>		<b>7,429,339</b>	5,818,460
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>53,117,438</b>	40,948,055

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2014

		31 December 2014 RMB'000	31 December 2013 RMB'000
	<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>53,117,438</u>	<u>40,948,055</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	31	17,485,363	12,317,380
Long-term bonds	32	7,971,831	3,494,833
Deferred tax liabilities	33	41,451	—
Other non-current liabilities		<u>122,140</u>	<u>121,433</u>
Total non-current liabilities		<u>25,620,785</u>	<u>15,933,646</u>
NET ASSETS		<u>27,496,653</u>	<u>25,014,409</u>
EQUITY			
<b>Equity attributable to owners of the parent</b>			
Share capital	34	3,254,007	3,254,007
Other reserves		19,000,900	16,854,532
Proposed final dividend	11	<u>676,833</u>	<u>1,041,282</u>
		<u>22,931,740</u>	<u>21,149,821</u>
Non-controlling interests		<u>4,564,913</u>	<u>3,864,588</u>
Total equity		<u>27,496,653</u>	<u>25,014,409</u>

Director

Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the parent										
	Share capital	Capital reserve*	Statutory reserve*	Safety and maintenance fund*	Available-for-sale investment revaluation reserve*	Retained earnings*	Proposed final dividend	Exchange fluctuation reserve*	Total	Non-controlling interests	Total equity
	RMB'000 (Note 34)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note 11)	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 year	—	—	—	—	—	2,252,637	—	—	2,252,637	508,680	2,761,317
Other comprehensive income for the year:											
Change in fair value of available-for-sale investments, net of tax	—	—	—	—	80,329	—	—	—	80,329	—	80,329
Impairment losses of available-for-sale investments reclassified to the consolidated statement of profit or loss, net of tax	—	—	—	—	38,577	—	—	—	38,577	—	38,577
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	70	70	—	70
Total comprehensive income for the year	—	—	—	—	118,906	2,252,637	—	70	2,371,613	508,680	2,880,293
Acquisition of a subsidiary (Note 36)	—	—	—	—	—	—	—	—	—	210,711	210,711
Effect on opening deferred tax of increase in rate relating to the Target Business Group (As defined in Note 36)	—	451,588	—	—	—	—	—	—	451,588	—	451,588
Appropriation of general reserve	—	—	119,473	—	—	(119,473)	—	—	—	—	—
Capital contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	139,428	139,428
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(158,494)	(158,494)
Final 2013 dividend declared and paid	—	—	—	—	—	—	(1,041,282)	—	(1,041,282)	—	(1,041,282)
Proposed final 2014 dividend	—	—	—	—	—	(676,833)	676,833	—	—	—	—
At 31 December 2014	3,254,007	(411,877)	2,813,144	—	99,375	16,501,074	676,833	(816)	22,931,740	4,564,913	27,496,653

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

Year ended 31 December 2014

	Attributable to owners of the parent										
	Share capital	Capital reserve*	Statutory reserve*	Safety and maintenance fund*	Available-for-sale investment revaluation reserve*	Retained earnings*	Proposed final dividend	Exchange fluctuation reserve*	Total	Non-controlling interests	Total equity
	RMB'000 (Note 34)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note 11)	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 year	—	—	—	—	—	3,427,575	—	—	3,427,575	496,821	3,924,396
Other comprehensive income for the year:	—	—	—	—	—	—	—	—	—	—	—
Change in fair value of available-for-sale investments, net of tax	—	—	—	—	(19,531)	—	—	—	(19,531)	—	(19,531)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(596)	(596)	—	(596)
Total comprehensive income for the year	—	—	—	—	(19,531)	3,427,575	—	(596)	3,407,448	496,821	3,904,269
Deemed acquisition of interests in a subsidiary	—	3,035	—	—	—	—	—	—	3,035	(3,035)	—
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	(1,407)	(1,407)
Appropriation of general reserve	—	—	221,653	—	—	(221,653)	—	—	—	—	—
Capital contributions from non-controlling interests	—	56,630	—	—	—	—	—	—	56,630	1,364,724	1,421,354
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(214,920)	(214,920)
Final 2012 dividend conversion to share capital	1,627,003	—	—	—	—	(1,627,003)	—	—	—	—	—
Final 2012 dividend declared and paid	—	—	—	—	—	—	(2,033,754)	—	(2,033,754)	—	(2,033,754)
Proposed final 2013 dividend	—	—	—	—	—	(1,041,282)	1,041,282	—	—	—	—
Other	—	8,336	—	—	—	(1,965)	—	—	6,371	(6,371)	—
At 31 December 2013	<u>3,254,007</u>	<u>(863,465)</u>	<u>2,693,671</u>	<u>—</u>	<u>(19,531)</u>	<u>15,044,743</u>	<u>1,041,282</u>	<u>(886)</u>	<u>21,149,821</u>	<u>3,864,588</u>	<u>25,014,409</u>

\* These reserve accounts comprise the consolidated other reserves of RMB19,677,734,000 (2013: RMB16,854,532,000) in the consolidated statement of financial position.



## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		3,400,075	4,633,864
<b>Adjustments for:</b>			
Finance costs	7	742,909	805,695
Exchange (gains)/losses, net		(483)	41,358
Finance income	6	(98,478)	(38,212)
Share of profits of associates		(39,665)	(19,308)
Dividend income from available-for-sale investments	5	(78,317)	(14,068)
(Gain)/loss on disposal of items of property, plant and equipment, prepaid land lease payments and other intangible assets, net	8	(12,770)	72,133
Loss on disposal of a subsidiary		—	12,358
Unrealised fair value losses on futures contracts, net	8	—	446
Realised fair value losses/(gains) on futures contracts	8	581	(1,017)
Depreciation of property, plant and equipment	8	1,590,242	1,844,070
Depreciation of investment properties	8	9,310	3,877
Amortisation of prepaid land lease payments	8	36,923	33,174
Amortisation of mining rights	8	31,933	45,258
Amortisation of other intangible assets	8	28,810	13,429
Amortisation of other non-current assets	8	3,470	5,925
Reversal of impairment of other receivables, net	8	(4,248)	(2,011)
Impairment of property, plant and equipment	8	33,921	12,658
Impairment of mining rights	8	—	2,414
Impairment of available-for-sale investments	8	48,372	—
Impairment of prepaid land lease payments	8	4,221	—
		<u>5,696,806</u>	<u>7,452,043</u>
Increase in inventories		(288,264)	(563,736)
Decrease/(increase) in trade and bills receivables		246,586	(424,139)
Decrease in prepayments, deposits and other receivables		261,243	54,902
Decrease in trade and bills payables		(34,028)	(263,550)
Increase in other payables and accruals		271,182	21,228
		<u>6,153,525</u>	<u>6,276,748</u>
Cash generated from operations		6,153,525	6,276,748
Income tax paid		(408,090)	(774,282)
		<u>5,745,435</u>	<u>5,502,466</u>
<b>Net cash flows from operating activities</b>		<b>5,745,435</b>	<b>5,502,466</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	6	65,420	38,212
Interest received on entrusted loans	6	40,234	—
Interest received on financial products		38,321	—
Dividends received from associates		16,104	4,747
Dividends received from available-for-sale investments	5	78,317	14,068
Purchases of property, plant and equipment		(8,591,480)	(5,657,191)
Additions to investment properties	15	—	(18,004)
Additions to prepaid land lease payments	16	(56,709)	(722,352)
Additions to mining rights	17	—	(69,255)
Additions to other intangible assets	18	(33,125)	(38,737)
Additions to other non-current assets	19	(15,844)	—
Proceeds from disposal of items of property, plant and equipment, prepaid land lease payments, and other intangible assets		27,025	9,196
Acquisition of a subsidiary	36	12,705	—
Payments for the acquisition of the Target Business Group (as defined in Note 36)		—	(4,460,359)
Net outflow from disposal of a subsidiary		—	(14,896)
Investments in associates, joint venture and available-for-sale investments		(1,697,980)	(221,083)
Entrusted loans lent out to third parties	27	(382,900)	(530,900)
Repayment of entrusted loans from third parties	27	530,900	—
Payment for settlement of futures contracts, net		(6,587)	(6,677)
Purchase of financial products		(11,085,000)	—
Proceeds from redemption of financial products		11,085,000	—
Increase in restricted cash	28(a)	(2,729)	(9,920)
(Increase)/decrease in time deposits	28	(1,923,416)	2,947
<b>Net cash flows used in investing activities</b>		<b>(11,901,744)</b>	<b>(11,680,204)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital contribution from non-controlling interests		139,428	1,421,354
Proceeds from issuance of long-term bonds	32	4,465,560	2,492,500
Proceeds from bank borrowings		9,655,250	5,934,000
Repayment of bank borrowings		(4,276,504)	(1,997,044)
Interest paid		(1,411,232)	(887,827)
Dividends paid		(1,041,282)	(2,033,754)
Special dividends paid to Yitai Group		—	(730,000)
Dividends paid to non-controlling interests		(148,683)	(484,920)
<b>Net cash flows from financing activities</b>		<b>7,382,537</b>	<b>3,714,309</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		<b>1,226,228</b>	<b>(2,463,429)</b>
Effect of foreign exchange rate changes, net		(4,230)	(33,645)
Cash and cash equivalents at beginning of year	28	3,808,946	6,306,020
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	28	<b>5,030,944</b>	<b>3,808,946</b>

## STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	6,776,388	6,781,917
Investment properties	15	137,856	45,509
Prepaid land lease payments	16	289,073	308,547
Mining rights	17	175,743	196,848
Other intangible assets	18	49,022	49,503
Investments in subsidiaries	20	11,489,902	10,094,154
Investments in associates	22	317,387	281,304
Available-for-sale investments	23	5,475,496	3,863,591
Deferred tax assets	24	1,061,440	686,054
Other non-current assets	19	9,151	—
Total non-current assets		25,781,458	22,307,427
<b>CURRENT ASSETS</b>			
Inventories	25	1,080,441	394,230
Trade and bills receivables	26	1,814,599	1,247,846
Prepayments, deposits and other receivables	27	2,171,404	3,705,647
Restricted cash	28	28,347	22,401
Cash and short-term deposits	28	4,331,769	1,568,040
Total current assets		9,426,560	6,938,164
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	29	1,227,212	891,294
Financial liabilities at fair value through profit or loss		—	446
Other payables and accruals	30	2,536,841	3,035,006
Interest-bearing bank borrowings	31	192,000	244,000
Income tax payable		(72,776)	(185,934)
Total current liabilities		3,883,277	3,984,812
<b>NET CURRENT ASSETS</b>		5,543,283	2,953,352
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		31,324,741	25,260,779

## STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	31	<b>2,896,000</b>	2,172,000
Long-term bonds	32	<b>7,971,831</b>	3,494,833
Financial guarantee contracts	20	<b>451,618</b>	353,378
Deferred tax liabilities	33	<b>40,591</b>	—
Other non-current liabilities		<b>21,400</b>	21,213
Total non-current liabilities		<b>11,381,440</b>	6,041,424
<b>NET ASSETS</b>			
		<b>19,943,301</b>	19,219,355
<b>EQUITY</b>			
Share capital: nominal value	34	<b>3,254,007</b>	3,254,007
Other reserves	35	<b>16,012,461</b>	14,924,066
Proposed final dividend	11	<b>676,833</b>	1,041,282
Total equity		<b>19,943,301</b>	19,219,355

Director

Director

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 1. CORPORATE INFORMATION

Inner Mongolia Yitai Coal Company Limited (the “Company”) conducted the 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 the capital reserve and the proposed dividend. On 5 May 2010, the Company increased the issued capital to RMB1,464,000,000 through the conversion of the proposed dividend.

On 12 July 2012, the Company consummated its global offering of 162,667,000 H shares with HK\$43 per share and listed on the main board of The Stock Exchange of Hong Kong Limited. After the global offering, the issued capital increased to RMB1,626,667,000. On 8 August 2012, the over-allotment of 336,500 H shares was exercised, the issued capital further increased to RMB1,627,003,500, of which 49.17% shares are held by Yitai Group. Yitai (Group) Hong Kong Co, Ltd. (“Yitai Group HK”), a wholly-owned subsidiary of Yitai Group, held 9.59% of shares of the Company. The direct and indirect shareholding of the Company by Yitai Group was 58.76% as at 31 December 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 chemicals.

In the opinion of the directors, the parent of the Company is Yitai Group and the ultimate holding company is Yitai Investment Co., Ltd., an enterprise incorporated in Inner Mongolia, the PRC, which equity interests are held via a trust agreement by 35 individuals, comprising the senior management members and key technicians of Yitai Group, on behalf of a group of employees of Yitai Group.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 1. CORPORATE INFORMATION (CONTINUED)

#### Particulars of principal subsidiaries, associates and joint ventures

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

Company name	Place and date of incorporation /operations	Type of legal entity	Nominal value of issued and fully paid-up capital RMB'000	Percentage of equity interest attributable to the Company %	Principal activities
<b>Subsidiaries</b>					
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	Inner Mongolia, the PRC 5 October 1998	Limited company	1,496,000	100.0	Railway transportation
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	Inner Mongolia, the PRC 17 March 2006	Limited company	2,352,900	51.0	Coal-to-oil production
Inner Mongolia Yitai Jingyue Suanicou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	Inner Mongolia, the PRC 18 September 2007	Limited company	1,080,000	52.0	Coal mining
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	Inner Mongolia, the PRC 26 February 2003	Limited company	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. (伊泰伊犁能源有限公司)	Xinjiang, the PRC 24 September 2009	Limited company	1,570,000	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	1,360,000	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	650,000	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 FINANCIAL STATEMENTS (Continued)

31 December 2014

### 1. CORPORATE INFORMATION (CONTINUED)

#### Particulars of principal subsidiaries, associates and joint ventures (Continued)

Company name	Place and date of incorporation /operations	Type of legal entity	Nominal value of issued and fully paid-up capital RMB'000	Percentage of equity interest attributable to the Company %	Principal activities
<b>Subsidiaries (Continued)</b>					
Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司)	Inner Mongolia, the PRC 10 April 2006	Limited company	70,000	73.0	Coal mining
Inner Mongolia Yitai Petrochemical Co., Ltd. (內蒙古伊泰石油化工有限公司)	Inner Mongolia, the PRC 13 May 2013	Limited company	30,000	80.0	Chemical production and sale
Yitai Yanqi (Beijing) International Trade Co., Ltd. (伊泰雁棲(北京)國際貿易有限公司)	Beijing, the PRC 4 January 2013	Limited company	50,000	100.0	International trade
Inner Mongolia Yitai Zhungeer Coal Transportation Co., Ltd. (內蒙古伊泰准格爾煤炭運銷有限責任公司)	Inner Mongolia, the PRC 16 May 2013	Limited company	10,000	100.0	Coal wholesale
Ulanqab Yitai Coal Transportation Co., Ltd. (烏蘭察布市伊泰煤炭銷售有限公司)	Inner Mongolia, the PRC 7 June 2013	Limited company	50,000	100.0	Coal wholesale
Yitai Supply Chain Finance Services Co., Ltd. (伊泰供應鏈金融服務(深圳)有限公司)	Shenzhen, the PRC 3 November 2014	Limited company	50,000	100.0	Finance service
Yitai Energy Investment (Shanghai) Co., Ltd. (伊泰能源投資(上海)有限公司)	Shanghai, the PRC 13 November 2014	Limited company	50,000	100.0	Coal trading, investment and consulting
Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限責任公司)	Inner Mongolia, the PRC 8 July 2010	Limited company	384,891	45.3	Railway transportation
<b>Associates</b>					
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
Zhonghang Liming Jinhua Petro Equipment (Inner Mongolia) Co., Ltd. (中航黎明錦化機石化裝備(內蒙古)有限公司)	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
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
<b>Joint venture</b>					
Ordos Yitai Water Co., Ltd. (鄂爾多斯市伊泰水務有限責任公司)	Inner Mongolia, the PRC 16 April 2014	Limited company	100,000	49.0	Industrial water provision





## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 1. CORPORATE INFORMATION (CONTINUED)

#### Particulars of principal subsidiaries, associates and joint ventures (Continued)

All the above subsidiaries are directly held by the Company.

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

All the above companies are limited liability companies.

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise standards and interpretations approved by the International Accounting Standards Board (“IASB”), the International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements. The financial statements have been prepared under the historical cost convention, except for certain available-for-sale investments, financial liabilities at fair value through profit or loss and financial guarantee contracts which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand, except when otherwise indicated.

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as “the Group”) for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 2.1 BASIS OF PREPARATION (CONTINUED)

#### Basis of consolidation (Continued)

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

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

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27	<i>Investment Entities</i>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to IAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC 21	<i>Levies</i>
Amendment to IFRS 2 included in Annual Improvements 2010–2012 Cycle	<i>Definition of Vesting Condition<sup>1</sup></i>
Amendment to IFRS 3 included in Annual Improvements 2010–2012 Cycle	<i>Accounting for Contingent Consideration in a Business Combination<sup>1</sup></i>
Amendment to IFRS 13 included in Annual Improvements 2010–2012 Cycle	<i>Short-term Receivables and Payables</i>
Amendment to IFRS 1 included in Annual Improvements 2011–2013 Cycle	<i>Meaning of Effective IFRSs</i>

<sup>1</sup> Effective from 1 July 2014

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

IFRS 9	<i>Financial Instruments<sup>4</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>2</sup></i>
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations<sup>2</sup></i>
IFRS 14	<i>Regulatory Deferral Accounts<sup>5</sup></i>
IFRS 15	<i>Revenue from Contracts with Customers<sup>3</sup></i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation<sup>2</sup></i>
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants<sup>2</sup></i>
Amendments to IAS 19	<i>Defined Benefit Plans: Employee Contributions<sup>1</sup></i>
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements<sup>2</sup></i>
Annual Improvements 2010–2012 Cycle	<i>Amendments to a number of IFRSs<sup>1</sup></i>
Annual Improvements 2011–2013 Cycle	<i>Amendments to a number of IFRSs<sup>1</sup></i>
Annual Improvements 2012–2014 Cycle	<i>Amendments to a number of IFRSs<sup>2</sup></i>
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception<sup>2</sup></i>
Amendments to IAS 1	<i>Disclosure Initiative<sup>2</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>5</sup> Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (CONTINUED)

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

#### *IFRS 9 Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

#### *Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

#### *Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.



## NOTES TO FINANCIAL STATEMENTS (*Continued*)

31 December 2014

### 2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (*CONTINUED*)

#### *IFRS 14 Regulatory Deferral Accounts*

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRSs. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

#### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

#### *Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2014

### 2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(CONTINUED)*

#### *Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group as the Group does not have any bearer plants.

#### *Amendments to IAS 19 Defined Benefit Plans: Employee Contributions*

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendments is effective for annual periods beginning on or after 1 July 2014. It is not expected that the amendments would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

#### *Amendments to IAS 27: Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRSs and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRSs electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.





## NOTES TO FINANCIAL STATEMENTS (*Continued*)

31 December 2014

### 2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (*CONTINUED*)

#### *Annual improvements 2010–2012 Cycle*

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

##### *IFRS 2 Share-based Payment*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

##### *IFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

##### *IFRS 8 Operating Segments*

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.



## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2014

### 2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(CONTINUED)*

#### *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

#### *IAS 24 Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

#### *Annual improvements 2011–2013 Cycle*

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

#### *IFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

#### *IFRS 13 Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

#### *IAS 40 Investment Property*

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.



## NOTES TO FINANCIAL STATEMENTS (*Continued*)

31 December 2014

### 2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (*CONTINUED*)

#### *Annual Improvements 2012–2014 Cycle*

These improvements are effective from 1 January 2016 and are not expected to have a material impact on the Group. They include:

#### *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*

The amendment clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendment is to be applied prospectively.

#### *IFRS 7 Financial Instruments: Disclosures*

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the IFRS 7 disclosures are required.

The amendment also clarifies that the disclosures in respect of the offsetting of financial assets and financial liabilities in IFRS 7 are not required in the condensed interim financial statements, except where the disclosures provide a significant update to the information reported in the most recent annual report, in which case the disclosures should be included in the condensed interim financial statements.

#### *IAS 19 Employee Benefits*

The amendment clarifies that market depth of high quality corporate bonds used for discounting the post-employment benefit obligation for defined benefit plans is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

#### *IAS 34 Interim Financial Reporting*

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report. The amendments also specify that the information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (CONTINUED)

#### *Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception*

The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments to IFRS 10 also clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Consequential amendments were made to IFRS 12 to require an investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 9 to present the disclosures in respect of investment entities in accordance with IFRS 12. IAS 28 was also amended to allow an investor that is not itself an investment entity, and has an interest in an investment entity associate or joint venture, to retain the fair value measurement applied by the investment entity associate or joint venture to the interest in its subsidiaries. These amendments do not have any impact on the Group's consolidated financial statements.

