



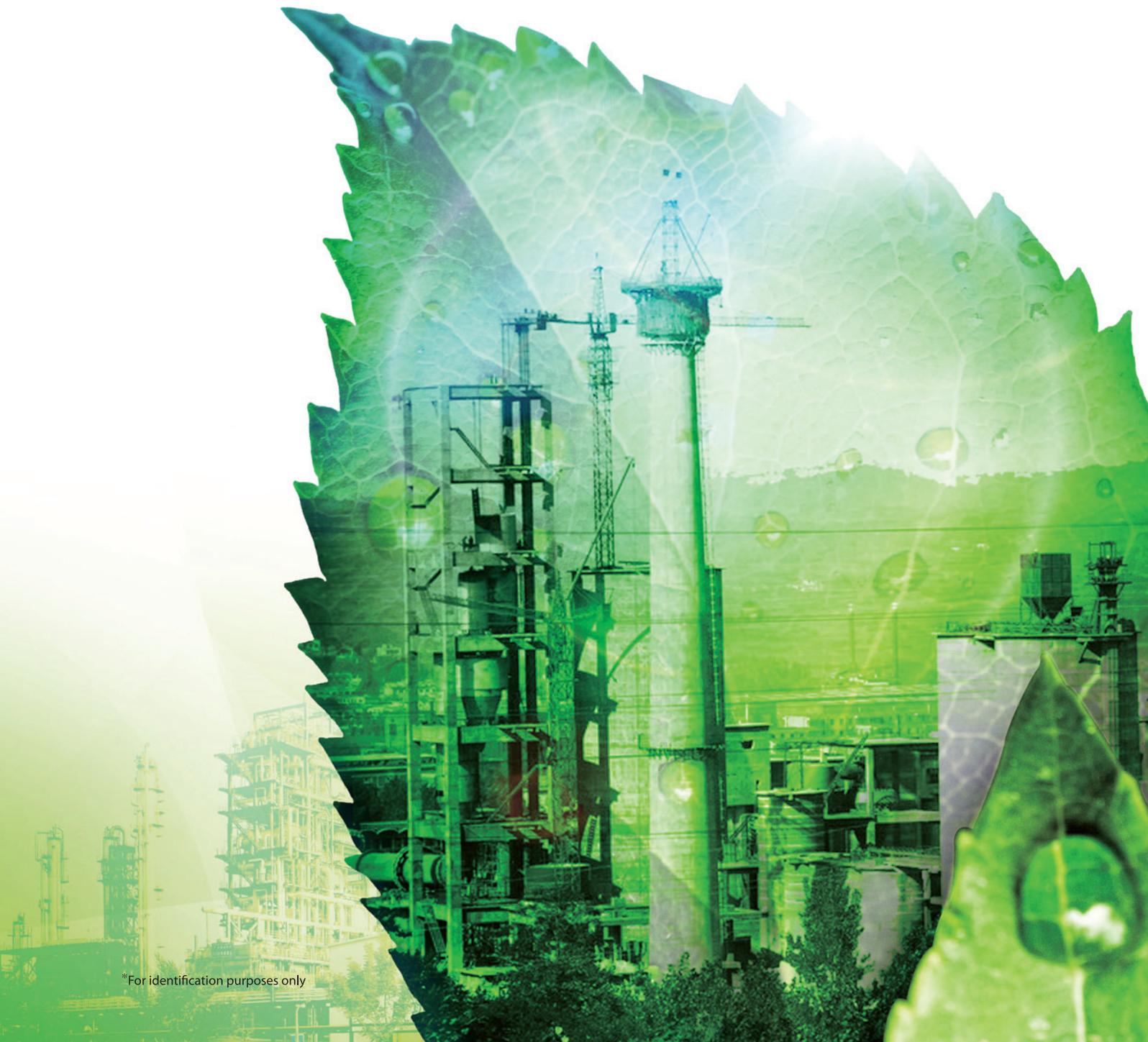
内蒙古伊泰煤炭股份有限公司

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

2015 INTERIM REPORT



*For identification purposes only



CONTENT

Section I	Important Notice and Definitions	2
Section II	Corporate Profile	4
Section III	Summary of Major Accounting Data and Financial Indicators	9
Section IV	Report of the Directors.	11
Section V	Significant Events	28
Section VI	Changes in Share Capital and Information on Shareholders.	35
Section VII	Directors, Supervisors and Senior Management	42
Section VIII	Financial Report.	48