#### *Amendments to IAS 1 Disclosure Initiative*

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements in five areas, including materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments further encourage entities to apply professional judgement in determining what information to disclose and how to structure the disclosure in the financial statements. These amendments will not have any impact on the Group's consolidated financial statements.



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

#### Investments in associates and joint ventures

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### **Investments in associates and joint ventures *(Continued)***

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5.

#### **Business combinations and goodwill**

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

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



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Business combinations and goodwill (Continued)

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

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

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

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

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

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



## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### **Merger accounting for business combinations under common control**

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

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

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

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

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

#### **Fair value measurement**

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.





## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- |         |   |
|---------|---|
| Level 1 | based on quoted prices (unadjusted) in active markets for identical assets or liabilities   |
| Level 2 | based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly |
| Level 3 | based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable                              |

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

#### Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### Related parties

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Buildings	5 to 45 years
Plant and machinery	1 to 45 years
Motor vehicles	2 to 16 years
Railway	10 to 45 years
Road	10 to 45 years
Office equipment and others	1 to 30 years

Certain fixed assets previously classified under Railway category are reclassified to categories of Buildings, Plant and machinery, Motor vehicles, Road and Office equipment and others, respectively during the year. Hence, the range of useful lives of the respective categories change accordingly.

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

#### **Exploration and evaluation expenditure**

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

#### **Investment properties**

Investment properties are interests in buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

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

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

#### **Mining rights**

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



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

#### Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

#### Operating leases

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

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

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### **Investments and other financial assets**

##### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

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

##### **Subsequent measurement**

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

##### **Loans and receivables**

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





## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Investments and other financial assets (Continued)

##### Available-for-sale financial investments

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

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

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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



## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

#### **Impairment of financial assets**

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



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Impairment of financial assets (Continued)

##### Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

##### Assets carried at cost

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

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### Impairment of financial assets *(Continued)*

##### Available-for-sale financial investments

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

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

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available-for-sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

#### Financial liabilities

##### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate.

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

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

##### Subsequent measurement

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

##### Loans and borrowings

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial liabilities (Continued)

##### Loans and borrowings (Continued)

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

##### Financial guarantee contracts

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

##### Derecognition of financial liabilities

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

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

##### Offsetting of financial instruments

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

##### Inventories

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

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### Cash and cash equivalents

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

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

#### Provisions

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

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

#### Rehabilitation provision

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

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related coals. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognised in finance costs. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognised immediately in the statement of profit or loss.



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Income tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

#### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services, when such services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the Group;
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (d) dividend income, when the shareholders' right to receive payment has been established.

#### Employee benefits

##### Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC.

Contributions to these plans are expensed as incurred. Details of the contributions are set out in Note 8 to the financial statements.





## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the loan costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 3.8% and 8% has been applied to the expenditure on the individual assets.

#### Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

#### Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currency of an overseas subsidiary is the United States dollar. As at the end of the reporting period, the assets and liabilities of the entity are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and the statement of profit or loss is translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### **Foreign currencies *(Continued)***

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiary are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiary which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### **Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

##### **Impairment provision of receivables**

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

##### **Classification between investment properties and owner-occupied properties**

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

##### **Contingencies**

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgements and estimates of the outcome of future events.



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### Judgements (Continued)

##### Production start date

The Group assesses the stage of each mine under construction to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and is reclassified from “Construction in progress” to “Mining structures”. Some of the criteria will include, but are not limited to, the following:

- the level of capital expenditure compared to the construction cost estimates
- completion of a reasonable period of testing of the mining plant and equipment
- ability to produce coals in saleable form (within specifications)
- ability to sustain ongoing production of coal

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

##### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

##### Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2014

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(CONTINUED)*

#### Estimation uncertainty *(Continued)*

##### **Impairment of available-for-sale financial assets**

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. Further details are contained in Note 23 to the financial statements.

##### **Current income tax**

The Group is subject to income taxes in numerous jurisdictions in the PRC. Judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax provisions in the periods in which such differences arise.

##### **Deferred tax assets**

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilised. Significant management judgement requires to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 24 to the financial statements.

##### **Useful lives and residual values of items of property, plant and equipment**

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of items of property, plant and equipment. The estimation of the useful life of an item of property, plant and equipment is based on historical experience of the Group with similar assets that are used in a similar way.

Depreciation amounts will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at least at the end of each reporting period, based on changes in circumstances.



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### Estimation uncertainty (Continued)

##### Mine rehabilitation provision

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates (3.24%), and changes in discount rates (10%). Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16 *Property, Plant and Equipment*. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

##### Coal reserve and resource estimates

Coal reserves are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. The Group estimates its coal reserves and mineral resources based on reserve reports compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and this requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the coal body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

##### Units-of-production depreciation for mine specific assets

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 4. OPERATING SEGMENT INFORMATION

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

- (a) the coal segment is engaged in the mining and sale of coal products;
- (b) the transportation segment provides road and railway transportation services to coal companies;
- (c) the coal-related chemical segment produces and sells coal-based synthetic fuel; and
- (d) the “others” segment comprises, principally, the development, production and sale of medicines, and the 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 FINANCIAL STATEMENTS (Continued)

31 December 2014

### 4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2014	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Others RMB'000	Consolidated RMB'000
<b>Segment revenue:</b>					
Sales to external customers	22,028,760	379,757	2,388,696	8,891	24,806,104
Intersegment sales	235,115	1,810,531	54,979	—	2,100,625
	22,263,875	2,190,288	2,443,675	8,891	26,906,729
<i>Reconciliation</i>					
Elimination of intersegment sales					(2,100,625)
Revenue					24,806,104
<b>Segment results:</b>					
Profit/(loss) before tax	2,098,928	1,111,027	192,904	(2,784)	3,400,075
Income tax expense	(477,873)	(129,667)	(31,218)	—	(638,758)
	1,621,055	981,360	161,686	(2,784)	2,761,317
Net profit for the year					2,761,317
Segment assets	30,855,178	12,839,788	17,656,596	1,033,062	62,384,624
<i>Reconciliation</i>					
Elimination of intersegment receivables					(3,554,378)
Capitalisation of finance costs					(86,168)
Total assets					58,744,078
Segment liabilities	17,286,885	5,944,499	11,183,778	386,641	34,801,803
<i>Reconciliation</i>					
Elimination of intersegment payables					(3,554,378)
Total liabilities					31,247,425



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2014	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Others RMB'000	Consolidated RMB'000
<b>Other segment information:</b>					
Share of profits of associates	39,554	—	111	—	39,665
Finance income	78,380	1,677	18,421	—	98,478
Finance costs	(454,751)	(188,088)	(99,736)	(334)	(742,909)
Impairment losses recognised in the statement of profit or loss	(86,514)	—	—	—	(86,514)
Impairment losses reversed in the statement of profit or loss	4,248	—	—	—	4,248
Depreciation and amortisation	(1,206,329)	(315,683)	(170,228)	(8,448)	(1,700,688)
Investments in associates	296,808	—	88,818	—	385,626
Investments in joint ventures	—	—	49,000	—	49,000
Capital expenditure*	1,363,426	2,103,861	6,272,338	194,724	9,934,349

\* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, other intangible assets, and other non-current assets.

Year ended 31 December 2013	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Others RMB'000	Consolidated RMB'000
<b>Segment revenue:</b>					
Sales to external customers	22,426,267	307,986	1,530,997	9,623	24,274,873
Intersegment sales	193,262	1,650,788	15,871	—	1,859,921
	22,619,529	1,958,774	1,546,868	9,623	26,134,794
<i>Reconciliation</i>					
Elimination of intersegment sales					(1,859,921)
Revenue					24,274,873
<b>Segment results:</b>					
Profit/(loss) before tax	3,615,196	890,965	215,273	(1,402)	4,720,032
Income tax expense	(555,761)	(107,279)	(46,385)	(43)	(709,468)
	3,059,435	783,686	168,888	(1,445)	4,010,564
<i>Reconciliation</i>					
Finance costs					(86,168)
Net profit for the year					3,924,396

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2013	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Others RMB'000	Consolidated RMB'000
Segment assets	26,943,134	10,764,045	12,353,809	755,630	50,816,618
<i>Reconciliation</i>					
Elimination of intersegment receivables					(5,245,942)
Capitalisation of finance costs					(86,168)
Total assets					<u>45,484,508</u>
Segment liabilities	13,322,891	4,774,111	7,012,745	606,294	25,716,041
<i>Reconciliation</i>					
Elimination of intersegment payables					(5,245,942)
Total liabilities					<u>20,470,099</u>
<b>Other segment information:</b>					
Share of profits of associates	14,549	—	4,759	—	19,308
Finance income	32,480	1,708	3,828	196	38,212
Finance costs	(490,417)	(179,379)	(135,899)	—	(805,695)
Impairment losses recognised in the statement of profit or loss	(15,107)	—	—	—	(15,107)
Impairment losses reversed in the statement of profit or loss	2,046	—	—	—	2,046
Depreciation and amortisation	(1,488,901)	(282,880)	(169,858)	(4,094)	(1,945,733)
Investments in associates	270,801	—	91,263	—	362,064
Capital expenditure*	2,061,905	1,466,930	3,180,693	263,402	6,972,930

\* Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments, mining rights, and other intangible assets.

The Group's revenue from external customers is derived solely from its operation in Mainland China, and no non-current assets of the Group are located outside Mainland China.

During the years ended 31 December 2014 and 2013, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue for these years.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 5. REVENUE, OTHER INCOME AND GAINS

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

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

	2014 RMB'000	2013 RMB'000
<b>Revenue</b>		
Sale of goods	24,426,347	23,966,887
Rendering of services	379,757	307,986
	<u>24,806,104</u>	<u>24,274,873</u>
<b>Other income</b>		
Income from the sale of materials	9,204	61,620
Income from the rendering of other services	129,525	44,113
Dividend income from available-for-sale investments	78,317	14,068
	<u>217,046</u>	<u>119,801</u>
<b>Gains</b>		
Gain on disposal of items of property, plant and equipment and intangible assets	23,779	8,938
Government grants	19,340	8,810
Indemnities received	8,115	4,759
Compensation received*	—	108,589
Others	22,284	25,941
	<u>73,518</u>	<u>157,037</u>
	<u>290,564</u>	<u>276,838</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 the Group arising from the agreed construction of a railway and other related facilities by this company in one of the Group's mines.



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 6. FINANCE INCOME

The Group's finance income is as follows:

	2014 RMB'000	2013 RMB'000
Bank interest income	65,420	38,212
Interest income from entrusted loans	5,894	—
Interest income from financial products	27,164	—
	<u>98,478</u>	<u>38,212</u>

### 7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2014 RMB'000	Group 2013 RMB'000
Interest on bank borrowings	1,222,910	680,531
Interest on corporate bonds	261,516	147,418
Interest paid to Yitai Group in relation to the Acquisition of the Target Business Group (as defined in Note 36)	—	164,948
Total interest expense	<u>1,484,426</u>	<u>992,897</u>
Less: Interest capitalised	<u>(741,517)</u>	<u>(187,202)</u>
	<u>742,909</u>	<u>805,695</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 8. PROFIT BEFORE TAX

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

	Notes	Group	
		2014 RMB'000	2013 RMB'000
Cost of inventories sold		17,864,722	15,966,641
Cost of services provided		140,036	118,538
Depreciation of property, plant and equipment	14	1,590,242	1,844,070
Depreciation of investment properties	15	9,310	3,877
Amortisation of prepaid land lease payments	16	36,923	33,174
Amortisation of mining rights	17	31,933	45,258
Amortisation of other intangible assets	18	28,810	13,429
Amortisation of other non-current assets	19	3,470	5,925
Total depreciation and amortisation		1,700,688	1,945,733
Research and development costs		79,841	75,440
Auditors' remuneration		6,347	5,702
Employee benefit expense (excluding directors' and supervisors' remuneration (Note 9))			
Wages, salaries and other employees' benefits		1,423,792	1,548,947
Pension scheme contributions (defined contribution plans)		61,911	55,884
		1,485,703	1,604,831
Reversal of impairment of other receivables, net	27	(4,248)	(2,011)
Impairment of property, plant and equipment	14	33,921	12,658
Impairment of mining rights	17	—	2,414
Impairment of prepaid land lease payments	16	4,221	—
Impairment of available-for-sale investments	23	48,372	—
(Gain)/loss on disposal of items of property, plant and equipment, prepaid land lease payments, and other intangible assets, net		(12,770)	72,133
Unrealised losses on futures contracts, net		—	446
Realised loss/(gain) on futures contracts		581	(1,017)



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

#### (a) Directors' and supervisors' remuneration

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Salaries and allowances	9,579	11,350
Discretionary bonuses	978	1,098
Pension	497	597
Total	<u>11,054</u>	<u>13,045</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

#### (a) Directors' and supervisors' remuneration (Continued)

The remuneration of each of the directors and supervisors of the Group for the years ended 31 December 2014 and 2013 is as follows:

	Salaries, housing benefits, other allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
<b>2014</b>				
<b>Executive directors:</b>				
Zhang Donghai	1,931	37	56	2,024
Liu Chunlin	1,259	37	56	1,352
Zhang Xinrong	991	61	56	1,108
Lv Guiliang	837	37	56	930
Ge Yaoyong <sup>1</sup>	676	12	14	702
Zhang Dongsheng	642	12	14	668
Kang Zhi <sup>2</sup>	611	5	23	639
Song Zhanyou <sup>3</sup>	399	32	47	478
	<u>7,346</u>	<u>233</u>	<u>322</u>	<u>7,901</u>
<b>Independent non-executive directors:</b>				
Tam Kwok Ming, Banny	—	200	—	200
Song Jianzhong	—	100	—	100
Yu Youguang	—	100	—	100
Qi Yongxing	—	100	—	100
	<u>—</u>	<u>500</u>	<u>—</u>	<u>500</u>
<b>Supervisors:</b>				
Li Wenshan	1,020	7	56	1,083
Wang Xiaodong	600	12	56	668
Zhang Guisheng	266	7	9	282
Ji Zhifu	186	44	31	261
Han Zhanchun	161	55	23	239
Wang Yongliang	—	60	—	60
Wu Qu	—	60	—	60
	<u>2,233</u>	<u>245</u>	<u>175</u>	<u>2,653</u>
	<u>9,579</u>	<u>978</u>	<u>497</u>	<u>11,054</u>

<sup>1</sup> Ge Yaoyong resigned as a director in March 2014.

<sup>2</sup> Kang Zhi resigned as a director in May 2014.

<sup>3</sup> Song Zhanyou was appointed as an executive director in May 2014.



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

#### (a) Directors' and supervisors' remuneration (Continued)

	Salaries, housing benefits, other allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
<b>2013</b>				
<b>Executive directors:</b>				
Zhang Donghai	1,950	62	52	2,064
Liu Chunlin	1,265	62	52	1,379
Zhang Dongsheng	1,020	12	52	1,084
Ge Yaoyong	1,126	62	52	1,240
Zhang Xinrong	992	62	52	1,106
Kang Zhi	986	65	52	1,103
Lv Guiliang	978	12	52	1,042
	<u>8,317</u>	<u>337</u>	<u>364</u>	<u>9,018</u>
<b>Independent non-executive directors:</b>				
Tam Kwok Ming, Banny	—	200	—	200
Song Jianzhong	—	100	—	100
Xie Xianghua <sup>1</sup>	—	50	—	50
Lian Junhai <sup>2</sup>	—	92	—	92
Yu Youguang <sup>3</sup>	—	50	—	50
Qi Yongxing <sup>4</sup>	—	8	—	8
	<u>—</u>	<u>500</u>	<u>—</u>	<u>500</u>
<b>Supervisors:</b>				
Li Wenshan	1,020	7	52	1,079
Wang Sanmin <sup>5</sup>	628	2	41	671
Ji Zhifu	178	67	29	274
Han Zhanchun	136	53	23	212
Zhang Guisheng	671	7	52	730
Wang Yongliang	—	60	—	60
Wu Qu	—	60	—	60
Wang Xiaodong <sup>6</sup>	400	5	36	441
	<u>3,033</u>	<u>261</u>	<u>233</u>	<u>3,527</u>
	<u>11,350</u>	<u>1,098</u>	<u>597</u>	<u>13,045</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

#### (a) Directors' and supervisors' remuneration (Continued)

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2014 and 2013.

- <sup>1</sup> Xie Xianghua resigned as an independent non-executive director in June 2013.
- <sup>2</sup> Lian Junhai resigned as an independent non-executive director in December 2013.
- <sup>3</sup> Yu Youguang was appointed as an independent non-executive director in June 2013.
- <sup>4</sup> Qi Yongxing was appointed as an independent non-executive director in December 2013.
- <sup>5</sup> Wang Sanmin resigned as a supervisor in April 2013.
- <sup>6</sup> Wang Xiaodong was appointed as a supervisor in April 2013.

#### (b) Five highest paid employees

The five highest paid employees during the years ended 31 December 2014 and 2013 were all directors or supervisors.

### 10. INCOME TAX EXPENSE

		Group	
	Note	2014 RMB'000	2013 RMB'000
Group:			
Current tax — Mainland China		<b>632,314</b>	532,570
Deferred income tax	24, 33	<b>6,444</b>	176,898
Total tax charge for the year		<b>638,758</b>	709,468

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.

Certain subsidiaries were entitled to a preferential CIT rate of 15% from 1 January 2011 to 31 December 2020 based on the Guidance Catalogue for Adjustment of Industrial Structure (產業結構調整指導目錄 (2011)) issued by the National Development and Reform Commission which was related to the approval given to selected entities to enjoy the preferential tax rate in the Western Development.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 10. INCOME TAX EXPENSE (CONTINUED)

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 fall into the Catalogue of Encouraged Industries in Western China (西部地区鼓励类产业目录, “CEIWC”) can enjoy the preferential income tax rate of 15% from 1 January 2011 to 31 December 2020.

According to Caishui (2012) No.12 issued by the State Administration of Taxation, before CEIWC is promulgated, selected entities falling into encouraged projects in the Guidance Catalogue for Industry Structural Adjustment (2011) are entitled to a preferential tax rate of 15%. If CEIWC is promulgated and the companies mentioned above do not meet the condition of CEIWC, then income tax should be re-declared according to the applicable tax rate.

In August 2014, the Catalogue of Encouraged Industries in Western China (西部地区鼓励类产业目录, “CEIWC”) was promulgated. The Company no longer meets the condition of CEIWC, and therefore re-declared its income tax to the statutory tax rate of 25%.

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profits derived from or earned in Hong Kong during the years ended 31 December 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 years ended 31 December 2014 and 2013 is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Profit before tax	<b>3,400,075</b>	4,633,864
Tax at the statutory tax rate of 25%	<b>850,019</b>	1,158,466
Effect of lower tax rates	<b>(299,235)</b>	(467,169)
Effect on opening deferred tax of increase in rates	<b>(23,361)</b>	—
Adjustments in respect of current tax of previous periods	<b>83,175</b>	—
Entertainment expenses not deductible for tax purposes	<b>9,183</b>	11,268
Profits and losses attributable to associates	<b>(9,906)</b>	(2,896)
Tax incentive in relation to deduction limits of certain expenses	—	(5,658)
Tax losses not recognised	<b>24,345</b>	5,053
Others	<b>4,538</b>	10,404
Tax charge at the Group's effective rate	<b>638,758</b>	709,468

The share of tax attributable to associates amounting to RMB2,475,156 (2013: RMB3,644,786) was included in “Share of profits of associates” in the consolidated statement of profit or loss.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 11. DIVIDENDS

	Group/Company	
	2014	2013
	RMB'000	RMB'000
Proposed final cash dividend	<b>676,833</b>	<b>1,041,282</b>

The board of directors of the Company recommended on 18 March 2015 to propose a final cash dividend of RMB2.08 per 10 ordinary shares. The above-mentioned proposed final cash dividend for the year ended 31 December 2014 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The proposed final cash dividend for the year ended 31 December 2013 was based on a cash dividend of RMB3.2 per 10 ordinary share. It was declared in May 2014 and subsequently paid to shareholders from June to September in 2014.

Pursuant to Article 16.05 of the Company's Articles of Association, where the financial statements prepared in accordance with the PRC accounting standards differ from those prepared under International Financial Reporting Standards, distributable net profit for the relevant accounting period shall be deemed to be the lesser of the amounts shown in the two different financial statements. Net profit of the Company for the year ended 31 December 2014, calculated based on the above principle, amounted to approximately RMB1,194,734,000.

### 12. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a profit of RMB1,194,734,000 (2013: RMB2,216,537,000) which has been dealt with in the financial statements of the Company (Note 35).



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 13. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY OWNERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the years ended 31 December 2014 and 2013 attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the years ended 31 December 2014 and 2013.

The Company had no dilutive potential ordinary shares in issue for the years ended 31 December 2014 and 2013.

The calculations of basic and diluted earnings per share are based on:

	Group	
	2014	2013
	RMB'000	RMB'000
<b>Earnings</b>		
Profit for the year attributable to ordinary equity holders of the parent	<u>2,252,637</u>	<u>3,427,575</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year ( <i>in thousand</i> )	<u>3,254,007</u>	<u>3,254,007</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 14. PROPERTY, PLANT AND EQUIPMENT

#### Group

	Buildings	Mining structures	Plant and machinery	Motor vehicles	Railway	Road	Office equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2014</b>									
<b>At 1 January 2014:</b>									
Cost	4,536,778	3,509,621	6,589,421	644,392	8,546,154	654,093	1,009,134	9,191,090	34,680,683
Accumulated depreciation and impairment	(688,446)	(1,363,963)	(2,220,462)	(257,343)	(834,415)	(226,535)	(631,366)	—	(6,222,530)
Net carrying amount	<u>3,848,332</u>	<u>2,145,658</u>	<u>4,368,959</u>	<u>387,049</u>	<u>7,711,739</u>	<u>427,558</u>	<u>377,768</u>	<u>9,191,090</u>	<u>28,458,153</u>
At 1 January 2014, net of accumulated depreciation and impairment	3,848,332	2,145,658	4,368,959	387,049	7,711,739	427,558	377,768	9,191,090	28,458,153
Additions	44,638	420,446	230,660	22,235	27,495	2,096	54,478	9,026,623	9,828,671
Acquisition of a subsidiary (Note 36)	—	—	—	206	—	—	210	350,415	350,831
Depreciation provided during the year	(204,120)	(376,242)	(602,089)	(77,461)	(208,993)	(41,287)	(80,050)	—	(1,590,242)
Transfers/Reclassifications	601,100	186,584	385,936	(2,991)	(371,688)	157,020	15,404	(971,365)	—
Transfers to investment properties (Note 15)	(101,657)	—	—	—	—	—	—	—	(101,657)
Disposals/written off	(4,798)	—	(2,914)	(4,354)	—	—	(2,189)	(94,304)	(108,559)
Impairment	(33,047)	—	—	—	—	(874)	—	—	(33,921)
At 31 December 2014, net of accumulated depreciation and impairment	<u>4,150,448</u>	<u>2,376,446</u>	<u>4,380,552</u>	<u>324,684</u>	<u>7,158,553</u>	<u>544,513</u>	<u>365,621</u>	<u>17,502,459</u>	<u>36,803,276</u>

	Buildings	Mining structures	Plant and machinery	Motor vehicles	Railway	Road	Office equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2014</b>									
<b>At 31 December 2014:</b>									
Cost	5,046,374	4,096,487	7,457,854	704,469	8,103,414	818,826	712,896	17,504,298	44,444,618
Accumulated depreciation and impairment	(895,926)	(1,720,041)	(3,077,302)	(379,785)	(944,861)	(274,313)	(347,275)	(1,839)	(7,641,342)
Net carrying amount	<u>4,150,448</u>	<u>2,376,446</u>	<u>4,380,552</u>	<u>324,684</u>	<u>7,158,553</u>	<u>544,513</u>	<u>365,621</u>	<u>17,502,459</u>	<u>36,803,276</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### Group

	Buildings	Mining structures	Plant and machinery	Motor vehicles	Railway	Road	Office equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2013</b>									
<b>At 1 January 2013:</b>									
Cost	3,780,395	2,759,781	6,178,521	606,371	6,182,420	622,585	748,158	7,969,045	28,847,276
Accumulated depreciation and impairment	(521,202)	(751,891)	(1,747,856)	(212,871)	(689,201)	(194,904)	(460,425)	—	(4,578,350)
Net carrying amount	<u>3,259,193</u>	<u>2,007,890</u>	<u>4,430,665</u>	<u>393,500</u>	<u>5,493,219</u>	<u>427,681</u>	<u>287,733</u>	<u>7,969,045</u>	<u>24,268,926</u>
At 1 January 2013, net of accumulated depreciation and impairment									
	3,259,193	2,007,890	4,430,665	393,500	5,493,219	427,681	287,733	7,969,045	24,268,926
Additions	37,324	619,240	418,627	86,003	5,523	28,446	190,637	4,738,782	6,124,582
Depreciation provided during the year	(177,823)	(652,449)	(554,007)	(80,436)	(156,802)	(31,631)	(190,922)	—	(1,844,070)
Transfers	748,660	184,797	104,466	1,363	2,374,457	3,062	98,093	(3,514,898)	—
Disposal of a subsidiary	—	—	—	—	—	—	(3,002)	—	(3,002)
Disposals/written off	(12,623)	(9,400)	(30,792)	(13,381)	(4,658)	—	(4,771)	—	(75,625)
Impairment	(6,399)	(4,420)	—	—	—	—	—	(1,839)	(12,658)
At 31 December 2013, net of accumulated depreciation and impairment	<u>3,848,332</u>	<u>2,145,658</u>	<u>4,368,959</u>	<u>387,049</u>	<u>7,711,739</u>	<u>427,558</u>	<u>377,768</u>	<u>9,191,090</u>	<u>28,458,153</u>
<b>31 December 2013</b>									
<b>At 31 December 2013:</b>									
Cost	4,536,778	3,509,621	6,589,421	644,392	8,546,154	654,093	1,009,134	9,191,090	34,680,683
Accumulated depreciation and impairment	(688,446)	(1,363,963)	(2,220,462)	(257,343)	(834,415)	(226,535)	(631,366)	—	(6,222,530)
Net carrying amount	<u>3,848,332</u>	<u>2,145,658</u>	<u>4,368,959</u>	<u>387,049</u>	<u>7,711,739</u>	<u>427,558</u>	<u>377,768</u>	<u>9,191,090</u>	<u>28,458,153</u>



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at the date of approval of these financial statements, the Group is in the process of applying for or changing the registration of the title certificates for certain of its buildings with an aggregate net carrying amount of approximately RMB1,079,882,000. The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2014.

#### Company

	Buildings RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Road RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2014</b>								
<b>At 1 January 2014:</b>								
Cost	2,531,386	1,696,621	2,755,315	224,128	537,844	311,095	1,945,925	10,002,314
Accumulated depreciation and impairment	(410,632)	(980,775)	(1,332,793)	(110,629)	(181,502)	(202,227)	(1,839)	(3,220,397)
Net carrying amount	<u>2,120,754</u>	<u>715,846</u>	<u>1,422,522</u>	<u>113,499</u>	<u>356,342</u>	<u>108,868</u>	<u>1,944,086</u>	<u>6,781,917</u>
At 1 January 2014, net of accumulated depreciation and impairment	2,120,754	715,846	1,422,522	113,499	356,342	108,868	1,944,086	6,781,917
Additions	34,923	274,300	87,720	15,934	—	32,141	535,034	980,052
Depreciation provided during the year	(117,705)	(308,685)	(274,162)	(25,441)	(35,479)	(55,881)	—	(817,353)
Transfers/Reclassifications	188,890	98,000	(45,261)	(1,225)	78,066	118,268	(436,738)	—
Transfers to/from subsidiaries	(22,076)	21,519	73,187	(36,975)	9,959	23,656	—	69,270
Transfers to investment properties (Note 15)	(101,657)	—	—	—	—	—	—	(101,657)
Disposals/written off	(1,536)	—	(440)	(4,002)	—	(1,638)	(94,304)	(101,920)
Impairment	(33,047)	—	—	—	(874)	—	—	(33,921)
At 31 December 2014, net of accumulated depreciation and impairment	<u>2,068,546</u>	<u>800,980</u>	<u>1,263,566</u>	<u>61,790</u>	<u>408,014</u>	<u>225,414</u>	<u>1,948,078</u>	<u>6,776,388</u>

	Buildings RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Road RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2014</b>								
<b>At 31 December 2014:</b>								
Cost	2,572,405	2,062,235	2,888,612	204,702	629,627	479,867	1,949,917	10,787,365
Accumulated depreciation and impairment	(503,859)	(1,261,255)	(1,625,046)	(142,912)	(221,613)	(254,453)	(1,839)	(4,010,977)
Net carrying amount	<u>2,068,546</u>	<u>800,980</u>	<u>1,263,566</u>	<u>61,790</u>	<u>408,014</u>	<u>225,414</u>	<u>1,948,078</u>	<u>6,776,388</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Road RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2013</b>								
<b>At 1 January 2013:</b>								
Cost	1,879,186	1,187,722	2,489,847	190,943	507,020	269,521	2,141,625	8,665,864
Accumulated depreciation and impairment	(309,763)	(486,053)	(1,082,990)	(106,825)	(154,088)	(157,789)	—	(2,297,508)
Net carrying amount	<u>1,569,423</u>	<u>701,669</u>	<u>1,406,857</u>	<u>84,118</u>	<u>352,932</u>	<u>111,732</u>	<u>2,141,625</u>	<u>6,368,356</u>
At 1 January 2013, net of accumulated depreciation and impairment								
Additions	15,976	523,528	316,672	71,349	27,762	51,882	552,715	1,559,884
Depreciation provided during the year	(105,771)	(535,093)	(328,708)	(32,061)	(27,414)	(55,515)	—	(1,084,562)
Transfers	651,177	39,555	53,200	331	3,062	1,090	(748,415)	—
Disposals/written off	(3,652)	(9,393)	(25,499)	(10,238)	—	(321)	—	(49,103)
Impairment	(6,399)	(4,420)	—	—	—	—	(1,839)	(12,658)
At 31 December 2013, net of accumulated depreciation and impairment	<u>2,120,754</u>	<u>715,846</u>	<u>1,422,522</u>	<u>113,499</u>	<u>356,342</u>	<u>108,868</u>	<u>1,944,086</u>	<u>6,781,917</u>
<b>31 December 2013</b>								
<b>At 31 December 2013:</b>								
Cost	2,531,386	1,696,621	2,755,315	224,128	537,844	311,095	1,945,925	10,002,314
Accumulated depreciation and impairment	(410,632)	(980,775)	(1,332,793)	(110,629)	(181,502)	(202,227)	(1,839)	(3,220,397)
Net carrying amount	<u>2,120,754</u>	<u>715,846</u>	<u>1,422,522</u>	<u>113,499</u>	<u>356,342</u>	<u>108,868</u>	<u>1,944,086</u>	<u>6,781,917</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### Impairment test for property, plant and equipment

When any indicators of impairment are identified, property, plant and equipment are reviewed for impairment based on each CGU. The CGU is an individual mine or entity. The carrying value of these individual mines or entities was compared to the recoverable amount of the CGUs, which was based predominantly on value-in-use. Value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period or remaining life in use. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates not exceeding the long-term average growth rates for the businesses in which the CGU operates. Other key assumptions applied in the impairment tests include the expected product price, demand for the products, product cost and related expenses. Management determined that these key assumptions were based on past performance and their expectations on market development. Further, the Group adopts a pre-tax rate of 12.17% (2013: 12.17%) that reflects specific risks related to CGUs and groups of CGUs as discount rates. The assumptions above are used in analysing the recoverable amounts of CGUs and groups of CGUs within operating segments.

During the year ended 31 December 2014, an impairment loss of RMB33,921,000 (2013: RMB12,658,000) was provided for certain buildings and mining structures with the recoverable amount of RMB27,011,000 of Nayi Mine (2013: RMB139,150,000 of Chengyi Mine), a branch of the Company. Nayi Mine has a remaining 0.25-year life of value-in-use. The recoverable amount is determined based on the value-in-use of these property, plant and equipment which was determined by the impairment testing result using the technique in the above paragraph.

A one percentage point increase or decrease in the discount rate, with all other variables held constant, would result in a 0.35% (2013: 1.86%) and 0.36% (2013: 1.92%) decrease or increase in the estimated recoverable amount of property, plant and equipment respectively.

Where it is considered more likely than not that an individual CGU will be disposed of within the near-term rather than continue to be held and operated by the Group, the recoverable amount to be completed is based on the estimated net disposal value of the CGU less costs of disposal rather than by reference to its value-in-use.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 15. INVESTMENT PROPERTIES

	Note	Group/Company	
		2014	2013
		RMB'000	RMB'000
Carrying amount at 1 January		45,509	31,382
Additions		—	18,004
Transfer from owner-occupied property	14	101,657	—
Depreciation for the year		(9,310)	(3,877)
Carrying amount at 31 December		<b>137,856</b>	<b>45,509</b>

	Note	Group/Company	
		2014	2013
		RMB'000	RMB'000
Cost:			
At 1 January		57,365	39,361
Additions		—	18,004
Transfer from owner-occupied property	14	101,657	—
At 31 December		<b>159,022</b>	<b>57,365</b>
Accumulated depreciation:			
At 1 January		(11,856)	(7,979)
Depreciation charge for the year		(9,310)	(3,877)
At 31 December		<b>(21,166)</b>	<b>(11,856)</b>
Net carrying amount at 31 December		<b>137,856</b>	<b>45,509</b>

The Group's investment properties are situated in Mainland China, and are leased to third parties under operating leases with lease terms of 1 to 10 years, further summary details of which are included in note 37(a) to the financial statements.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 16. PREPAID LAND LEASE PAYMENTS

	Note	Group	
		2014 RMB'000	2013 RMB'000
Carrying amount at 1 January		1,018,175	334,701
Additions		56,709	722,352
Disposals		—	(5,704)
Impairment	8	(4,221)	—
Recognised during the year		(36,923)	(33,174)
Carrying amount at 31 December		1,033,740	1,018,175
Current portion included in prepayments, deposits and other receivables		30,022	32,896
Non-current portion		1,003,718	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:

	Group	
	2014 RMB'000	2013 RMB'000
Long-term leases (≥50years)	590,957	586,410
Medium-term leases (<50 years)	442,783	431,765
	1,033,740	1,018,175

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 16. PREPAID LAND LEASE PAYMENTS (CONTINUED)

	Company	
	2014 RMB'000	2013 RMB'000
Carrying amount at 1 January	323,850	179,183
Additions	—	165,952
Disposals	—	(5,704)
Impairment	(4,221)	—
Recognised during the year	(18,820)	(15,581)
Carrying amount at 31 December	300,809	323,850
Current portion included in prepayments, deposits and other receivables	11,736	15,303
Non-current portion	289,073	308,547

The carrying amount of the Company's prepaid land lease payments represents land use rights in Mainland China with land held under the following lease terms:

	Company	
	2014 RMB'000	2013 RMB'000
Long-term leases (≥50years)	60,298	50,805
Medium-term leases (<50 years)	240,511	273,045
	300,809	323,850

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 17. MINING RIGHTS

	Note	Group	
		2014 RMB'000	2013 RMB'000
Cost as at 1 January, net of accumulated amortisation		441,102	419,519
Additions		—	69,255
Impairment	8	—	(2,414)
Amortisation for the year		(31,933)	(45,258)
Cost as at 31 December, net of accumulated amortisation and impairment		<u>409,169</u>	<u>441,102</u>
As at 31 December:			
Cost		673,206	673,206
Accumulated amortisation and impairment		(264,037)	(232,104)
Net carrying amount		<u>409,169</u>	<u>441,102</u>
<hr/>			
		Company	
		2014 RMB'000	2013 RMB'000
Cost as at 1 January, net of accumulated amortisation		196,848	231,736
Impairment		—	(2,414)
Amortisation for the year		(21,105)	(32,474)
Cost as at 31 December, net of accumulated amortisation and impairment		<u>175,743</u>	<u>196,848</u>
As at 31 December:			
Cost		385,595	385,595
Accumulated amortisation and impairment		(209,852)	(188,747)
Net carrying amount		<u>175,743</u>	<u>196,848</u>



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 18. OTHER INTANGIBLE ASSETS

	Group	
	2014 RMB'000	2013 RMB'000
Cost as at 1 January, net of accumulated amortisation	74,522	50,792
Additions	33,125	38,737
Disposal of a subsidiary	—	(1,578)
Amortisation provided during the year	(28,810)	(13,429)
Cost as at 31 December, net of accumulated amortisation	<u>78,837</u>	<u>74,522</u>
As at 31 December:		
Cost	148,328	115,203
Accumulated amortisation	(69,491)	(40,681)
Net carrying amount	<u>78,837</u>	<u>74,522</u>
	Company	
	2014 RMB'000	2013 RMB'000
Cost as at 1 January, net of accumulated amortisation	49,503	28,850
Additions	24,243	31,739
Amortisation provided during the year	(24,724)	(11,086)
Cost as at 31 December, net of accumulated amortisation	<u>49,022</u>	<u>49,503</u>
As at 31 December:		
Cost	94,438	70,195
Accumulated amortisation	(45,416)	(20,692)
Net carrying amount	<u>49,022</u>	<u>49,503</u>

Other intangible assets primarily comprise computer software.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 19. OTHER NON-CURRENT ASSETS

#### Group

	Group	
	2014 RMB'000	2013 RMB'000
Cost as at 1 January, net of accumulated amortisation	12,328	18,297
Additions	15,844	—
Disposal of a subsidiary	—	(44)
Amortisation provided during the year	(3,470)	(5,925)
Cost as at 31 December, net of accumulated amortisation	<u>24,702</u>	<u>12,328</u>
As at 31 December:		
Cost	52,639	36,795
Accumulated amortisation	(27,937)	(24,467)
Net carrying amount	<u>24,702</u>	<u>12,328</u>

Analysed into:

	Group	
	2014 RMB'000	2013 RMB'000
Water use right	11,313	12,189
Others	13,389	139
	<u>24,702</u>	<u>12,328</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 19. OTHER NON-CURRENT ASSETS (CONTINUED)

	Company	
	2014 RMB'000	2013 RMB'000
Cost as at 1 January, net of accumulated amortisation	—	—
Additions	11,255	—
Amortisation provided during the year	(2,104)	—
Cost as at 31 December, net of accumulated amortisation	<u>9,151</u>	<u>—</u>
As at 31 December:		
Cost	11,255	—
Accumulated amortisation	(2,104)	—
Net carrying amount	<u>9,151</u>	<u>—</u>

Analysed into:

	Company	
	2014 RMB'000	2013 RMB'000
Others	<u>9,151</u>	<u>—</u>
	<u>9,151</u>	<u>—</u>

Water use right was the payment to the local water resources bureau to obtain the use right of water.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 20. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	RMB'000	RMB'000
Unlisted investments, at cost	<b>11,038,284</b>	9,740,776
Financial guarantee contracts	<b>451,618</b>	353,378
	<b>11,489,902</b>	10,094,154

Particulars of the principal subsidiaries of the Company are set out in Note 1.

The subsidiaries of the Company listed in Note 1 above, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB1,663,396,000 (2013: RMB2,513,133,000) and RMB1,851,074,000 (2013: RMB2,887,143,000), respectively, are unsecured, interest-free and have no fixed terms of repayment.