IMPORTANT NOTICE AND DEFINITIONS

I. IMPORTANT NOTICE

- I. The Board of Directors, and the Supervisory Committee of the Company and its Directors, supervisors and senior management warrant that the information herein contained is true, accurate and complete and there are no false representations, misleading statements contained in or material omissions from this report, and severally and jointly accept full legal responsibility.
- II. All of the Company's Directors attended the Board meeting.
- III. The Group's unaudited interim results for the six months ended 30 June 2015 ("Reporting Period") have been reviewed independently by the Company's external auditor Deloitte Touche Tohmatsu in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Hong Kong Institute of Certified Public Accountants.
- IV. The Company's Chairman, Mr. Zhang Donghai, Senior Management responsible for finance and accounting, Mr. Lv Guiliang, and Head of Financial Department (accounting chief), Mr. Lv Xudong, warrant the truthfulness, accuracy and completeness of the financial report set out in the interim report.
- V. Statement for the risks involved in the forward-looking statement

This report contains forward-looking 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.

- VI. Were there any non-operational funds appropriated by controlling shareholders and its connected parties?

No
- VII. Did the Company provide third-party guarantees in violation of stipulated decision-making procedures?

No

IMPORTANT NOTICE AND DEFINITIONS (Continued)

II. DEFINITIONS

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

Definitions of frequently-used terms

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)

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	Executive Directors: Zhang Donghai (Chairman) Liu Chunlin Zhang Dongsheng Ge Yaoyong Zhang Xinrong Song Zhanyou Lv Guiliang Independent Non-executive Directors: Tam Kwok Ming Banny Zhang Zhiming Yu Youguang Qi Yongxing
Members of the Strategic Planning Committee	Zhang Donghai (Chairman) Liu Chunlin Ge Yaoyong Zhang Xinrong Zhang Dongsheng Song Zhanyou Lv Guiliang Zhang Zhiming Yu Youguang Tam Kwok Ming Banny Qi Yongxing
Members of the Audit Committee	Yu Youguang (Chairman) Zhang Zhiming Tam Kwok Ming Banny Qi Yongxing

CORPORATE PROFILE *(Continued)*

Members of the Nomination Committee	Zhang Zhiming (Chairman) Liu Chunlin Zhang Xinrong Zhang Donghai Yu Youguang Tam Kwok Ming Banny Qi Yongxing
Members of the Remuneration and Assessment Committee	Qi Yongxing (Chairman) Zhang Donghai Liu Chunlin Zhang Xinrong Zhang Zhiming Yu Youguang Tam Kwok Ming Banny
Members of Production Committee	Zhang Donghai (Chairman) Ge Yaoyong Zhang Xinrong Yu Youguang Qi Yongxing
Members of the Supervisory Committee	Li Wenshan Ji Zhifu Han Zhanchun Jia Xiaolan Wang Xiaodong Wang Yongliang Wu Qu
Authorized Representatives	Liu Chunlin Zhao Xin
Joint Company Secretaries	Zhao Xin Lee Meiyi

CORPORATE PROFILE *(Continued)*

II. CONTACT PERSONS AND CONTACT METHODS

	Board Secretary/Joint Company Secretary
Name	Zhao Xin
Address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Telephone	0477-8565731
Facsimile	0477-8565415
E-mail	zhaoxin_yitai@126.com

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	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Website	http://www.yitaicoal.com
E-mail	ir@yitaicoal.com

CORPORATE PROFILE (Continued)