The amounts of the financial guarantee contracts included in investments in subsidiaries represent the fair value of the recognised obligation of financial guarantees granted to the subsidiaries. For details of the financial guarantees, please refer to Note 41.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 20. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	Group	
	2014	2013
	RMB'000	RMB'000
Percentage of equity interest held by non-controlling interests:		
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	49%	49%
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)	48%	48%
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	23%	23%
Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限公司)*	55%	—
Profit for the year allocated to non-controlling interests:		
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	85,360	53,133
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)	317,826	281,028
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	46,833	38,422
Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限公司)	(274)	—
Dividends paid to non-controlling interests:		
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)	—	155,520
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	12,559	—
Accumulated balances of non-controlling interests at the reporting dates:		
Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	1,327,274	1,241,914
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)	1,685,295	1,367,469
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)	658,304	624,030
Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限公司)	210,437	—

\* The percentage of equity interest of Ordos Dama Railway Co., Ltd. (鄂爾多斯大馬鐵路有限公司) held by non-controlling interests is 55%, whereas the voting rights interest held by non-controlling interests is 36.2%.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 20. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2014	Inner Mongolia Yitai Coal-to- Oil Co., Ltd. (內蒙古伊泰 煤製油 有限責任公司) RMB'000	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) RMB'000	Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰 呼准鐵路 有限公司) RMB'000	Ordos Dama Railway Co., Ltd. (鄂爾多斯 大馬鐵路 有限公司) RMB'000
Revenues, other income and gains	1,155,605	2,201,724	657,202	—
Total costs of sales and expenses	(981,398)	(1,539,586)	(451,685)	(500)
Profit for the year	174,207	662,138	205,517	(500)
Total comprehensive income for the year	<u>174,207</u>	<u>662,138</u>	<u>205,517</u>	<u>(500)</u>
Current assets	670,389	950,504	82,549	16,205
Non-current assets	3,547,289	3,430,862	6,267,270	443,174
Current liabilities	(355,956)	(654,798)	(580,440)	(74,989)
Non-current liabilities	<u>(1,152,950)</u>	<u>(215,537)</u>	<u>(2,912,989)</u>	<u>—</u>
Net cash flows from/(used in) operating activities	512,472	(37,551)	291,105	(2,244)
Net cash flows from/(used in) investing activities	(197,453)	640,592	(1,238,738)	(34,685)
Net cash flows from/(used in) financing activities	<u>(417,819)</u>	<u>(252,734)</u>	<u>917,498</u>	<u>—</u>
Net increase/(decrease) in cash and cash equivalents	<u>(102,800)</u>	<u>350,307</u>	<u>(30,135)</u>	<u>(36,929)</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 20. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2013	Inner Mongolia Yitai Coal-to-Oil Co., Ltd. (內蒙古伊泰 煤製油 有限責任公司) RMB'000	Inner Mongolia Yitai Jingyue Suancang Mining Co., Ltd. (內蒙古伊泰 京粵酸刺溝礦業 有限責任公司) RMB'000	Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准 鐵路有限公司) RMB'000
Revenues, other income and gains	1,365,494	2,025,692	599,372
Total costs of sales and expenses	(1,195,986)	(1,440,216)	(437,641)
Profit for the year	169,508	585,476	161,731
Total comprehensive income for the year	169,508	585,476	161,731
Current assets	943,496	310,196	142,402
Non-current assets	3,274,020	3,323,760	4,829,316
Current liabilities	(369,702)	(300,085)	(248,880)
Non-current liabilities	(1,313,296)	(484,977)	(2,016,925)
Net cash flows from operating activities	463,062	709,700	245,262
Net cash flows used in investing activities	(258,894)	(87,309)	(1,163,812)
Net cash flows from/(used in) financing activities	139,983	(514,947)	847,242
Net increase/(decrease) in cash and cash equivalents	344,151	107,444	(71,308)



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 21. INVESTMENT IN A JOINT VENTURE

	Group	
	2014 RMB'000	2013 RMB'000
Share of net assets	49,000	—
	<b>49,000</b>	<b>—</b>

Particulars of the joint venture are set out in Note 1.

The Group's shareholdings in the joint venture listed in Note 1 above comprise equity shares held through a subsidiary of the Company.

The following table illustrates the financial information of the Group's joint venture:

	Group	
	2014 RMB'000	2013 RMB'000
Share of the joint venture's profit for the year:	—	—
Share of the joint venture's total comprehensive income	—	—
Aggregate carrying amount of the Group's investments in the joint venture	<b>49,000</b>	<b>—</b>

### 22. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Unlisted investments, at cost	—	—	317,387	281,304
Share of net assets	<b>385,626</b>	362,064	—	—
	<b>385,626</b>	362,064	<b>317,387</b>	281,304

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

The Group's shareholdings in the associates listed in Note 1 above all comprise equity shares held by the Company, except for Zhonghang Liming Jinhuaaji Petro Equipment (Inner Mongolia) Co., Ltd. the shareholding in which is held through a subsidiary of the Company.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 22. INVESTMENTS IN ASSOCIATES (CONTINUED)

The Group has discontinued the recognition of its share of losses of associate Yitai (Beijing) Pharmatech Co., Ltd. because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amount of the Group's unrecognised share of losses of this associate for the current year and cumulatively was RMB315,000 (2013: Nil).

The Group's trade receivable and payable balances with the associates are disclosed in Notes 26 and 29 to the financial statements, respectively.

The following table illustrates the summarised financial information in respect 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:

	2014 RMB'000	2013 RMB'000
Current assets	147,997	183,020
Non-current assets	2,402,635	2,487,490
Current liabilities	(425,326)	(543,902)
Non-current liabilities	(1,230,480)	(1,367,916)
Net assets	<u>894,826</u>	<u>758,692</u>
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	29%	29%
Group's share of net assets of the associate	259,500	220,021
Carrying amount of the investment	<u>259,500</u>	<u>220,021</u>
Revenues	821,368	800,897
Profit for the year	181,953	116,839
Total comprehensive income for the year	181,953	116,839
Dividend received	<u>13,553</u>	<u>4,747</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 22. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	Group	
	2014	2013
	RMB'000	RMB'000
Share of the associates' profit for the year:	(13,101)	(14,575)
Share of the associates' total comprehensive income	(13,101)	(14,575)
Aggregate carrying amount of the Group's investments in the associates	<u>126,126</u>	<u>142,043</u>

### 23. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2014	2013
	RMB'000	RMB'000
Listed equity investments, at fair value:		
Hong Kong	103,744	129,138
Mainland China	<u>332,500</u>	—
	436,244	129,138
Unlisted equity investments, at cost	<u>5,182,160</u>	<u>3,877,360</u>
	<u>5,618,404</u>	<u>4,006,498</u>

	Company	
	2014	2013
	RMB'000	RMB'000
Listed equity investments, at fair value:		
Hong Kong	103,744	129,138
Mainland China	<u>332,500</u>	—
	436,244	129,138
Unlisted equity investments, at cost	<u>5,039,252</u>	<u>3,734,453</u>
	<u>5,475,496</u>	<u>3,863,591</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 23. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB107,106,000 (2013 gross loss: RMB22,978,000), with an income tax effect of RMB26,777,000 (2013: RMB3,447,000).

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.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

There was a significant decline in the market value of certain listed equity investments during the year. The directors consider that such a decline indicates that the listed equity investments have been impaired and an impairment loss of RMB38,577,000, net of tax (2013: Nil) has been reclassified from other comprehensive income to the statement of profit or loss for the year.

Particulars of the principal available-for-sale investments of the Group are set out as follows:

	Percentage of equity interest attributable to the Group	Group	
		2014 RMB'000	2013 RMB'000
Qinhuangdao Port Co., Ltd. (秦皇島港股份有限公司)	4%	103,744	129,138
Shanxi Coal Industry Co., Ltd. (陝西煤業股份有限公司)	0.5%	332,500	—
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)	1%/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
Yitai Guanglian Coal Chemical Co., Ltd (內蒙古伊泰廣聯煤化有限責任公司)	2%	764,800	—
Others	—	172,000	172,000
		<b>5,618,404</b>	<b>4,006,498</b>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 23. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

Particulars of the principal available-for-sale investments of the Company are set out as follows:

	Percentage of equity interest attributable to the Company	Company	
		2014 RMB'000	2013 RMB'000
Qinhuangdao Port Co., Ltd. (秦皇島港股份有限公司)	4%	103,744	129,138
Shanxi Coal Industry Co., Ltd. (陝西煤業股份有限公司)	0.5%	332,500	—
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)	16%	741,609	741,609
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)	1%/10%	100,000	100,000
Inner Mongolia Conba Pharmaceutical Co., Ltd (內蒙古康恩貝藥業有限公司)	12%	8,043	8,044
Yitai Guanglian Coal Chemical Co., Ltd (內蒙古伊泰廣聯煤化有限責任公司)	2%	764,800	—
Others	—	172,000	172,000
		<b>5,475,496</b>	<b>3,863,591</b>



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 24. DEFERRED TAX ASSETS

#### Group

The movements in deferred tax during the year are as follows:

		Group	
	Note	2014 RMB'000	2013 RMB'000
At 1 January, net		744,140	917,591
Deferred tax recognised from:			
— Change in fair value of available-for-sale investments		—	3,447
— Effect on opening deferred tax of increase in rate relating to the Target Business Group (as defined in Note 36)*		451,588	—
Deferred tax charged to the statement of comprehensive income	10	(3,447)	—
Deferred tax charged to the statement of profit or loss	10	(14,770)	(176,898)
At 31 December, net		<u>1,177,511</u>	<u>744,140</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 24. DEFERRED TAX ASSETS (CONTINUED)

The principal components of the Group's deferred income tax are as follows:

#### Deferred tax assets:

	Provision	Deferred compensation	Fair value changes in available-for-sale investments	Acquisition of the Target Business Group (as defined in Note 36)	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	3,197	19,984	—	821,068	73,342	917,591
(Charged)/credited to the consolidated statement of comprehensive income or equity during the year	1,959	(17,997)	3,447	(143,684)	(17,176)	(173,451)
At 31 December 2013	5,156	1,987	3,447	677,384	56,166	744,140
(Charged)/credited to the consolidated statement of comprehensive income or equity during the year	23,997	(44)	(3,447)	251,903	160,962	433,371
At 31 December 2014	29,153	1,943	—	929,287	217,128	1,177,511

\* It represents the effect on opening deferred tax of increase in tax rate during the year relating to the net assets acquired in the Target Business Group acquisition.

Deferred tax assets have not been recognised in respect of the following item:

	Group	
	2014	2013
	RMB'000	RMB'000
Tax losses	24,345	5,053

The above tax losses are available for a maximum of 5 years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.





## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 24. DEFERRED TAX ASSETS (CONTINUED)

#### Deferred tax assets: (Continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to PRC non-resident investors and 20% to foreign investors from the foreign investment enterprises established in Mainland China. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%, 10% or 20%. The Group is therefore liable for withholding taxes on dividends distributed to the above mentioned individual investors in respect of earnings generated.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

#### Company

The movements in deferred tax are as follows:

	Company	
	2014	2013
	RMB'000	RMB'000
At 1 January, net	686,054	824,266
Deferred tax charged to the statement of profit or loss during the year	(76,202)	(141,659)
Deferred tax recognised from change in fair value of available-for-sale investments	—	3,447
Effect on opening deferred tax of increase in rate relating to the Target Business Group (as defined in Note 36)*	451,588	—
At 31 December, net	<u>1,061,440</u>	<u>686,054</u>

\* It represents the effect on opening deferred tax of increase in tax rate during the year relating to the net assets acquired in the Target Business Group acquisition.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 25. INVENTORIES

	Group	
	2014 RMB'000	2013 RMB'000
Materials and supplies	668,842	487,896
Finished goods	1,040,908	933,590
Less: Provision for impairment	—	—
	<b>1,709,750</b>	<b>1,421,486</b>

	Company	
	2014 RMB'000	2013 RMB'000
Materials and supplies	436,857	255,608
Finished goods	643,584	138,622
	<b>1,080,441</b>	<b>394,230</b>

### 26. TRADE AND BILLS RECEIVABLES

#### Group

	Group	
	2014 RMB'000	2013 RMB'000
Trade receivables	2,717,912	2,951,760
Amounts due from associates	18,679	38,978
Amounts due from Yitai Group	1	257
Less: Provision for impairment	—	—
	<b>2,736,592</b>	<b>2,990,995</b>
Bills receivable	129,717	121,900
	<b>2,866,309</b>	<b>3,112,895</b>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

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

#### Company

	Company	
	2014 RMB'000	2013 RMB'000
Trade receivables	1,778,099	1,234,646
Less: Provision for impairment	—	—
	<u>1,778,099</u>	<u>1,234,646</u>
Bills receivable	36,500	13,200
	<u>1,814,599</u>	<u>1,247,846</u>

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

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

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

An aged analysis of the Group's trade and bills receivables as at the end of the reporting period, based on invoice date and net of provisions, is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Within six months	2,864,262	3,105,883
Over six months but within one year	2,047	7,012
Over one year but within two years	—	—
Over two years but within three years	—	—
Over three years	—	—
	<u>2,866,309</u>	<u>3,112,895</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

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

Movements in the Group's provision for impairment of trade receivables are as follows:

	Group	
	2014 RMB'000	2013 RMB'000
At 1 January	—	—
Impairment losses recognised	—	—
At 31 December	—	—

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

	Company	
	2014 RMB'000	2013 RMB'000
Within six months	1,813,793	1,240,859
Over six months but within one year	806	6,987
Over one year but within two years	—	—
Over two years but within three years	—	—
Over three years	—	—
	<b>1,814,599</b>	<b>1,247,846</b>

Movements in the Company's provision for impairment of trade receivables are as follows:

	Company	
	2014 RMB'000	2013 RMB'000
At 1 January	—	—
Impairment losses recognised	—	—
At 31 December	—	—

The trade receivables of the Group and the Company that are not considered to be impaired at the end of each reporting period are receivables that were neither past due nor impaired, which relate to a large number of diversified customers for whom there was no recent history of default.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

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

At 31 December 2014, the Group endorsed certain bills receivable accepted by banks in Mainland China (the “Derecognised Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB101,655,000. The Derecognised Bills had a maturity of one to five months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the “Continuing Involvement”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2014 and 2013, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

### 27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2014	2013
	RMB'000	RMB'000
Amounts due from related parties:		
Yitai Group	—	38,852
Other related parties	<b>20,054</b>	162,553
	<b>20,054</b>	201,405
Advances to suppliers	<b>574,761</b>	864,741
Prepayments	<b>462,373</b>	324,684
Staff advances	<b>19,061</b>	23,874
Deposits	<b>22,415</b>	28,539
Other receivables	<b>10,991</b>	11,415
Entrusted loans*	<b>382,900</b>	530,900
	<b>1,492,555</b>	1,985,558
Less: Provision for impairment	<b>(15,057)</b>	(19,305)
	<b>1,477,498</b>	1,966,253

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

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

\* Note:

In December 2014, the Group lent RMB382,900,000 to Inner Mongolia Ordos City Hanggin Banner Finance Bureau through Bank of China as entrusted loans. The loan of RMB210,900,000 bears a fixed interest rate of 8.62% per annum and is repayable on 3 December 2015. The loan of RMB160,000,000 bears a fixed interest rate of 8.62% per annum and is repayable on 3 December 2015. The loan of RMB12,000,000 bears a fixed interest rate of 10.4% per annum and is repayable on 28 March 2015. The loans are collectively guaranteed by Inner Mongolia Ordos City Hanggin Banner People's Government, Local Tax Bureau, National Tax Bureau, Land and Resources Bureau, and Duguitala Administrative Committee.

In the opinion of the directors, the above entrusted loans, totalling RMB382,900,000, were executed in accordance with the applicable rules and regulations, and no impairment provision against them is required.

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

		Group	
	Note	2014 RMB'000	2013 RMB'000
At 1 January		19,305	21,316
Impairment losses recognised	8	—	35
Impairment losses reversed	8	(4,248)	(2,046)
At 31 December		15,057	19,305

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

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

	Company	
	2014	2013
	RMB'000	RMB'000
Amounts due from related parties:		
Yitai Group	—	2
Other related parties	20,054	141,680
Subsidiaries	1,663,396	2,914,324
	<b>1,683,450</b>	3,056,006
Advances to suppliers	276,232	353,435
Prepayments	181,097	264,416
Staff advances	14,082	16,970
Deposits	22,185	28,291
Other receivables	9,415	5,834
	<b>2,186,461</b>	3,724,952
Less: Provision for impairment	(15,057)	(19,305)
	<b>2,171,404</b>	3,705,647

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

	Company	
	2014	2013
	RMB'000	RMB'000
At 1 January	19,305	21,316
Impairment losses recognised	—	35
Impairment losses reversed	(4,248)	(2,046)
At 31 December	<b>15,057</b>	19,305



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

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

	Notes	Group	
		2014 RMB'000	2013 RMB'000
Cash and bank balances		5,073,420	3,848,693
Time deposits		1,929,002	5,586
		<b>7,002,422</b>	<b>3,854,279</b>
Less: Restricted cash	(a)	<b>(42,476)</b>	<b>(39,747)</b>
Cash and short-term deposits		<b>6,959,946</b>	<b>3,814,532</b>
Denominated in RMB	(b)	6,915,987	3,771,806
Denominated in other currencies		43,959	42,726
		<b>6,959,946</b>	<b>3,814,532</b>

	Note	Company	
		2014 RMB'000	2013 RMB'000
Cash and bank balances		2,431,114	1,584,855
Time deposits		1,929,002	5,586
		<b>4,360,116</b>	<b>1,590,441</b>
Less: Restricted cash		<b>(28,347)</b>	<b>(22,401)</b>
Cash and short-term deposits		<b>4,331,769</b>	<b>1,568,040</b>
Denominated in RMB	(b)	4,328,636	1,566,003
Denominated in other currencies		3,133	2,037
		<b>4,331,769</b>	<b>1,568,040</b>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

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

Notes:

- (a) As at 31 December 2014 and 2013, the Group's bank balances of approximately RMB42,476,000 and RMB36,487,000 were deposited at banks as a mine geological environment protection guarantee fund pursuant to the related government regulations. Such guarantee deposit will be released when the obligations of environment protection are fulfilled and accepted by the competent government agencies.

As at 31 December 2014, there were no bank balances deposited as guarantee fund to obtain bank borrowings for the Group's railway construction (2013: RMB3,260,000).

- (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:

	Group	
	2014 RMB'000	2013 RMB'000
Cash and short-term deposits	6,959,946	3,814,532
Less: Time deposits	(1,929,002)	(5,586)
Cash and cash equivalents	<u>5,030,944</u>	<u>3,808,946</u>

### 29. TRADE AND BILLS PAYABLES

	Group	
	2014 RMB'000	2013 RMB'000
Trade payables to third parties	889,588	960,303
Trade payables to associates	6,066	5,366
Trade payables to other related parties	21	—
Trade payables to Yitai Group	114,963	115,898
Bills payable	40,000	—
	<u>1,050,638</u>	<u>1,081,567</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

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

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

	Group	
	2014 RMB'000	2013 RMB'000
Within six months	948,027	975,549
Over six months but within one year	59,876	76,376
Over one year but within two years	42,735	29,642
Over two years but within three years	—	—
Over three years	—	—
	<b>1,050,638</b>	<b>1,081,567</b>

The trade payables are non-interest-bearing and have an average credit term of 30 to 90 days. The credit terms granted by the related parties are similar to those offered by the related parties to their major customers.

	Company	
	2014 RMB'000	2013 RMB'000
Trade payables to third parties	479,013	284,605
Trade payables to Yitai Group	114,963	115,334
Trade payables to associates	4,787	2,120
Trade payables to the subsidiaries	588,449	489,235
Bills payable	40,000	—
	<b>1,227,212</b>	<b>891,294</b>

	Company	
	2014 RMB'000	2013 RMB'000
Within six months	1,190,577	827,669
Over six months but within one year	15,284	42,957
Over one year but within two years	21,351	20,668
Over two years but within three years	—	—
	<b>1,227,212</b>	<b>891,294</b>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 30. OTHER PAYABLES AND ACCRUALS

	Group	
	2014 RMB'000	2013 RMB'000
Advances from customers	128,582	274,954
Accrued salaries, wages and benefits	257,559	317,398
Other tax payables	441,656	37,018
Accrued interest	230,429	124,970
Payables for property, plant and equipment	2,002,035	1,713,923
Accruals	43,890	41,527
Amounts due to Yitai Group	129,901	29,988
Amounts due to associates	1,330	1,686
Amounts due to other related parties	42	—
Other payables	103,807	99,637
Dividend payables	9,811	—
	<b>3,349,042</b>	<b>2,641,101</b>

	Company	
	2014 RMB'000	2013 RMB'000
Advances from customers	35,725	93,592
Accrued salaries, wages and benefits	114,383	165,330
Other taxes payable	256,459	17,100
Accrued interest	165,254	92,599
Payables for property, plant and equipment	589,999	703,215
Accruals	34,672	22,175
Amounts due to the Yitai Group	9	5,248
Amounts due to subsidiaries	1,262,625	1,868,917
Amounts due to associates	627	1,317
Amounts due to other related parties	1,399	—
Other payables	75,689	65,513
	<b>2,536,841</b>	<b>3,035,006</b>

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 31. INTEREST-BEARING BANK BORROWINGS

	Group	
	2014 RMB'000	2013 RMB'000
<b>Current:</b>		
Bank loans — guaranteed	70,000	64,000
Bank loans — unguaranteed	200,000	100,000
Current portion of long-term bank loans — guaranteed	756,282	704,233
Current portion of long-term bank loans — unguaranteed	192,000	144,000
Total current bank loans	<u>1,218,282</u>	<u>1,012,233</u>
<b>Non-current:</b>		
Bank loans — guaranteed	14,359,363	9,943,688
Bank loans — secured	—	1,692
Bank loans — unguaranteed	3,126,000	2,372,000
Total non-current loans	<u>17,485,363</u>	<u>12,317,380</u>
Total loans	<u>18,703,645</u>	<u>13,329,613</u>
Denominated in RMB	18,538,250	13,127,200
Denominated in USD	27,030	32,037
	<u>18,565,280</u>	<u>13,159,237</u>
	<u>18,565,280</u>	<u>13,159,237</u>
	Company	
	2014 RMB'000	2013 RMB'000
<b>Current:</b>		
Bank loans — unguaranteed	—	100,000
Current portion of long-term bank loans — unguaranteed	192,000	144,000
Total current loans	<u>192,000</u>	<u>244,000</u>
<b>Non-current:</b>		
Bank loans — unguaranteed	2,896,000	2,172,000
Total non-current loans	<u>2,896,000</u>	<u>2,172,000</u>
Total loans	<u>3,088,000</u>	<u>2,416,000</u>
Denominated in RMB	<u>3,088,000</u>	<u>2,416,000</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 31. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

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

	2014 %	2013 %
<b>Group</b>		
Fixed-rate loans	<b>3.80–8.00</b>	3.80–8.50
Floating-rate loans	<b>5.90–6.88</b>	6.08–6.55
<b>Company</b>		
Fixed-rate loans	<b>5.70–6.46</b>	N/A
Floating-rate loans	<b>6.00–6.15</b>	6.15–6.55

The maturity profile of the loans is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	1,218,282	1,012,233
In the second year	5,519,301	2,957,173
In the third to fifth years, inclusive	6,150,812	6,309,356
Beyond five years	5,815,250	3,050,851
	<b>18,703,645</b>	<b>13,329,613</b>

	Company	
	2014 RMB'000	2013 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	192,000	244,000
In the second year	200,000	2,092,000
In the third to fifth years, inclusive	1,296,000	80,000
Beyond five years	1,400,000	—
	<b>3,088,000</b>	<b>2,416,000</b>

Certain of the Group's non-current bank loans amounting to Nil (2013: RMB1,692,000) is pledged by certain of the Group's restricted cash amounting to Nil (2013: RMB3,260,000).

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 31. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

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

	Group	
	2014	2013
	RMB'000	RMB'000
Yitai Group	1,146,214	758,100
Independent third parties	146,101	46,913
Other related parties	694,204	709,382
	<b>1,986,519</b>	<b>1,514,395</b>

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

### 32. LONG-TERM BONDS

	Group/Company	
	2014	2013
	RMB'000	RMB'000
Nominal value of corporate bonds in issue during the year	8,000,000	3,500,000
Direct transaction costs	(34,440)	(10,500)
	<b>7,965,560</b>	<b>3,489,500</b>
Interest expense	261,516	147,418
Interest payable	(76,195)	(86,785)
Interest paid	(179,050)	(55,300)
Corporate bonds at 31 December	<b>7,971,831</b>	<b>3,494,833</b>

On 9 October 2014, the Company issued 5-year corporate bonds, with a nominal value of RMB100.00 per bond, amounting to RMB4,500 million. The bonds were issued at discount, bearing an effective interest rate of 7.12%. Interest of the bonds is payable annually in arrears on 9 October, and the maturity date is 9 October 2019.

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 an 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 an 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 FINANCIAL STATEMENTS (Continued)

31 December 2014

### 33. DEFERRED TAX LIABILITIES

#### Group

The movements in deferred tax during the year are as follows:

		Group	
	Note	2014 RMB'000	2013 RMB'000
At 1 January		—	—
Deferred tax recognised from change in fair value of available-for-sale investments		33,125	—
Deferred tax charged to the consolidated statement of profit or loss during the year	10	8,326	—
At 31 December		41,451	—

The principal components of the Group's deferred income tax are as follows:

Deferred tax liabilities:

	Fair value changes in available-for-sale investments RMB'000	Differences of depreciation between tax and accounting RMB'000	Total RMB'000
At 31 December 2013	—	—	—
Charged to the consolidated statement of profit or loss or equity during the year	33,125	8,326	41,451
At 31 December 2014	33,125	8,326	41,451

#### Company

The movements in deferred tax are as follows:

	Company	
	2014 RMB'000	2013 RMB'000
At 1 January	—	—
Deferred tax recognised from change in fair value of available-for-sale investments	33,125	—
Deferred tax charged to the consolidated statement of comprehensive income during the year	7,466	—
At 31 December	40,591	—

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 34. ISSUED CAPITAL

	Group/Company	
	2014	2013
	RMB'000	RMB'000
Issued and fully paid		
1,600,000,000 B shares owned by Yitai Group	1,600,000	1,600,000
1,328,000,000 B shares	1,328,000	1,328,000
326,007,000 H shares	326,007	326,007
	<u>3,254,007</u>	<u>3,254,007</u>
Ordinary shares	<u>3,254,007</u>	<u>3,254,007</u>

During the year, there were no movements in the Company's share capital.

### 35. RESERVES

#### (a) Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2014 and 2013 are presented in the consolidated statement of changes in equity.

#### (b) Company

	Capital reserve	Statutory surplus reserve	Available- for-sale investment revaluation reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2013</b>	913,667	2,368,597	—	12,113,081	15,395,345
Total comprehensive income for the year	—	—	(19,531)	2,216,537	2,197,006
Appropriation of general reserve	—	221,653	—	(221,653)	—
2012 final dividends declared and paid	—	—	—	(1,627,003)	(1,627,003)
Proposed final 2013 dividend	—	—	—	(1,041,282)	(1,041,282)
<b>As at 31 December 2013</b>	<u>913,667</u>	<u>2,590,250</u>	<u>(19,531)</u>	<u>11,439,680</u>	<u>14,924,066</u>
<b>As at 1 January 2014</b>	913,667	2,590,250	(19,531)	11,439,680	14,924,066
Total comprehensive income for the year	—	—	118,906	1,194,734	1,313,640
Appropriation of general reserve	—	119,473	—	(119,473)	—
Tax rate adjustment of deferred tax assets arising from acquisition of Target Business Group (As defined in Note 36)	451,588	—	—	—	451,588
Proposed final 2014 dividend	—	—	—	(676,833)	(676,833)
<b>As at 31 December 2014</b>	<u>1,365,255</u>	<u>2,709,723</u>	<u>99,375</u>	<u>11,838,108</u>	<u>16,012,461</u>



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 36. BUSINESS COMBINATION

#### (a) Acquisition of Ordos Dama Railway Co., Ltd

During the year 2014, the Group signed several agreements with the shareholders of Ordos Dama Railway Co., Ltd (鄂爾多斯大馬鐵路有限責任公司) (“Dama Railway”) to acquire their interests in Dama Railway through step acquisitions as follows:

- (i) In March 2014, the Company entered into an agreement to set up Dama Railway with five other shareholders to hold a 31.39% of equity interest for a total consideration of RMB94,180,000.
- (ii) In August 2014, the Company entered into an equity transfer agreement with one of its wholly-owned subsidiaries, Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司) (“Zhundong Railway”), to transfer the 31.39% equity interest for a total consideration of RMB94,180,000.
- (iii) In September 2014, Zhundong Railway entered into an agreement with the other five shareholders of Dama Railway to increase its equity interest in Dama Railway to 38.55% with a capital injection of RMB50,000,000.
- (iv) In October 2014, Zhundong Railway entered into an agreement with the other five shareholders of Dama Railway to further increase its equity interest in Dama Railway to 63.80% with a capital injection of RMB552,534,564.

Up to 31 December 2014, transactions mentioned in (i),(ii) and (iii) above were completed in the form of cash payment with RMB94,180,000 paid by the Company and RMB144,180,000 paid by Zhundong Railway, respectively. Transaction mentioned in (iv) above was partly completed with a cash payment of RMB30,000,000, upon which Zhundong Railway held a 45.25% of equity interest of Dama Railway.

The acquisition of Dama Railway supports the Group's long-term strategy to expand its transportation capacity of coal products.

In October 2014, the articles of association of Dama Railway was amended pursuant to which Zhundong Railway is entitled to 63.80% voting rights in shareholders meeting and can appoint 6 out of 11 directors in the board of directors.

The acquisition has been accounted for using the acquisition method. The consolidated financial statements have included the results of Dama Railway since the acquisition date. The Group has elected to measure the non-controlling interest in Dama Railway at the non-controlling interest's proportionate share of Dama Railway's identifiable net assets.

As at the acquisition date, the fair value of equity interest in Dama Railway held by the Company immediately before the acquisition was RMB144,180,000 while the carrying amount was RMB144,180,000.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 36. BUSINESS COMBINATION (CONTINUED)

#### (a) Acquisition of Ordos Dama Railway Co., Ltd (Continued)

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

	<i>Note</i>	<b>Fair value recognised on acquisition</b> <i>RMB'000</i>
Property, plant and equipment	14	350,831
Prepayments and other receivables		26,741
Cash and bank balances		42,705
Trade payables		(3,099)
Other payables and accruals		(32,287)
		<hr/>
Total identifiable net assets at fair value		384,891
Non-controlling interests		(210,711)
		<hr/>
Net assets acquired		174,180
Goodwill arising on acquisition		—
		<hr/>
		174,180
		<hr/> <hr/>
Satisfied by cash		30,000
Previously held a 38.55% equity interest remeasured at acquisition-date fair value		144,180
		<hr/>
Total purchase consideration		174,180
		<hr/> <hr/>



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 36. BUSINESS COMBINATION (CONTINUED)

#### (a) Acquisition of Ordos Dama Railway Co., Ltd (Continued)

The Group incurred transaction costs of RMB18,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of Dama Railway is as follows:

	RMB'000
Cash consideration	(30,000)
Cash and bank balances acquired	42,705
	<hr/>
Net inflow of cash and cash equivalents included in cash flows from investing activities	12,705
Transaction costs of the acquisition included in cash flows from operating activities	(18)
	<hr/>
Net cash inflow	12,687
	<hr/> <hr/>

From the date of acquisition, Dama Railway has contributed no revenue and a loss of RMB500,000 to the consolidated profit before tax of the Group.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit before tax of the Group for the year would have been RMB24,806,104,000 and RMB3,400,075,000, respectively.

#### (b) Acquisition of the Target Business Group

The Company entered into an assets transfer agreement (the "Assets Transfer Agreement") with Yitai Group on 29 May 2012, to acquire from Yitai Group the production and sale of coal operation, together with the related assets and liabilities (the "Target Business Group"), as described in Note 35 to the consolidated financial statements of the Group for the year ended 31 December 2012.

As the Company and the Target Business Group are under common control of Yitai Group before and after the acquisition, the acquisition falls under the category of business combinations among entities under common control, which is not dealt with by IFRS 3 Business Combinations. The Company chose to refer to the principles set out in AG 5 when preparing the consolidated financial statements of the Group as if the acquisition had occurred from the date when the combining entities first came under the control of Yitai Group, and the consideration was regarded as the deemed distribution to Yitai Group.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 37. OPERATING LEASE ARRANGEMENTS

#### (a) As lessor

The Group leases its investment properties (Note 15 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 10 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2014, the Group had no significant future minimum lease receivables under non-cancellable operating leases.

#### (b) As lessee

The Group had no significant future minimum lease payments under non-cancellable operating leases.

### 38. COMMITMENTS

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

	Group	
	2014	2013
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	17,770,981	6,728,714
Available-for-sale investments	48,000	483,313
	<u>17,818,981</u>	<u>7,212,027</u>
	Company	
	2014	2013
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	687,523	516,917
Available-for-sale investments	48,000	421,093
	<u>735,523</u>	<u>938,010</u>



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 39. RELATED PARTY TRANSACTIONS AND BALANCES

#### (a) Significant related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the years ended 31 December 2014 and 2013:

	Group	
	2014	2013
	RMB'000	RMB'000
Sales of goods to Yitai Group	5,400	8,334
Sales of services to the Yitai Group	240	—
Purchase of goods from Yitai Group	185,600	165,296
Purchase of services from the Yitai Group	513,005	—
Interest paid to Yitai Group in relation to the acquisition of the Target Business Group (as defined in Note 36)	—	164,948
Sales of goods to associates	137,973	160,439
Purchase of services from associates	11,015	43,585
Procurement of services from other related parties	11,100	2,483

In the opinion of the directors of the Group, the transactions between the Group and the related parties were conducted in the ordinary and usual course of business and on normal commercial terms, the pricing terms were at the prevailing market prices.



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

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

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

	Group	
	2014	2013
	RMB'000	RMB'000
Trade and bills receivables	18,680	39,235
Prepayments, deposits and other receivables	20,054	201,405
Trade payables	(121,050)	(121,264)
Other payables and accruals	(131,273)	(31,674)

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

#### (c) Guarantees received from related parties

As at 31 December 2014 and 31 December 2013, bank loans of RMB1,840,418,000 and RMB1,467,482,000, respectively, were guaranteed by related parties.

#### (d) Guarantees given to banks for loans of related parties

As at 31 December 2014 and 31 December 2013, guarantees of RMB11,200,000 and RMB24,993,000, respectively, were given to banks for loans of related parties.

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

	Group	
	2014	2013
	RMB'000	RMB'000
Short-term employee benefits	11,565	11,065
Post-employment benefits	518	529
Total compensation paid to key management personnel	12,083	11,594

Further details of directors' and supervisors' emoluments are included in Note 9 to financial statements.

The related party transactions in respect of item (a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 40. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions:

The Group had no major non-cash transactions during the year ended 31 December 2014.

During the year ended 31 December 2013, the Group paid a stock dividend of 10 ordinary shares per 10 ordinary shares to existing shareholders, resulting in an increase of RMB1,627,003,000 in issued capital for no consideration.

### 41. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided for:

	Group	
	2014	2013
	RMB'000	RMB'000
Guarantees given to banks in connection with loans granted to associates	11,200	24,993
	<u>11,200</u>	<u>24,993</u>

	Company	
	2014	2013
	RMB'000	RMB'000
Guarantees given to banks in connection with loans granted to subsidiaries	13,199,125	9,197,525
Guarantees given to banks in connection with contracts signed by subsidiaries	336,452	10,735
Guarantees given to banks in connection with loans granted to associates	11,200	24,993
	<u>13,546,777</u>	<u>9,233,253</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 42. FINANCIAL INSTRUMENTS BY CATEGORY

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

**2014**

#### Financial assets

	Loans and receivables <i>RMB'000</i>	Group Available- for-sale financial assets <i>RMB'000</i>	Total <i>RMB'000</i>
Available-for-sale investments	—	5,618,404	5,618,404
Trade and bills receivables	2,866,309	—	2,866,309
Financial assets included in prepayments, deposits and other receivables	433,006	—	433,006
Restricted cash	42,476	—	42,476
Cash and short-term deposits	6,959,946	—	6,959,946
	<u>10,301,737</u>	<u>5,618,404</u>	<u>15,920,141</u>

#### Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
Trade and bills payables	1,050,638	1,050,638
Financial liabilities included in other payables and accruals	2,521,245	2,521,245
Interest-bearing bank borrowings	18,703,645	18,703,645
Long-term bonds	7,971,831	7,971,831
	<u>30,247,359</u>	<u>30,247,359</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 42. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2013

#### Financial assets

	Loans and receivables <i>RMB'000</i>	Group Available-for-sale financial assets <i>RMB'000</i>	Total <i>RMB'000</i>
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
	<u>7,734,768</u>	<u>4,006,498</u>	<u>11,741,266</u>

#### Financial liabilities

	Financial liabilities at fair value through profit or loss <i>RMB'000</i>	Financial liabilities at amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
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
	<u>446</u>	<u>19,917,744</u>	<u>19,918,190</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 42. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2014

#### Financial assets

	Loans and receivables RMB'000	Company Available- for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	5,475,496	5,475,496
Trade and bills receivables	1,814,599	—	1,814,599
Financial assets included in prepayments, deposits and other receivables	1,706,947	—	1,706,947
Restricted cash	28,347	—	28,347
Cash and short-term deposits	4,331,769	—	4,331,769
	<u>7,881,662</u>	<u>5,475,496</u>	<u>13,357,158</u>

#### Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	1,227,212	1,227,212
Financial liabilities included in other payables and accruals	2,130,274	2,130,274
Interest-bearing bank borrowings	3,088,000	3,088,000
Long-term bonds	7,971,831	7,971,831
Financial guarantee contracts	451,618	451,618
	<u>14,868,935</u>	<u>14,868,935</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 42. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2013

#### Financial assets

	Loans and receivables <i>RMB'000</i>	Company Available-for-sale financial assets <i>RMB'000</i>	Total <i>RMB'000</i>
Available-for-sale investments	—	3,863,591	3,863,591
Trade and bills receivables	1,247,846	—	1,247,846
Financial assets included in prepayments, deposits and other receivables	3,078,810	—	3,078,810
Restricted cash	22,401	—	22,401
Cash and short-term deposits	1,568,040	—	1,568,040
	<u>5,917,097</u>	<u>3,863,591</u>	<u>9,780,688</u>

#### Financial liabilities

	Financial liabilities at fair value through profit or loss <i>RMB'000</i>	Financial liabilities at amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
Trade and bills payables	—	891,294	891,294
Financial liabilities at fair value through profit or loss	446	—	446
Financial liabilities included in other payables and accruals	—	2,758,984	2,758,984
Interest-bearing bank borrowings	—	2,416,000	2,416,000
Long-term bonds	—	3,494,833	3,494,833
Financial guarantee contracts	—	353,378	353,378
	<u>446</u>	<u>9,914,489</u>	<u>9,914,935</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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 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 with similar terms, credit risk and remaining maturities.

The fair values of listed available-for-sale equity investments are based on quoted market prices. The fair values of unlisted available-for-sale equity investments have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the shares. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, are reasonable, and that they were the most appropriate values at the end of the reporting period.

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

*Assets measured at fair value:*

#### Group/Company

As at 31 December 2014	Fair value measurement using as at 31 December 2014			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Available-for-sale investments	436,244	—	—	436,244
	<b>436,244</b>	<b>—</b>	<b>—</b>	<b>436,244</b>



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

#### Fair value hierarchy (Continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments: (Continued)

#### Group/Company

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

#### Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2014.

#### Group/Company

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

During the year ended 31 December 2014, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2013: Nil).

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 main risks arising from the Group's financial instruments are interest rate risk, credit risk, commodity price risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

#### Interest rate risk

Interest rate risk is the risk of fluctuations of fair values on future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing cash flow interest rate risk, and fixed interest rate instruments will result in the Group facing fair value interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate loans) and the Group's and the Company's equity.

	<b>Group</b>	
	<b>Increase/ (decrease) in basis points</b>	<b>Increase/ (decrease) in profit before tax RMB'000</b>
Year ended 31 December 2014	<b>100 (100)</b>	<b>(107,498) 107,498</b>
Year ended 31 December 2013	100 (100)	(83,132) 83,132

	<b>Company</b>	
	<b>Increase/ (decrease) in basis points</b>	<b>Increase/ (decrease) in profit before tax RMB'000</b>
Year ended 31 December 2014	<b>100 (100)</b>	<b>(30,880) 30,880</b>
Year ended 31 December 2013	100 (100)	(24,160) 24,160



## NOTES TO FINANCIAL STATEMENTS (*Continued*)

31 December 2014

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (*CONTINUED*)

#### **Credit risk**

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and short-term deposits, available-for-sale investments and prepayments, deposits and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 26 to the financial statements.

#### **Commodity price risk**

The Group is exposed to commodity price risk through fluctuations of the price of coal sold by the Group. The Group has accepted the exposure to commodity price risk and has not used forward contracts to eliminate the commodity price exposures on individual transactions.

The Group uses futures contracts traded on the Zhengzhou Commodity Exchange ("ZCE") to hedge against fluctuations in coal prices. As at 31 December 2014, the Group did not recognise any financial assets/liabilities at fair value through profit or loss as there were no outstanding futures contracts (31 December 2013: RMB445,960).

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents and the Group has available funding through an adequate amount of committed credit facilities to meet its commitments.

The table below summarises the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments.

#### Group

	On demand <i>RMB'000</i>	Less than 1 year <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Year ended 31 December 2014</b>					
Interest-bearing bank borrowings	—	2,502,402	14,826,939	6,983,486	24,312,827
Long-term bonds	—	504,100	9,758,050	—	10,262,150
Trade and bills payables	1,050,638	—	—	—	1,050,638
Other payables and accruals	103,807	2,417,438	—	—	2,521,245
	<u>1,154,445</u>	<u>5,423,940</u>	<u>24,584,989</u>	<u>6,983,486</u>	<u>38,146,860</u>
<b>Year ended 31 December 2013</b>					
Interest-bearing bank borrowings	—	1,915,280	13,656,170	4,905,839	20,477,289
Long-term bonds	—	179,050	4,216,200	—	4,395,250
Trade and bills payables	1,081,567	—	—	—	1,081,567
Financial liabilities at fair value through profit or loss	—	446	—	—	446
Other payables and accruals	99,637	1,912,094	—	—	2,011,731
	<u>1,181,204</u>	<u>4,006,870</u>	<u>17,872,370</u>	<u>4,905,839</u>	<u>27,966,283</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Liquidity risk (Continued)

The table below summarises the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments.