IV. INFORMATION DISCLOSURE AND CHANGE IN PLACE OF INSPECTION

Newspaper selected by the Company for information disclosure	Shanghai Securities News, Hong Kong Commercial Daily
Website designated by the China Securities Regulatory Commission (“CSRC”) for publishing the interim report	Website designated by CSRC for publishing the B share interim report: www.sse.com.cn Website designated by The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) for publishing the H share interim report: http://www.hkexnews.hk
Place for inspection of the Company’s interim report	Investor Relation and Management Department of the Company and principal place of business in Hong Kong

V. BASIC INFORMATION ON THE COMPANY’S SHARES

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

VI. BUSINESS REGISTRATION OF THE COMPANY DURING THE REPORTING PERIOD

Date of business registration	9 March 2015
Place of business registration	Inner Mongolia Administration for Industry and Commerce
Registration number of the Company’s business license	150000400001093
Tax registration number	152702626402490
Organization code	62640249-0

CORPORATE PROFILE (Continued)

VII. OTHER RELEVANT INFORMATION

		B shares/Domestic	H shares/Overseas
Auditor	Name	Da Hua Certified Public Accountants (Special General Partnership)	Deloitte Touche Tohmatsu
	Address	12th Floor, Building No. 7, Block No. 16, Xi Si Huan Zhong Road (西四環中路), Haidian District, Beijing	35th Floor, One Pacific Place, 88 Queensway, Hong Kong
Legal Advisor	Name	Jingtian & Gongcheng	Clifford Chance
	Address	34th Floor, Tower 3, China Central Place, 77 Jianguo Road, Beijing	28th Floor, Jardine House, One Connaught Place, Central, Hong Kong
Share Registrar	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch	Computershare Hong Kong Investor Services Limited
	Address	36th Floor, China Insurance Building, 166 Lujiazui Road East, Pudong New Area, Shanghai	Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

SUMMARY OF MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

I. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

(1) Key Business Data

Unit: million tonnes

	From January to June 2015	From January to June 2014	Increase/ Decrease
Coal production	16.11	22.27	-27.66%
Coal sales volume	25.92	33.15	-21.81%
Of which: Local sales at mines	4.01	9.32	-56.97%
Local sales at loading facilities	1.80	2.96	-39.19%
Sales via direct rail access	3.33	2.58	29.07%
Sales at ports	16.78	18.29	-8.26%
Huzhun Railway Line	13.97	17.67	-20.91%
Zhundong Railway Line	26.34	25.69	2.53%
Coal-related chemical production	0.1013	0.094	7.77%

(2) Major Accounting Data

Unit: RMB '000

	From January to June 2015	From January to June 2014
Revenue	9,018,185.00	12,463,146.00
Cost of sales	(7,102,326.00)	(8,620,425.00)
Gross profit	1,915,859.00	3,842,721.00
Other income and gains	141,485.00	69,672.00
Selling and distribution expenses	(516,685.00)	(635,224.00)
Administration expenses	(675,603.00)	(828,846.00)
Other expenses	(16,180.00)	(94,092.00)
Finance income	52,479.00	26,060.00
Finance costs	(417,372.00)	(318,425.00)
Exchange gains, net	573.00	5,549.00
Share of profits of associates	11,267.00	21,677.00
Profit before tax	495,823.00	2,089,092.00
Income tax expense	(184,910.00)	(323,523.00)
Profit for the period	310,913.00	1,765,569.00

SUMMARY OF MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS (Continued)

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

(2) Major Accounting Data (Continued)

	For the six months ended 30 June	
	2015 Unaudited RMB'000	2014 Unaudited RMB'000
Profit attributable to:		
Owners of the Company	175,548.00	1,498,622.00
Non-controlling interests	135,365.00	266,947.00
	<u> </u>	<u> </u>
– Earning per share - basic (RMB)	0.05	0.46
	<u> </u>	<u> </u>
Other comprehensive expenses:		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Fair value gain/(loss) on available-for-sale investments	(37,469)	(7,910)
Income tax related to items to be reclassified in subsequent periods	9,368	1,187
Exchange differences on translation of foreign operations	(18)	176
	<u> </u>	<u> </u>
	(28,119)	(6,547)
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	<u>(65,215)</u>	<u> </u>
Other comprehensive expenses for the period	<u>(93,334)</u>	<u>(6,547)</u>
Total comprehensive income for the period	<u>217,579</u>	<u>1,759,022</u>
Total comprehensive income attributable to:		
Owners of the Company	82,214	1,492,075
Non-controlling interests	135,365	266,947
	<u> </u>	<u> </u>
	<u>217,579</u>	<u>1,759,022</u>