#### Company

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
<b>Year ended 31 December 2014</b>					
Interest-bearing bank borrowings	—	421,088	2,106,408	1,571,174	4,098,670
Long-term bonds	—	504,100	9,758,050	—	10,262,150
Trade and bills payables	1,227,212	—	—	—	1,227,212
Other payables and accruals	75,689	2,054,585	—	—	2,130,274
Guarantees given to banks in connection with facilities granted to subsidiaries	451,618	—	—	—	451,618
	<u>1,754,519</u>	<u>2,979,773</u>	<u>11,864,458</u>	<u>1,571,174</u>	<u>18,169,924</u>
<b>Year ended 31 December 2013</b>					
Interest bearing bank borrowings	—	385,050	4,015,899	—	4,400,949
Long-term bonds	—	179,050	4,216,200	—	4,395,250
Trade and bills payables	891,294	—	—	—	891,294
Financial liabilities at fair value through profit or loss	—	446	—	—	446
Other payables and accruals	65,513	2,693,471	—	—	2,758,984
Guarantees given to banks in connection with facilities granted to subsidiaries	353,378	—	—	—	353,378
	<u>1,310,185</u>	<u>3,258,017</u>	<u>8,232,099</u>	<u>—</u>	<u>12,800,301</u>

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

31 December 2014

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

#### **Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank borrowings, long-term bonds, trade and bills payables, financial liabilities at fair value through profit or loss, financial liabilities included in other payables and accruals, less cash and short-term deposits. Capital represents equity attributable to owners of the parent.



## NOTES TO FINANCIAL STATEMENTS (Continued)

31 December 2014

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Capital management (Continued)

The Group's strategy was to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The gearing ratios are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Interest-bearing bank borrowings	18,703,645	13,329,613
Long-term bonds	7,971,831	3,494,833
Trade and bills payables	1,050,638	1,081,567
Financial liabilities at fair value through profit or loss	—	446
Financial liabilities included in other payables and accruals	2,521,245	2,011,731
Less: Cash and short-term deposits	<u>(6,959,946)</u>	<u>(3,814,532)</u>
Net debt	<u>23,287,413</u>	<u>16,103,658</u>
Equity attributable to owners of the parent	<u>22,931,740</u>	<u>21,149,821</u>
Capital and net debt	<u>46,219,153</u>	<u>37,253,479</u>
Gearing ratio	<u>50%</u>	<u>43%</u>

### 45. EVENTS AFTER THE REPORTING PERIOD

No significant events after the reporting period are noted.

### 46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of the directors on 18 March 2015.



## DOCUMENTS FOR INSPECTION

- I. The financial statements signed and sealed by the legal representative, the person in charge of accounting affairs and the person in charge of the accounting department.
- II. The original document of the auditors' report sealed by the accounting firm and signed and sealed by the certified public accountants.
- III. The original copies of all documents and announcements of the Company publicly disclosed in the Shanghai Securities News and Hong Kong Commercial Daily during the reporting period.
- IV. The annual report published in the Hong Kong Stock Exchange.

*Chairman: Zhang Donghai*  
**Inner Mongolia Yitai Coal Co., Ltd.\***

18 March 2015



## DOCUMENTS FOR INSPECTION (Continued)

### APPENDIX I

## INNER MONGOLIA YITAI COAL CO., LTD.\* SOCIAL RESPONSIBILITY REPORT FOR 2014

### DESCRIPTION FOR THE PREPARATION OF THE REPORT

“Social Responsibility Report for the year 2014 of Inner Mongolia Yitai Coal Co., Ltd.” is prepared with objective, standardized, sincere and transparent principles to systemically look back the development opportunities and challenges Yitai faced in 2014 and disclose the Company’s performance in safety, economy, environment, social responsibility and other aspects comprehensively. It aims to reflect the philosophy and performance of social responsibilities in 2014.

### RANGE OF TIME

1 January 2014 to 31 December 2014, in view of the continuity and comparability of the information disclosed, the time of some information contents disclosed is clawed back earlier or extended later.

### SCOPE OF REPORTING

Inner Mongolia Yitai Coal Co., Ltd. and its subsidiaries

### BASIS OF PREPARATION

1. Notice in relation to Strengthening Social Responsibilities of Listed Companies and Issue of Environmental Information Disclosure Guidelines to Listed Companies by Shanghai Stock Exchange (《關於加強上市公司社會責任承擔工作暨發布〈上海證券交易所上市公司環境信息披露指引〉的通知》), Environmental Information Disclosure Guidelines of Listed Companies Issued by Shanghai Stock Exchange (《上海證券交易所上市公司環境信息披露指引》), and Preparation Guidelines for Report of Fulfilling Social Responsibility by the Company (《〈公司履行社會責任的報告〉編寫指引》) published by Shanghai Stock Exchange;
2. Guidelines on Environmental Protection, Social and Governance Report (《環境·社會及管治報告指引》) issued by The Hong Kong Stock Exchange;
3. Guidelines on Sustainable Development Report, third Edition (G3.1) published by Global Reporting Initiative (全球報告倡議組織) (“GRI”).



## DOCUMENTS FOR INSPECTION *(Continued)*

### DATA PROCESSING PRINCIPLES

The financial information in this report is from the audited annual report of Inner Mongolia Yitai Coal Co., Ltd. (PRC Accounting Standard). Other information is from internal and relevant statistics of the Company.

### DESCRIPTION OF REFERENCES

For easy reference and reading, Inner Mongolia Yitai Coal Co., Ltd. is also referred to as “Yitai”, “the Company” and “we” in this report.

### ACCESSIBILITY OF THE REPORT

This report is prepared in Chinese. The electronic version of this report may be downloaded at the website of Inner Mongolia Yitai Coal Co., Ltd., <http://www.yitaicoal.com/>.



## DOCUMENTS FOR INSPECTION (Continued)

### CHAIRMAN'S STATEMENT

In 2014, under the trend of increasing downward pressure of the domestic economy, the growth of various industries in the downstream of the coal industry including iron and steel, thermal power, construction materials and cement, etc. slowed down, and the demand in the coal market reduced. In the meantime, affected by the factors such as greater effect from the import of coal, the price in the coal market continued to go down, resulting in a drastic decline in the economic performance of the coal industry. Confronted by many difficulties and challenges, the Company adhered to make progress while maintaining stability, and develop scientifically so as to seize the opportunities in the crisis and take the initiative in the competition. The Company spares no effort to speed up the structural adjustment, deepen the management improvement, strengthen the safety management and control, enhance the innovation, promote energy saving and emission reduction, achieving better results in various work of the enterprise.

- I. **Safety production, security situation remains stable.** The Company seriously implemented the general policy of “safety-foremost with prevention-oriented and comprehensive treatment” and realised zero fatalities in relation to the construction of coal mines throughout the year by way of a series of effective measures; no dangerous and major transportation incident occurred in Zhundong Railway and Huzhun Railway; no serious personal injury or major equipment damage occurred in the Coal-to-oil Company. The casualty from the production of per million tonnes of primary coal was 0.039, which was lower than the average level in the coal industry in the PRC.
- II. **Energy conservation and environmental protection to comprehensively improve environmental management level.** The Company further implemented various laws and regulations in relation to the environmental protection and water and soil conservation. Firstly, the Company set up energy management system, which integrated the operation of environmental management system and energy management system so as to strengthen and optimize the management efficiency of the two major systems. Secondly, the Company increased the supervision on the greening projects, disaster control projects, pollutant emission in sunk area and in the stations for the disposal of gangue, and strengthened the site management to avoid all kinds of disasters. The Company continued to enhance the internal control, regulate environmental protection and energy conservation, and comprehensively promote environmental management level, thus no environmental pollution incident occurred in the year.
- III. **Reducing costs while increasing efficiency to achieve stable development of production and operation.** The Company actively took advantage of safe and efficient mine shaft, organized production scientifically and optimized the design of system in order to improve the production efficiency; on the basis of consolidating the existing clients, the Company carried out market promotion and further increased market share through exploring new market and new channels; more efforts are made in reduction in costs and increase in efficiency, implemented budget strictly and optimized system design in order to strengthen competitive advantage of low cost.

Confronted by severe market situation, the Company will broaden sources of income and increase efficiency, lower costs and reduce expenditure, and strive to create new economic growth momentum. By way of reform and innovation, the vitality of the enterprise will be fully promoted. Through effective management of the effect of the production and operation on the society and environment, the Company will create comprehensive value of the enterprise in terms of the economy, society and environment to the full extent.

## DOCUMENTS FOR INSPECTION (Continued)

### CORPORATE OVERVIEW

#### Corporate Overview

Inner Mongolia Yitai Coal Co., Ltd. (hereafter abbreviated as the “Company”) is a B-share and H-share listed company that was solely promoted by Inner Mongolia Yitai Group Co., Ltd.. The Company was established in August 1997 and listed in the Shanghai Stock Exchange in the same year under the stock abbreviation of “Yitai B Share” (stock code: 900948). The Company was listed in The Hong Kong Stock Exchange in July 2012 under the stock abbreviation of “Yitai Coal” (stock code: 3948). At present, the total share capital of the Company is 3,254.007 million shares, of which 1,600 million domestic legal person shares are held by Inner Mongolia Yitai Group Co., Ltd., representing 49.17% of the total share capital of the Company, a total of 1,328 million shares are tradable B shares, representing 40.81% of the Company’s total share capital, and a total of 326.007 million H shares were issued, representing 10.02% of the total share capital. The Company is a large enterprise with coal production as its principal business, railway transportation as its supplementary business and coal-related chemical business as extension of its business.

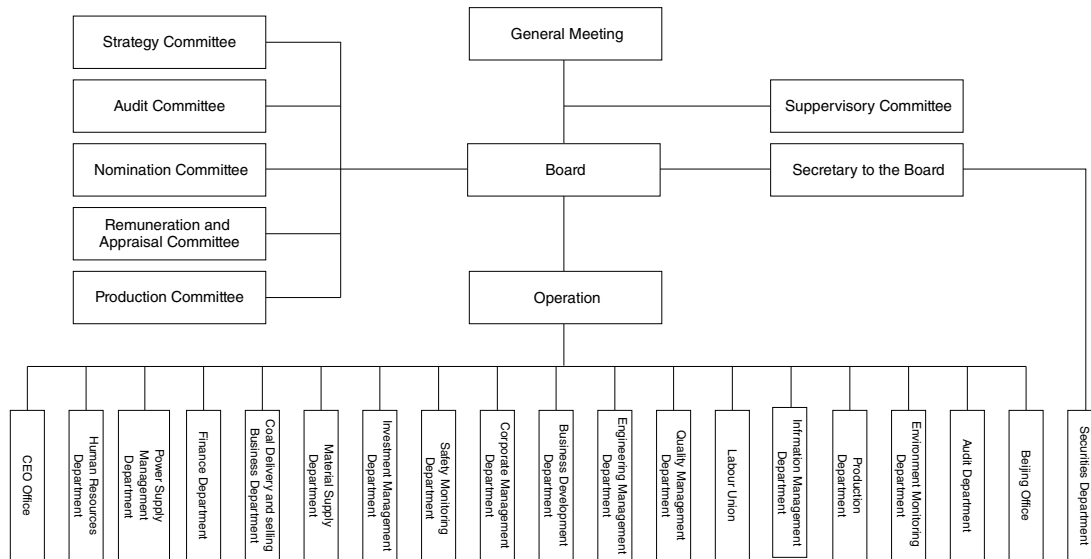
The Company is the largest coal enterprise in Inner Mongolia Autonomous Region and one of the largest coal enterprises in the PRC. Inner Mongolia Yitai Group Co., Ltd., to which the Company is a core member, has ranked 215th at the Top 500 Enterprises in China (中國500強企業), ranked 19th at the Top 100 Chinese Coal Enterprises (中國煤炭100強企業) and 1st at the Top 50 Coal Enterprises in Inner Mongolia Autonomous Region (內蒙古自治區煤炭企業50強). It is also selected as one of the 14 major large coal base enterprises in national planning and development by the State Council.

At present, the Company directly owns and controls a total of 13 mechanized coal mines with production capacity of 50 Mtpa in operation. All the mines are equipped with imported or domestic fully mechanized coal mining equipment. The average recovery in coal mining area reached 80%. The mechanization rate of mining reaches 95%. One of those mines is under development, the design production capacity of which are 6 Mtpa. The production efficiency and safety production record of the Company’s coal mines are on leading position domestically. Coal produced and operated by the Company are low ash, ultra low phosphorous, ultra low sulfur, middle to high calorific value etc., which are high quality thermal coal that are natural and environmentally friendly.

As at the end of 2014, the Company recorded the net profit of RMB2.253 billion and sales revenue of RMB24.8 billion, representing an increase of 2.19% as compared with last year, paid taxes of RMB3.563 billion and total assets of RMB58.744 billion, representing an increase of RMB13.260 billion or 29.15% as compared with last year. In 2014, the coal production of the Company maintained steady trend of development with production of commodity coal of 43.21 million tonnes and sales of coal of 66.03 million tonnes throughout the year. Zhundong Railway Line dispatched 53.69 million tonnes of coal and Huzhun Railway Line dispatched 36.61 million tonnes of coal, which created new record highs in respect of sales volume of coal and railway transportation. Demonstration projects of coal-to-oil with an annual output of 160,000 tonnes produced an aggregate of 178,000 tonnes of oil products and coal chemical products, which exceeded designed capacity, thus becoming the first project reaching its production target among the coal chemical demonstration projects during the Eleventh Five Year Plan in China.

## DOCUMENTS FOR INSPECTION (Continued)

### CORPORATE STRUCTURE



### CORPORATE CULTURE

- **The outlook of Yitai**

An international production group consolidating production, transportation and transaction of coal and chemical coal

- **The mission of Yitai**

The panel point of the national energy system, platform for cooperation of regional and relevant parties

- **The corporate spirit of Yitai**

Integrity, Fidelity, Innovation, Dedication (誠信、盡責、創新、奉獻)

- **The core value of Yitai**

Operate with integrity and sow for the future (誠行天下 播種未來)

- **The development goal of Yitai**

Healthy organization, professional capability, international operation

Build Yitai brand, establish outstanding enterprise

## DOCUMENTS FOR INSPECTION (Continued)

### CORPORATE CULTURE (CONTINUED)

- **The corporate principles of Yitai: The principle of “Four Constants” (四個不變), that is,**

“the enhancement of the leadership of the Communist Party of China to the enterprise;

the Party Committee of the Company remains constant as the core leadership;

the insistence of legal operation and compliant tax payment and the constant coordinated development of two civilization;

the insistence of relying on all the employees and of fully respecting them as masters of the Company; the insistence of actively contributing to the local and national socialist development”.

The Company has actively promoted social responsibility and applied the concept of the management of social responsibility to the operational management of the enterprise. By way of reforming the management model, inspiring and promoting the potential of creating social value by interested parties involved, the Company effectively manages its influence on the society and environment from its operation. In the meantime, the Company fully integrates the concept and requirements of social responsibility with the development strategy of the Company in order to proactively establish a resource-saving and environmental-friendly enterprise. Besides, the Company continues to carry out social welfare services and endeavors to create long-term and stable value for Shareholders, customers, employees and society.

### CORPORATE GOVERNANCE

In accordance with the Company Law of the People's Republic of China, the Security Law of the People's Republic of China, relevant regulations in listing regions domestically and overseas, and requirements of modern corporate systems, the Company has made important measures to protect the Shareholders' benefits, namely optimization of corporate governance, strict compliance to information disclosure and enhancement of management in investor relations. It treats all Shareholders fairly and guarantees the legal benefits of Shareholders as a whole, resulting in establishing a standardized and steady corporate governing system.

#### Standardized operations

The Company sets up its corporate governance structure which comprises the general meeting, the Board, the Supervisory Committee and senior management, forming a balanced system with clear distinguishing of power and accountability, mutual coordination of standardized operations and mutual check and balance between the authority, decision making, monitoring and the management, which effectively increases the operation level.





## DOCUMENTS FOR INSPECTION *(Continued)*

### CORPORATE GOVERNANCE *(CONTINUED)*

#### Standardized operations *(Continued)*

##### **(I) General Meeting**

General meeting functions as the authority body of the Company. The convening, notification, consideration, voting and disclosure of general meetings are in strict compliance with the Articles of Association and the Rules of Procedures of General Meeting of the Company to fully safeguard the Shareholders' rights such as right of information, speaking, inquiry and voting. In 2014, the Company convened 1 annual general meeting and 2 extraordinary general meetings.

The Company fully safeguards small and medium Shareholders' rights and interests. The Company invites small and medium Shareholders to attend general meetings. At general meetings, sufficient time is given to Shareholders for consideration of proposals and for Q&A session, to ensure all Shareholders to enjoy the same right of information and participation for significant events of the Company. Yitai Group, the controlling shareholder of the Company, duly exercises its Shareholder's right through general meetings and Board meetings, where Shareholders who are related parties are required to abstain from voting when participating in the consideration of related party transactions.

##### **(II) Board**

The Board of the Company is elected by the general meeting, and is responsible for reporting work progress at general meetings, execution of resolutions of general meetings and making decisions on material issues such as production and operation plans and investment proposals of the Company. There are five special committees under the Board, i.e. Strategic Planning Committee, Audit Committee, Remuneration and Assessment Committee, Nomination Committee and Production Committee, which will consider and review the items in the proposals prior to the Board meeting to enhance the operational efficiency of the Board. The Board of the Company held a total of 13 meetings in 2014.

During the reporting period, the Board of the Company comprises 11 Directors. Directors of the Company have extensive practical experience in macro economy, coal industry, finance and auditing, legal affairs or strategic management. The mix of knowledge and areas of expertise of the Directors are complementary, which plays an important role in ensuring scientific and effective decision-making of the Board.

##### **(III) Supervisory Committee**

The Supervisory Committee of the Company is accountable to the general meeting. Honestly fulfilling its supervisory duties in accordance with the Articles of Association and relevant laws and regulations, the Supervisory Committee duly oversees the operations and financial position of the Company as well as the performance of duties by the Directors and senior management and makes recommendations. The Supervisory Committee of the Company comprises 7 supervisors, of whom 3 are employee representative supervisors. The Supervisory Committee of the Company held a total of 6 meetings in 2014.

## DOCUMENTS FOR INSPECTION (Continued)

### CORPORATE GOVERNANCE (CONTINUED)

#### Compliance Management

Pursuant to the requirements of regulatory commissions and listing rules domestically and overseas, the Company established the “three committee” (三會) operation, independent Directors, information disclosure, protection to investors, connected transactions and other internal systems publicly, fairly and justly to ensure continuous improvement of corporate governance level. Should there be any difference in the requirements in regulations in relation to corporate governance domestically and overseas, the Company will set up terms in the Articles of Association and the internal system in accordance with the stricter regulatory requirement and the Company’s positions. The Company thus can ensure compliance to the regulations in the PRC and overseas only by observing the Articles of Association and internal systems,

The Company actively introduced trainings to the management to enhance legal awareness, responsibility awareness and self-discipline awareness of the Company’s Directors, supervisors and senior management. It organizes the Company’s Directors and supervisors to participate in relevant sustainable trainings of the regulatory commissions to learn newly announced laws, regulations and documents timely, to tidy up, discuss and study cases of violation in the capital market and other measures, which enhances the awareness of regulated operations among the management of the Company, and scientific decision-making and corporate governance level of the Board. Incenting the Directors, supervisors and the senior management to perform their responsibility and duties diligently, and effectively avoid litigation risks triggered by the performance of their responsibility, the Company purchases liability insurance for the Directors, the supervisors and senior management each year.

The Company attaches great importance in the truthfulness, timeliness, fairness, justice and publicity of the information disclosed. For the financial statement and relevant contents disclosed, the chief finance officer must ensure that the Company’s results and financial positions are reflected truthfully and fairly in accordance with appropriate accounting standards. The Company insists on the “timely and fair disclosure (同步公平披露)” principle. Investors at home and aboard thus can obtain timely and balanced information. When preparing periodical reports, the Company strictly complied with requirements to the contents and formats of periodic reports, and prepared and disclosed prices, costs and other information that the capital market paid special attention to in user-friendly formats, trying its best to assist the capital market to obtain detailed information more easily. The Company specially designed a website in both Chinese and English to effectively and timely deliver the Company’s information through the Internet. Investors can understand the latest news of the Company easily. The Company published 118 different announcements on Shanghai Stock Exchange during the year, including 6 periodic reports, 112 temporary announcements; and published 126 announcements, notices, circulars and listed documents on the Hong Kong Stock Exchange.



## DOCUMENTS FOR INSPECTION (*Continued*)

### CORPORATE GOVERNANCE (*CONTINUED*)

#### Internal Control

The Company made more efforts to enhance internal resources integration, shortened the Company-wide management chains and systematically optimized management process in order to further improve its control and governance capabilities as well as resources allocation and operational efficiencies.

- (I) Budget management. Based on its enterprise strategy with reference to macroeconomic situation and industry updates, the Company carried forward the full participation, whole-process and all-dimensional budget management to promote the overall budget management system. Budgets were prepared on the market-oriented, business-oriented and project-oriented basis. The Company strengthened process control on budget execution, and timely reviewed and analysed its business operations based on consistent daily scheduling, monthly analysis and annual summary, thus ensuring the realization of production and business targets of the Company.
- (II) Risk management. The Company deepened the construction of its overall risk management and internal control system, which were well established with continuously efficient operations across key business and management areas. The Company developed management strategies and solutions on significant risks, and defined respective management duties, critical process control points and control measures to be well prepared for risk prevention in advance. Through in-depth risk management activities, the Company deepened the full participation risk management concept and established a basic corporate risk culture to strongly support its sustainable and healthy development.

## DOCUMENTS FOR INSPECTION *(Continued)*

### SAFETY RESPONSIBILITY

In 2014, the Company conscientiously implemented the safety production principle of “safety-foremost with prevention-oriented and comprehensive treatment” (安全第一、預防為主、綜合治理) and the safety concept of “two rathers” introduced by the Chairman. The Company insisted on the nine-character principle of “not becoming relaxed, not being rigid, not being self-contented”; and it continued to actively promote safety production, vigorously carry out the establishment of production safety guarantee system, and put emphasis on control of procedures to obtain better results of safety production.

#### Assessment on safety targets

To further implement the accountability for safety production, the general manager of the Company and the heads of each functional department signed a safety production accountability certificate respectively, while the heads of each functional department signed a safety production accountability certificate with the heads of division of each production and operation unit, and each of them signed a safety production accountability certificate with their subordinates. The safety committee of the Company performed assessment regarding the implementation of the responsibility certificates for every half a year and consolidated assessment comparison at the end of the year in accordance with Bylaw of Assessment with Rewards and Punishments in Relation to Safety Production Accountability Certificate issued by the Company. Through entering into the safety production accountability certificates and undergoing strict assessment across different hierarchies, safety production accountability was vigorously promoted.

#### Sound system of safety production rewards and punishments

By firmly combining the actual conditions of the Company, the safety committee of the Company formulated “2014 Rewards and Punishments Measures for Safety Production of Inner Mongolia Yitai Group Co., Ltd.”, strictly complied with relevant requirements of the “Rewards and Punishments Measures” to assess various relevant units in order to reward or punish accordingly, strengthened the sense of urgency and mission for safety management on different levels to meticulously perform their duties in accordance with the requirements for realization of rewards and punishments, thereby vigorously improving safety production.

#### Daily safety checks

In order to further strengthen the control of safety production procedures, the Company enhanced daily safety production monitoring checks for each unit, adopted regular checks and special checks, performed continuous safety checks for each production and operation unit by means of a combination of checks — on regular, special project, and daily bases — under safety monitoring point in accordance with Summary of Safety Production in 2013 and Safety Production Work Arrangement in 2014 of Inner Mongolia Yitai Group Co., Ltd., and strictly imposed penalty for any act in violation of regulations in compliance with the Safety Management Standards of Yitai Group.



## DOCUMENTS FOR INSPECTION (Continued)

### SAFETY RESPONSIBILITY (CONTINUED)

#### Launching staff technical contest

In September 2014, the Company organized and launched special activities of troop training and technical contests for its staff, and carried out professional examinations on theories and practical technical operation assessment of thirteen positions in six industries including coal mine, railway, coal-to-oil, power supply, laboratory test of coal quality and deployment. Through launching special activities of safety production, the Company strengthened operation skills of its staff, enhanced safety consciousness of all employees, administered and governed potential danger inherent in production to develop a better atmosphere for the all-round safety of employees in every procedure.

#### Sound management system of emergency plans

The Company appointed an expert team and the main leaders of administration of certain industries such as Administration of Work Safety, Administration of Coal Mine Safety and Administration of Coal Mine of Erdos to perform assessment and review of the Proposal for Emergency Plans of Production Safety Accidents of the Company. The Company actively carried out adjustments and reform in accordance with the recommendations and opinions of the review experts, and filed to relevant departments in a timely manner. Meanwhile, the Company also urged its subsidiaries to prepare for the Proposal for Emergency Plans of Production Safety Accidents, and requested the coal mine unit to compile Prevention and Treatment Plans of Mine Disasters. During the monthly activities of safety and production, a drill of Emergency Plans of Production Safety Accident for each unit was performed. Through the drill, the feasibility and maneuverability of Emergency Plans of Production Safety Accident was further examined, enhancing the capability of emergency dealing when the production units and ambulance teams coped with disastrous situations and encountered unexpected incidents, thereby improving self-help capability of each production unit to prevent from disastrous situations.

The Company conscientiously implemented the general principle of “safety-foremost with prevention-oriented and comprehensive treatment” (安全第一、預防為主、綜合治理). Through a range of strong initiatives, no casualty incident occurred for the whole year in any of the coal mines, no dangerous and major transportation incident occurred in Zhundong Railway and Huzhun Railway, and no serious personal injury or major equipment damage occurred in the coal-to-oil company. The casualty from the production of per million tonnes of primary coal was 0.039, which was lower than the average level of the coal industry in the country.

## DOCUMENTS FOR INSPECTION (Continued)

### ECONOMIC RESPONSIBILITY

In 2014, the Company actively dealt with the adverse effects brought by the downturn of coal market. Firmly adhering to the principles of “safety guarantee, cost reduction, enhancement in efficiency, and strengthening management (保安全、降成本、提效益、強管理), the Company persisted in making progress and advanced against hardship, resulting in achieving steady development in adversity.

#### Production of coal

- (I) By way of technological innovation and technical reformation, the Company reached a steady production capacity, cost reduction and efficiency enhancement. The Company has successfully applied achievements of science and technology innovation to the process of production, including the techniques of supporting in advance by hydraulic shield in clear tunnels (液壓支架超前支護空巷技術), which played an important role in promoting safety management, increasing production efficiency, repairing and recycling, and equipment maintenance. The Company carried out the promotion and technical reformation project of production capacity in Suancigou Mine, which led to a new record of monthly production of primary coal. The Company performed reformation of coal sludge system in Kaida mine with daily cleaning capacity of over 20,000 tonnes. In the meantime, the market operating mechanism was introduced in trial spots to increase the service revenue abilities of equipment and moving from one working faces to another. The Company also integrated the businesses including warehousing and supplies, resulting in achieving integrated management of procurement and supply of materials.
- (II) Enhancement of coal quality management. On the one hand, the Company strengthened the quality control of coal in production process under mine and well and took actions of packaging and transporting coal petrography and improving the size of sieve plate where coal dropped in the main incline to enhance quality; on the other hand, the Company also reinforced the quality control of coal during the washing process. By way of adjusting coal mining proportion and implementing system reformation so as to guarantee the balanced washing of lump coal and slack, and enhancing the recycling of resources, which resulted in recording the lump coal rate of 8.3% per annum, and gangues production rate decreased to 27% from 31% over last year.

#### Transportation and sales of coal

In 2014, in spite of severe market conditions, the Company seized the opportunity and overcame the downward pressure in the coal market, took various effective measures with bold innovation and active exploration and progressed well against the adversity, which attained historical breakthrough in three major core businesses including transferring, transportation and sales.

- (I) On the basis of maintaining the existing clients, the Company further increased market share through opening up new markets and new channels. In the meantime, through consolidating the strategic cooperative relationship with priority clients and guaranteeing the main channels unblocked, the Company entered into sales contracts with an aggregate volume of 59.52 million tonnes outside the areas for the whole year, representing an increase of 10.72 million tonnes over last year. By way of further advancing the management system of client relations, the Company strived to improve the satisfaction of clients.





## DOCUMENTS FOR INSPECTION *(Continued)*

### ECONOMIC RESPONSIBILITY *(CONTINUED)*

#### Transportation and sales of coal *(Continued)*

- (II) By seizing the opportunities arose from market change and the restoration of multiple-track of Huzhun Railway, the Company actively strove for transportation volume from railway bureaus, which made historic breakthrough of 40 million tonnes in respect of external transportation volume of the Company by railway.
- (III) In order to meet the demands of coal sales and transportation, the Company increased the purchase of social mining through various means, resulting in the purchased volume for social mining of over 20 million tonnes in 2014 for the first time. In addition, the Company made the best of the platform advantage and introduced considerable inventory pile-up clients in dispatching stations, including 12 clients such as Mengtai and Manshi by now, which led to a contractual aggregate dispatch and cooperation plans of 9.85 million tonnes and an aggregate of 3.885 million tonnes of coal for inventory pile-up and dispatch for the whole year.
- (IV) Through the reformation of operational model, the Company achieved a decrease in cost and an increase in efficiency. As for the management of automotive transportation, the Company changed its operational model of semi-outsourcing (半委外) into fully-outsourcing (全委外), which achieved multiple objectives of saving transportation costs and improving the efficiency of turnover. Secondly, the Company carried out technical innovation activities to improve the operation efficiency. Among which, the dispatching costs were reduced significantly under independent research and development of repairing and recycling in Jungar Zhao dispatching station.
- (V) Port status promoted significantly. In 2014, nine companies in Qinhuangdao port opened designated fields and berths for the Company, which greatly improved the loading efficiency and service level for clients of the Company. The transferring coal by special fields amounted to 15.91 million tonnes all the year round, representing 113.6% of the proposed annual transferring amount. In addition, the policy of “quantifiable discount” (定量優惠) was adopted in Jingtang port to reduce lump sum fee of the Company with an aggregate of RMB12.657 million throughout the year. Caofeidian port also provided many preferential policies in respect of site storage and sundry fees for the Company.

#### Maintenance of corporate image

Under the backdrop of sluggish demands from market and downward trend of coal price, the Company became more attentive to its corporate image and the maintenance of Yitai brand. On the one hand, by managing each logistic link altogether, the Company achieved stability of qualified products; on the other hand, under the current political background, the large-scale intensive seminars for its customers held twice a year previously were changed into small and medium-sized seminars with a single client on each occasion and held in multiple times, enabling an improvement in degree of relevance and effectiveness in business liaison. The Company held over 10 small and medium-sized seminars and visited clients for over 130 times which covered all existing cooperative clients and potential ones.



## DOCUMENTS FOR INSPECTION *(Continued)*

### ENVIRONMENTAL LIABILITIES

In 2014, aiming to become a resource-saving and environmental-friendly enterprise, the Company strived to advance the ecological civilization construction. Coping with the changes in global climate in an active manner, we established the green production pattern and continuously optimized our environmental management system. In addition, the Company adopted effective safeguard measures to promote environmental protection and resource saving work. As such, the major pollutant discharge had been controlled effectively and the declining trend of energy consumption level was shown.

#### **Enhance environmental monitoring; establish green-mining and clean-production ecological mining area**

The Environmental Monitoring Centre of Erdos supervises and monitors the emission indicators of noise from plants, air pollutants and water pollutants from industrial enterprises of each production and operation unit subordinates to the Company. The monitoring results represented that all pollutant discharge indicators of each unit of the Company reached the corresponding emission standards. Last year, the Company accomplished the environmental protection self-examined work of listed companies to ensure the correct disclosure of environmental protection information in order to foster the achievement of “A Hundred Years of Yitai”(百年伊泰).

#### **Reinforce management and control on energy conservation and environment protection**

The Company strictly implemented the systems of energy conservation assessment and environmental impact assessment on projects in construction. It attached priority to energy saving and ecological environmental protection issues throughout the procedures from work planning, exploration to design and others. Meanwhile, the Company carried out feasible measures to intensify the overall management and control in a bid to ensure smooth implementation of energy saving and environmental protection work of projects in construction.

In 2014, the Company achieved breakthrough in environmental protection, approval of water and soil conservation and inspection of its projects. It completed 4 approvals of environmental impact assessment for its construction projects, including 1 approval by the environmental protection department of the Inner Mongolia Autonomous Region for its projects (Kaida Coal Preparation Plant); and 2 approvals by Ordos City Environment Protection Bureau (鄂爾多斯市環保局) (the water supply project waterline of Haggin Banner, and the construction project of the secondary road from Taran Gaole to Jintai Chemical Industrial Park (錦泰化工園區)).

Furthermore, the Company completed 5 approvals of conservation project of water and soil, including 1 approval by the Ministry of Water Resources (approval and reply on the Conservation Scheme of Water and Soil of Talahao Mines and Coal Preparation Plant); 2 approvals by the Department of Water Resources in the Autonomous Region (heating water and coal integrated transportation station project, plant location changes scheme of Kaida Preparation Plant); 1 approval by Ordos City Water and Soil Conservation Bureau (鄂爾多斯市水保局) (the waterline in the water supply project of Haggin Banner); and 1 approval by the Water Protection Bureau of Haggin Banner (the construction project of the secondary road from Taran Gaole to Jintai Chemical Industrial Park).



## DOCUMENTS FOR INSPECTION (*Continued*)

### ENVIRONMENTAL LIABILITIES (*CONTINUED*)

#### Reinforce management and control on energy conservation and environment protection (*Continued*)

In addition, the Company prepared and reported the water protection scheme in respect of “the upgrade demonstration project of indirect coal-to-liquid conversion project with annual output of 2,000,000 tonnes by Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)”. On 2 November 2014, the scheme passed in the expert assessment meeting organized by the Monitoring Center of Soil and Water Conservation of the Ministry of Water Resources.

#### Publicity and education of environmental protection

In 2014, the Company gave publicity to and popularized the knowledge of energy saving and emission reduction and carried out activities including carrying forward energy saving and mission reduction into communities, families, enterprises, authorities, etc. by making the best of the occasions including “5th of June” Environment Day and the energy-saving periodical promotion week. The Company performed theme activities including youth exemplary positions in respect of energy saving and emission reduction to create favorable atmosphere for environmental protection and energy saving.

Internally, the Company held professional lectures on energy saving policy, trained on clean production and environmental protection qualifications, promoted the activities of “cleaner production in grass roots” by centralized training and video lectures to further improve the business qualifications of the management team in respect of energy saving and environmental protection and performance skills of personnel.

#### Notable achievements in energy saving and emission reduction

Aiming to become a resource-saving and environmental-friendly enterprise, the Company insisted on pressing ahead with the energy saving and emission reduction and at the same time strived to adjust its development model and structure, increase the profit and decrease the loss, save the expenditure and reduce the expenditure, lower the costs and the enhance the efficiency. It further implemented the environmental protection policy of “A Hundred Years of Yitai, Green Energy Resource” (百年伊泰•綠色能 , saving the energy and reducing the emission in each link of planning, construction, production, transportation and consumption. The products structure of the Company has been converted into “Three Low and One High”, namely low input, low consumption, low pollution and high efficiency. The energy saving and environmental protection has moved from the treatment after the pollution towards the prevention and control along the whole processes.

In accordance with the requirements of Implementation Scheme for Assessment of Energy-saving Responsibility of 10,000 Enterprises (萬家企業節能目標責任考核實施方案) promulgated by National Development and Reform Commission and the overall deployment of Commission of Economy and Informatization in Erdos (鄂爾多斯經濟和信息化委員會), the Company accomplished the assessment for responsibility of annual energy-saving target in 2013, thus it was elected as the “Enterprise with outstanding achievements in Energy saving in 2013” (2013年度認真開展節能工作成績優秀的企業) by Commission of Economy and Informatization in Erdos.

## DOCUMENTS FOR INSPECTION (Continued)

### EMPLOYEES LIABILITY

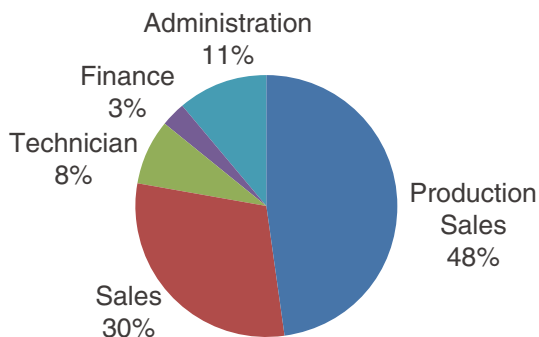
The Company will respect human rights and integrate the labor practical principles into the Company's strategy and its usual operation activities to promote comprehensive development of the employees, stimulate their initiative, self-motivation and creativity, and realize their own value as well as their joint development with the Company.

#### Employees

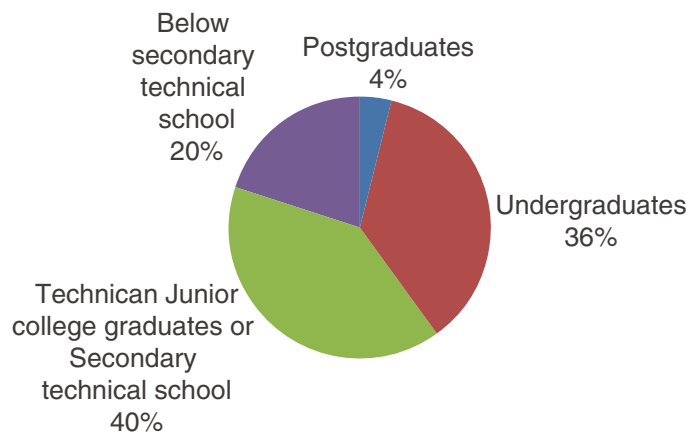
The Company adhered to people-oriented principle, actively promoted the strategy of building a strong enterprise by talents, and committed to safeguarding all of the employees' legitimate rights. It also shared its development results with the employees, and actively established an harmonious and stable relationship with them. The Company values the selection, development and incentive of human resources. It satisfactorily performed in the three areas of attracting, training and deploying of talents, accelerates the development of a team with high-caliber and highly skilled talents, established a team of talents that is well-structured, professional-supporting, superior and in line with the development strategy of the Company.

As of the end of 2014, the Company had a total of 7,121 employees, of which 40% possessed undergraduate degree or above , 48% belonged to the production team and 8% was technicians. The staff structure became more scientific and reasonable.

#### Chart of Specialty Constitution



#### Chart of Education Level





## DOCUMENTS FOR INSPECTION (*Continued*)

### EMPLOYEES LIABILITY (*CONTINUED*)

#### Employment Management

The Company strictly implemented laws and regulations, such as the Labor Law (《勞動法》) and Employment Contract Law (《勞動合同法》), in a bid to protecting the legitimate rights of laborers and promoting the harmonious and stable development of labor relations.

The employment contracts of the Company were signed on the principles of legitimacy, justice, equality, free will, unanimity through consultation and good faith. The Company checked and supervised the procedures of execution, renewal, change and termination of the employment contracts, and the account and performance thereof. In respect of the staff's employment, salary, promotion, dismissal and retirement, the Company has no discriminatory requirements in terms of race, social hierarchy, nationality, religion, physical disability, sex, sexual orientation, membership of labor union, political affiliation and age, etc., nor discriminatory behaviour in their ordinary activities.

#### Social Security

The Company safeguarded and protected all of the legitimate rights of the employees, made social insurance contributions pursuant to the requirements, actively promoted the establishment of supplementary medical insurance schemes, and stably implemented the work related to the Company's annuity. The Company's employees were entitled to all of the paid leave in accordance with the laws such as statutory holidays, annual leave, marriage leave, relative visiting leave, bereavement leave, maternity leave, sick leave and occupational injury leave, etc. In addition, it arranged the pension insurance, basic medical insurance, large medical insurance, unemployment insurance, occupational injury insurance, maternity insurance and housing accumulation fund for the employees in full amounts in accordance with the laws and regulations regarding social security. In the meantime, it also purchased commercial insurance for its employees such as supplementary medical and accident insurance. The Company also gradually promoted standardization of the Company's annuity, cared about the work and life of its employees and gave aids and assistance to the employees in difficulties.