REPORT OF THE DIRECTORS

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

In the first half of 2015, affected by a number of factors such as slowdown in growth of the macro economy and optimization of energy structure, the conflict resulting from oversupply in the coal market was ever-increasing. Coal price was on a downward track, hitting the record low in ten years with losses expanding in many enterprises. To cope with the challenging operating environment of the industry sector, the management of the Company took a series of proactive measures, including 1) adjusting the structure of production volume of coal mines according to market demands and principle of efficiency maximization; 2) improving production efficiency and reducing production costs by upgrading equipments and production technology; 3) enhancing transportation management and actively introducing new transportation customers to increase transportation income; and 4) strengthening internal control to implement strict control over costs and expenditures.

During the first half of 2015, the Company produced 16.11 million tonnes of commercial coal, representing a decrease of 28% from the same period last year; the Company sold 25.91 million tonnes of coal, representing a decrease of 22% over the same period last year. Zhundong Railway Company and Huzhun Railway Company dispatched 40.31 million tonnes of coal, representing a decrease of 7.03% over the same period last year. The Company posted an operating revenue of RMB9,018.18 million for the first half of the year, representing a decrease of 28% over the same period last year, and the net profit attributable to owners of the parent amounted to RMB175.55 million, representing a decrease of 88% from the same period last year.

The new normal development pattern of the coal industry will become further defined in the second half of the year. On one hand, the overall oversupply in the coal market will linger in the short term. On the other hand, new substituting energies will show more advantages. Facing the new normal pattern, the Company will continue to pursue its established objectives and accelerate structural adjustment and transformation, with an aim to create greater value for the shareholders.

Continuing to reinforce the coal and transportation segments. Strenuous efforts will be made to strictly control coal production costs, effectively improve production efficiency and product quality, explore various sales channels and increase railway throughput.

Improving internal management. The Company will strive to improve management and increase profit margin by innovating management model and creating added-value for the brand. Efforts will also be made to reinforce cost control, capital management and collection of trade receivables.

Pushing forward the construction of key projects. The Company will continue to push forward the construction of the refined chemical projects with an annual capacity of 1.2 million tonnes at Talahao Mine and Hangjin Banner.

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 financial statements

Unit: RMB'000

Item	Amount for the Reporting Period	Amount for the same period last year	Change
Revenue	9,018,185	12,463,146	-27.64%
Cost of sales	(7,102,326)	(8,620,425)	-17.61%
Selling and distribution expenses	(516,685)	(635,224)	-18.66%
Administrative expenses	(675,603)	(828,846)	-18.49%
Finance costs	(417,372.00)	(318,425)	19.33%
Net cash flow from operating activities	1,434,650	3,945,837	-63.64%
Net cash flow from investing activities	(3,890,208)	(4,017,902)	3.18%
Net cash flow from financing activities	2,186,807	5,680,206	-61.50%

Due to decline in the domestic coal price, the Company recorded decreases of 27.64%, 17.61% and 63.64% in revenue, costs of sales and cash flow from operating activities, respectively.