#### Democratic Management

The Company established labor union organization in accordance with the Labor Union Law (《工會法》). The labor union organization of different levels conscientiously performed their duties in protecting the legitimate rights and interests of the employees and in encouraging the employees to participate in the decision making process of the management to achieve the economic goals of the Company together, as well as in helping with mediating the disputes between the employees and the Company.

Through various channels such as employees representative meeting, bulletin board and website, the Company announced the issues and concerns of the employees in a timely manner. It also effectively safeguarded the employees' rights to know, involve and monitor as well as their democratic political rights and interests.

## DOCUMENTS FOR INSPECTION (Continued)

### EMPLOYEES LIABILITY (CONTINUED)

#### Occupational Health

The Company has formulated and implemented the standards for protection equipment of the labor, regularly conducted health check for employees, improved the rest and rehabilitation system of staff, initiated the work for occupational health and rehabilitation, and carried out special health check for the employees in occupations disease hazard. In addition, the Company has also established an internal medical risk fund for serious illness, which covers the expenditure of stipulated 10 serious illnesses excluding the reimbursement from national medical insurance.

#### Incentive Mechanism

The Company insists on the concept of “Respect to Past Contribution, Regard to Position Advancement, Leading to Future Development” (尊重歷史貢獻、注重崗位提升、引導未來發展) for its employees and has established an ideal platform for their career development. The Company has established a mechanism of employment based on competition and elimination, whereby the basic salary is determined by job position and the distribution of bonus is linked with the result of performance appraisal. It also gives fair choices of career for its employees and optimized the allocation of employees at every position, thereby provides a sound platform for the career development of its employees. In the meantime, contribution was based on performance appraisal, the results of which determines the distribution of income, thereby established a sound incentive mechanism and harmonious labor relationship.

#### Employee Training

To improve the employees' knowledge and skills, build a team in line with the corporate development and forge a learning-oriented enterprise, the Company has established a complete system for employee training.

In 2014, the Company continued to implement planning management, determined training direction according to different target groups, and innovated training methods by establishing an E-learning on-line learning platform; implemented training management and assessment system so as to form unified instructions and regulations for the training within the Group and the Company; solidified the effectiveness of new employees orientation trainings by enriching the training materials and methods; promoted high correlation between employees' training and their career growth that leading the way of proactive learning; optimized the reimbursement procedures of the fees for certificate-related training so as to improve work efficiency; and perfected the foreign training and re-training system in order to strengthen the training efficiency. Moreover, the Company also gradually perfected the lecturers management and training course development so as to lay a foundation for expanding the internal lecturer team and establishing a comprehensive system of internal training course. It also enhanced the initiative of comprehensive training, stimulated the creativity of the group, and effectively established a learning-oriented organization.

The Company's training management adheres to the “people-oriented, demand-driven; unified system, layered implementation; goal management, process-driven; resource sharing, internal oriented” principles and have the training implemented all over the world. Our training is a combination of internal and external training. In 2014, the total training expenses of the entire Company amounted to RMB16.30 million. Among which, there were 279 sessions of training courses were organized and instructed by Human Resources Department of the Company, with the number of people underwent training accumulated to 14,732 and total expenses incurred were RMB11.80 million.





## DOCUMENTS FOR INSPECTION (*Continued*)

### SOCIAL RESPONSIBILITY

The Company insists on sharing the results of the enterprise's development with society and proactively fulfils social responsibility. Based on such values, besides creating benefits, the Company has been actively contributing to the public welfare.

#### Serving Regional Economy

The Company highly values the local economy development of the place it is located, and takes the initiative to fulfil the social responsibility. While protecting its business and development, the Company also strives for a joint development with the local area, actively connects with the regional economy and adopts a collaborative strategy to achieve a win-win situation between the region and the Company. The Company also initiated a "regional economic effect", which drove the economy growth and the industrial structure upgrade in the peripheral area of the Company, and created a mutually beneficial situation. In 2014, the Company paid an amount of RMB3.563 billion for tax, becoming the largest tax-payer among the enterprises in Erdos region, and making significant contributions to the local economy.

#### Creating Jobs and Relieving Employment Pressure

The Company actively fulfils its corporate citizenship, strives for developing its business and relieving employment pressure concurrently. It provided jobs at different levels and regularly recruited new staff from college graduates in an effort to reduce employment pressure and resolve the difficulties in society.

Take the coal-to-oil production sector as an example. In 2014, the Company recruited 253 chemicals professionals, and implemented employees out-source training based on overall demand from coal chemical projects. It also assigned 128 professionals to each of the coal chemical project which were under construction, and reasonably allocated 875 interns for the provision of talent reservation in the coal-to-oil production industry.

#### Active Implementation of Work for Building Relationship between CPC and Public

In 2014, the Company conscientiously implemented the Communist Party of China (CPC)'s principles as set out in the 18th National Congress of the CPC and the Third and Fourth Plenary Sessions of the 18th CPC Central Committee. It concretely carried out the practice of mass line education of the Party, continued to enhance the establishment of the ideological politics, proper conduct and anti-corruption, and integrity of the leaders and members of the Party. It also fully exhibited the functions of the Party's organization as the political center and the Party members as the pioneer and role model.

The Company has always been insisting on the corporate principle of "Four Constants". It enhanced the leadership of the Communist Party of China to the enterprise and the development of the Party's work in the Company, insisted on the core leadership of the Company with the Party Committee and improved the structure of the Party's organization and harmonious relationship between the Party and the public. Through organizing the "Morality Lecture", the Company actively propagated the core value of socialism and created an atmosphere which the public were pursuing better moral standards. Meanwhile, the Company also upheld the core cultural belief of "be aggressive, be responsible" (思進取、勇擔當), established the Company's culture in full swing, and enhanced the cohesive and centripetal force within the Company.

## DOCUMENTS FOR INSPECTION *(Continued)*

### SOCIAL RESPONSIBILITY *(CONTINUED)*

#### Disaster Relief, Poverty Alleviation and Public-Spirited

Since its establishment, the Company has been taking actions to repay the community. It actively helped the poor and needy, donated for education and supported the social and charitable activities in relation to the hygiene and education in Erdos. According to the statistics of Ordos Federation of Industry & Commerce, the amount used by Company and the Inner Mongolia Yitai Group Co., Ltd. (內蒙古伊泰集團有限公司) in social and charitable activities in relation to disaster relief, education and health care amounted to an aggregate of RMB500 million since their respective establishment. On 20 April 2013, a 7.0-magnitude earthquake hit Ya'an. The Company donated RMB10 million for the earthquake stricken area in Lushan. Yitai always insists on unleashing its own advantages in order to carry out poverty alleviation in target areas, disaster relief, voluntary work, development of community services so that devoting its love and care to society.

#### Actively Reward Shareholders

To implement its operation policies of maximizing both of its corporate value and shareholders' interests, the Company values reasonable return to its investors. To provide better rewards to our shareholders as well as improve corporate values, taking into consideration of our cash dividends policy and the cash dividends distribution record for the last three years, the Board of the Company recommended a cash dividend of RMB3.2 (including tax) for every 10 shares, calculated by total share capital of 3,254,007,000 shares, to be paid to all shareholders of the Company. The total dividends distributed is RMB1,041,282,240, representing over 30% of the net profit attributable to the owners of the Company of RMB3,444,628,337 as set out in the consolidated statements of the year 2013 of the Company. As of 26 June 2014, the all dividends were distributed.

The Company has been pursuing a culture of "Sincerity and Harmony (誠和)". It has enhanced the communication with the stakeholders as well as establishment of cooperation in property rights of the upstream and downstream industries with the major electricity customers through enhancing the technical cooperation with the large coal enterprises. It also dealt with shareholders, regulatory authorities, intermediaries and the media with integrity, thereby creating satisfactory public and investor relations, utilizing the vantages of one another, gathering the strengths for development and coordinating and facilitating the sustainable development for both the enterprise and the community.





## DOCUMENTS FOR INSPECTION (Continued)

### PROSPECTS IN 2015

In 2015, due to the slowdown of the demand growth and the increase in pressure from environmental protection, the situation of oversupply in the coal industry will persist, and the industry will continue to face tough challenge. The Company will adhere to the principles of “Four Constants” and “Three Constraints”, implement the core value of “be aggressive, be responsible” (思進取、勇擔當), actively respond to the market changes and uphold the redline of safety and environmental protection. Moreover, the Company will, by insisting on the principles of high starting point, high objectives, advanced technologies, high efficiency and effectiveness, develop the circular economy in mine area, establish ecological civilization, enhance the cleanliness standard of coal usage, reduce the impact to the environment, and create a wonderful life with the employees, community, customers and stakeholders.

#### (I) Ensure Safety Conditions are Steady

Work safety is the foundation of the entire business of Yitai and the prerequisite of its healthy development. The Company will consolidate the belief of “Safety is the highest efficiency, and without safety, there is no survival and development of the enterprise”. It will also strive for the right timing and pivot for the work safety in the new era, carry out the work for safety production strictly, accurately and cautiously, and ensure the responsibilities, measures and execution are all in place.

#### (II) Strengthen Market Expansion and Enhance Comprehensive Benefits

In 2015, in a bid to maintain the price and increase the sales volume by quality, the Company will organize production effectively and enhance the production volume and quality of coal steadily. The Company will also actively carry out research for railway transportation market, collect related information widely, attract customers for dispatching goods, improve service quality, and increase the income from transportation sector. It will also continue to enhance the communication with key customers so as to consolidate the development of strategic co-operation partnership. Moreover, through flexible pricing mechanism, the Company will enter into annual supply agreement with major suppliers within the region in order to ensure the efficiency of the major sales channels and increase the market share of the Company’s products. The Company will also timely and flexibly adjust coal product portfolio and marketing strategy, focus on cost control and promote reducing cost reduction and decreasing consumption as well as exploring potential and increasing efficiency to ensure an effective cost control and optimize comprehensive efficiency.

#### (III) Establish as Environmentally-Friendly Enterprise

The Company’s industry is characterized by its high level of carbon emission. In light of the current tightening of energy and environment-related policies in China, the Company will further study a development direction which is eco-friendly with low carbon emission. It will strengthen the technical support, monitoring and management to ensure the effective and stable functioning of various pollution managing facilities and equipment. It will also implement environment protection, be responsible for energy saving and strengthen monitoring and management in different levels. At the same time, the Company will maintain the effective and continuous functioning of the environmental and energy management systems; effectively exploit the advance function of system management, and apply system management into daily management.

## DOCUMENTS FOR INSPECTION *(Continued)*

### PROSPECTS IN 2015 *(CONTINUED)*

#### **(IV) Adhere to Win-Win Development and Create Harmony**

The Company will continue to strengthen democratic staff management, insist on people-oriented principle, and concern about the production and well-being of good employees. It will value employees' opinion, involve them in the production and operation management of the corporate, strive for creating an active atmosphere of "practical, dare to involve and outspoken", resolve practical issues in a more proactive manner, and strengthen staff training. The Company will also consolidate the belief of "training is the long-term input of the corporate, driving force of development and the largest welfare of employees" in accordance with the principle of making the best use of our staff and equipment, and creating a positive environment of having the courage to raise problems and assume responsibilities, encouraging innovation, and allowing and accepting failure. Moreover, it will strive for establishing an incentive system which providing every staff member a chance to exhibit their talent; create an environment which is beneficial to the nurturing and enhancement of employees' knowledge, techniques and ability; establish a sound feedback system for employees' opinions; allow the employees to assess implemented measures either regularly or irregularly through various channels; organize a wide variety of cultural and leisure activities; create a positive spirit; lead the employees to develop correct values and outlook on life; serve as the bridge and link among labor, youngsters and women; enrich the cultural life of employees; enhance the cohesion of the staff; and cultivate a harmonious atmosphere for development.

**Board of Directors of  
Inner Mongolia Yitai Coal Co., Ltd.\*  
18 March 2015**



## DOCUMENTS FOR INSPECTION (Continued)

### APPENDIX II

#### INNER MONGOLIA YITAI GROUP CO., LTD. (內蒙古伊泰集團有限公司) 2014 INTERNAL CONTROL ASSESSMENT REPORT OF INNER MONGOLIA YITAI COAL CO., LTD.

##### To the Shareholders of Inner Mongolia Yitai Coal Co., Ltd.:

According to the requirements of the Basic Rules for Internal Control of Companies (《企業內部控制規範體系》) and the corresponding guidance and other regulatory requirements concerning the internal control (“Enterprise Internal Control Regulated Systems”), and considering internal control system and evaluation methods of the Company(the “Company”) and based on the day-to-day monitoring and special supervision of internal control, we assessed the effectiveness of the internal control of the Company as at 31 December 2014 (the reference date of the Internal Control Assessment Report).

### I. IMPORTANT STATEMENT

According to the requirements of Enterprise Internal Control Regulated Systems, it is the responsibility of the Board of the Company to put in place a sound and effective internal control mechanism, assess its effectiveness and honestly disclose the Internal Control Assessment Report. The Supervisory Committee shall oversee the establishment and implementation of the internal control by the Board. The management shall be responsible for the day-to-day operation of this mechanism. The Board, Supervisory Committee and Directors, Supervisors and the senior management of the Company hereby warrant that there are no false representations, misleading statements contained in or material omissions from this report, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the information herein contained.

The objectives of the internal control are to reasonably ensure that the Company's operation and management are in compliance with laws and regulations, to guarantee assets safety and that the financial report and relevant information are true and accurate, to improve efficiency and effect of operation, and to facilitate achievement of the development strategies. Given its intrinsic limitations, internal control can only provide reasonable assurance for the above objectives. In addition, changes in the circumstance may render the internal control inappropriate or relevant policies and procedures followed at a lower level. There are risks involved in forecasting the effectiveness of future internal control based on the results of internal control assessment.

## DOCUMENTS FOR INSPECTION *(Continued)*

### II. RESULTS OF INTERNAL CONTROL ASSESSMENT

According to the identification of crucial deficiencies in the internal control over financial reporting of the Company, as at the reference date of the Internal Control Assessment Report, there were no crucial deficiencies in the internal control over financial reporting. The Board believes that the Company has maintained an effective internal control over financial reporting in all material aspects according to the requirements of Enterprise Internal Control Regulated Systems and relevant requirements.

According to the identification of crucial deficiencies in the internal control over non-financial reporting of the Company, as at the reference date of the Internal Control Assessment Report, there were no crucial deficiencies identified in the internal control over non-financial reporting.

From the reference date to the issuance date of the Internal Control Assessment Report, there is no occurrence of such factors that may affect the assessment results of the effectiveness of the internal control.

### III. DETAILS OF INTERNAL CONTROL ASSESSMENT

#### (I) Scope of Internal Control Assessment

The Company determined the main enterprises, business and matters and high-risk fields covered in the assessment scope based on the risk-oriented principle. The major enterprises covered in the assessment scope include Company's headquarter, 6 controlled subsidiaries and 3 branch companies. The total assets of the enterprises covered in the assessment scope accounted for 91.92% of the total assets in the Company's consolidated financial statements, and the operating revenue of such enterprises accounted for 81.29% of the operating revenue in the Company's consolidated financial statements. Business and matters within the scope of this assessment include organizational structure, development strategy, human resources, social responsibility, corporate culture, capital management, procurement business, asset management, production management, transportation and sales of coal, engineering project, financial report, budget management, contract management and information system. The high risks of main concern involve capital flow, assets management, procurement, sales and money collection management, contract management and accounting information.

The above enterprises, business and matters and high-risk fields covered the major aspects of the Company's operation and management and there were no significant omissions.



## DOCUMENTS FOR INSPECTION (Continued)

### III. DETAILS OF INTERNAL CONTROL ASSESSMENT (CONTINUED)

#### (II) Basis of Internal Control Assessment and the Identification Criteria for Internal Control Deficiencies

The Company conducted the internal control assessment based on the Enterprise Internal Control Regulated Systems.

According to the identification requirements for the crucial, important and ordinary deficiencies set by the Enterprise Internal Control Regulated Systems and with reference to the size of the Company, industry characteristics, risk appetite and risk tolerance, the Company has differentiated the internal controls over the financial reporting and non-financial reporting and determined the particular identification criteria applicable to the deficiencies in the internal control of the Company, basically the same with the previous year. The identification criteria set for the deficiencies in the internal control of the Company are as follows:

##### 1. Identification criteria for deficiencies in internal control over financial reporting

Quantitative criteria for identifying deficiencies in internal control over financial reporting:

In the case of quantitative criteria, if the misstated amount in a financial report as may be resulted from a deficiency alone or together with other deficiencies is less than 0.5% of the Company's total assets or 3% of the Company's pre-tax profit, such deficiency is identified as ordinary deficiency; if the misstated amount is more than 0.5% (including 0.5%) but less than 1% of the Company's total assets or more than 3% (including 3%) but less than 5% of the Company's pre-tax profit, such deficiency is identified as important deficiency; and if the misstated amount is more than 1% (including 1%) of the Company's total assets or 5% (including 5%) of the Company's pre-tax profit, such deficiency is identified as crucial deficiency.

Based on the quantitative standards, it's necessary to calculate once the deficiency occurs, if the potential faults surpass the ratio set for the impact on the total and assets and profit before tax of the Company so as to form a judgment. If the index under the influence of one deficiency or a group of deficiencies (which influence both the profit and asset) is more than one, the value of each index shall be calculated separately, and the index with the lower value shall be used to identify the deficiency.

Qualitative criteria for identifying deficiencies in internal control over financial reporting:

In the case of qualitative criteria, the following situations are at least usually identified as "crucial deficiencies": restating a previously published financial statement to reflect the correction of errors or misstatements resulting from fraud; the failure of the audit committee to supervise the Company's external financial reporting and internal control over financial reporting; discovery of any fraud involving senior management; the failure of the management to correct an important deficiency that has been reported to them within a reasonable period.

## DOCUMENTS FOR INSPECTION *(Continued)*

### III. DETAILS OF INTERNAL CONTROL ASSESSMENT *(CONTINUED)*

#### (II) Basis of Internal Control Assessment and the Identification Criteria for Internal Control Deficiencies *(Continued)*

##### 1. Identification criteria for deficiencies in internal control over financial reporting *(Continued)*

The Company specifies that an internal control deficiency involving any of the following aspects shall be at least identified as an “important deficiency”: deficiencies in internal control over unconventional or non-systematic transactions; deficiencies in internal control over selection of generally accepted accounting principles and application of accounting policies; and deficiencies in internal control over connected transactions and material reorganization.

The Company specifies that an internal control without involving a crucial deficiency or important deficiency shall be identified as ordinary deficiency.

##### 2. Identification criteria for deficiencies in internal control over non-financial reporting

Quantitative criteria for identifying deficiencies in internal control over nonfinancial reporting:

If a deficiency alone or together with other deficiencies may directly result in an asset loss in the amount of less than RMB1 million (including 1 million), such deficiency is identified as ordinary deficiency.

If a deficiency alone or together with other deficiencies may directly result in an asset loss in the amount of more than RMB1 million but less than RMB10 million (including 10 million), such deficiency is identified as important deficiency.

If a deficiency alone or together with other deficiencies may directly result in an asset loss in the amount of more than RMB10 million, such deficiency is identified as crucial deficiency.

Qualitative criteria for identifying deficiencies in internal control over nonfinancial reporting:

If a deficiency alone or together with other deficiencies may result in a punishment from the authorities at the provincial level and below but do not have any negative impact on the disclosure of the Company’s regular reports, such deficiency is identified as ordinary deficiency.

If a deficiency alone or together with other deficiencies may result in a punishment from the relevant State authorities but do not have any negative impact on the disclosure of the Company’s regular reports, such deficiency is identified as important deficiency.





## DOCUMENTS FOR INSPECTION (*Continued*)

### III. DETAILS OF INTERNAL CONTROL ASSESSMENT (*CONTINUED*)

#### (II) Basis of Internal Control Assessment and the Identification Criteria for Internal Control Deficiencies (*Continued*)

##### 2. Identification criteria for deficiencies in internal control over non-financial reporting (*Continued*)

If a deficiency alone or together with other deficiencies may result in an official disclosure of the Company and has a negative impact on the disclosure of the Company's regular reports, such deficiency is identified as crucial deficiency.

#### (III) Identification and Rectification of Internal Control Deficiencies

##### 1. Identification and rectification of deficiencies in internal control over financial reporting

According to the above identification criteria for deficiencies in internal control over financial reporting, no crucial or important deficiencies in internal control over financial reporting were found during the reporting period of the Company.

##### 2. Identification and rectification of deficiencies in internal control over non-financial reporting

According to the above identification criteria for deficiencies in internal control over nonfinancial reporting, no crucial or important deficiencies in internal control over nonfinancial reporting were found during the reporting period of the Company.

Inner Mongolia Yitai Coal Co., Ltd.

18 March 2015