REPORT OF THE DIRECTORS (Continued)

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

(II) Operating Segment

Unit: RMB'000

For the six months ended 30 June 2015	Coal Transportation	Coal-related chemical	Others	Total	
Segment revenue:					
External customers	7,866,000	216,306	933,439	2,440	9,018,185
Internal segments	77,087	742,127	5,906	–	825,120
	<u>7,943,087</u>	<u>958,433</u>	<u>939,345</u>	<u>2,440</u>	<u>9,843,305</u>
<i>Reconciliation</i>					
Elimination of intersegment sales					<u>(825,120)</u>
Total revenue					<u>9,018,185</u>
Segment profit:					
Profit/(loss) before tax	83,523	411,480	1,618	(798)	495,823
Income tax expense	(139,783)	(42,467)	(2,660)	–	(184,910)
	<u>(56,260)</u>	<u>369,013</u>	<u>(1,042)</u>	<u>(798)</u>	<u>310,913</u>
<i>Reconciliation</i>					
Elimination of intersegment result					<u>–</u>
Net profit for the period					<u>310,913</u>
Segment assets as at 30 June 2015					
	29,964,230	13,280,555	20,060,423	1,096,780	64,401,988
Elimination of intersegment receivables					<u>(2,548,870)</u>
Capitalization of finance costs					<u>(86,168)</u>
Total assets as at 30 June 2015					<u>61,766,950</u>
Segment liabilities as at 30 June 2015					
	17,668,333	5,826,798	13,392,935	401,155	37,289,221
Elimination of intersegment payables					<u>(2,548,870)</u>
Total liabilities as at 30 June 2015					<u>34,740,351</u>

REPORT OF THE DIRECTORS (Continued)

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

(III) Analysis of Core Competitiveness

The Company is the largest coal enterprise in Inner Mongolia Autonomous Region and one of the largest coal enterprises in the PRC. The Company is a large production group consolidating production, transportation and trading of coal and coal-related chemical with coal production as its principal business, railway transportation as its supplementary business and coal-related chemical business as extension of its business. Our core competitiveness lies in that: 1)the Company enjoys rich and quality coal reserves, superior storage advantages and modern exploration technique; 2)the Company possesses top-tier production efficiency, low cost advantages and outstanding safety record in the industry; 3)the Company owns supportive railway and highway transportation and sales network and affiliated facilities such as dispatching stations and the port transport points that constitute a marketing system consolidating production, transportation and trade functions; 4)the Company has world-leading coal-to-oil production technologies, enabling the Company to become the first enterprise in China which successfully applied the technique of indirect coal-to-liquids conversion in industrial production; and 5)the Company has options and pre-emptive rights in relation to acquisition of the retained business and several future businesses from Yitai Group in accordance with the Agreement on Avoidance of Non-Horizontal Competition entered into between Yitai Group (the controlling shareholder) and the Company.

(IV) Analysis on Investment

1. Overall analysis on external equity investment

(1) Investment in securities

No.	Type of securities	Stock code	Stock abbreviation	Initial investment (RMB'000)	Shareholdings (share)	Closing book value (RMB'000)	Percentage of total investment at the end of the period (%)	Profit and loss during the Reporting Period (RMB'000)
1	share	03369	QHD PORT	79,237.91	19,013,000	62,119.50	38.32	6,059.16
	Other securities investments held at the end of the period			100,000.00	/	100,000.00	61.68	9,998.68
	Profit and loss from the disposal of securities investments during the Reporting Period			/	/	/	/	103,964.53
	Total			<u>179,237.91</u>	<u></u>	<u>162,119.50</u>	<u>100</u>	<u>120,022.37</u>

Explanations on investment in securities: the Company sold the A shares of Shanxi Coal Industry and part of the H shares of Qinhuangdao Port held by the Company in the secondary market during the period.

REPORT OF THE DIRECTORS (Continued)

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

(IV) Analysis on Investment (Continued)

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

(1) Entrusted wealth management

Unit: RMB million

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
Bank of China	Principal guaranteed with floating returns	400.00	2015.1.9	2015.2.9		1.43	400.00	1.43	Yes		No	No	Proprietary capital	
Industrial and Commercial Bank of China	Principal guaranteed with floating returns	400.00	2015.1.9	2015.2.11		1.59	400.00	1.59	Yes		No	No	Proprietary capital	
Agricultural Bank of China	Principal guaranteed with floating returns	300.00	2015.1.12	2015.2.9		0.97	300.00	0.97	Yes		No	No	Proprietary capital	
Bank of China	Principal guaranteed with floating returns	300.00	2015.1.9	2015.2.9		1.07	300.00	1.07	Yes		No	No	Proprietary capital	
Bank of China	Principal guaranteed with floating returns	300.00	2015.1.9	2015.2.6		0.97	300.00	0.97	Yes		No	No	Proprietary capital	
Agricultural Bank of China	Principal guaranteed with floating returns	300.00	2015.2.4	2015.3.10		1.17	300.00	1.17	Yes		No	No	Proprietary capital	
Bank of China	Principal guaranteed with floating returns	400.00	2015.2.5	2015.3.5		1.35	400.00	1.35	Yes		No	No	Proprietary capital	
Bank of China	Principal guaranteed with floating returns	100.00	2015.2.5	2015.2.26		0.25	100.00	0.25	Yes		No	No	Proprietary capital	
Bank of China	Principal guaranteed with floating returns	300.00	2015.2.16	2015.3.23		1.24	300.00	1.24	Yes		No	No	Proprietary capital	
Bank of Communication	Principal guaranteed with floating returns	100.00	2015.2.16	2015.3.26		0.49	100.00	0.49	Yes		No	No	Proprietary capital	
China Construction Bank	Principal guaranteed with floating returns	100.00	2015.2.16	2015.4.1		0.52	100.00	0.52	Yes		No	No	Proprietary capital	
Bank of China	Principal guaranteed with floating returns	150.00	2015.2.16	2015.3.16		0.49	150.00	0.49	Yes		No	No	Proprietary capital	
China Construction Bank	Principal guaranteed with floating returns	200.00	2015.4.22	2015.5.26		0.72	200.00	0.72	Yes		No	No	Proprietary capital	
Bank of China	Principal guaranteed with floating returns	200.00	2015.4.3	2015.4.29		0.62	200.00	0.62	Yes		No	No	Proprietary capital	
Bank of Communication	Principal guaranteed with floating returns	100.00	2015.4.7	2015.5.20		0.54	100.00	0.54	Yes		No	No	Proprietary capital	
Bank of China	Principal guaranteed with floating returns	100.00	2015.4.16	2015.5.15		0.28	100.00	0.28	Yes		No	No	Proprietary capital	
China Construction Bank	Principal guaranteed with floating returns	250.00	2015.4.28	2015.6.2		0.91	250.00	0.91	Yes		No	No	Proprietary capital	
Bank of Communication	Principal guaranteed with floating returns	15.00	2015.3.26	2015.4.29		0.05	15.00	0.05	Yes		No	No	Proprietary capital	
Bank of China	Principal guaranteed with floating returns	100.00	2015.5.20	2015.6.17		0.25	100.00	0.25	Yes		No	No	Proprietary capital	
Bank of Communication	Returns guaranteed	100.00	2015.5.22	2015.6.29		0.46	100.00	0.46	Yes		No	No	Proprietary capital	
Bank of Communication	Returns guaranteed	100.00	2015.5.15	2015.6.25		0.52	100.00	0.52	Yes		No	No	Proprietary capital	
Total	/	4,315.00	/	/	/	15.89	4,315.00	15.89	/	/	/	/	/	/

REPORT OF THE DIRECTORS (Continued)

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

(IV) Analysis on Investment (Continued)

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

(2) Entrusted loans

Unit: RMB million

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	210.90	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		18.18	
Bureau of Finance of Hangjin Banner of Ordos City	57.00	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		4.91	
Qappal Investment Development Group Co., Ltd.	200.00	6 February 2015 to 21 December 2015	8.50%	Construction of Phase 1 of the water supply project for Yinan Industrial Park at Qappal County and construction of urban infrastructure at Qappal County	100% guarantee provided by Qappal Xibe Autonomous County Water Investment and Development Co., Ltd. and Qappal County State-owned Asset Investment and Management Co., Ltd. respectively by way of joint liability assurance	No	No	No	No	No		14.88	

REPORT OF THE DIRECTORS (Continued)

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

(IV) Analysis on Investment (Continued)

3. Analysis on major subsidiaries and investees

Unit: RMB'000

Company name	Business nature	Principle 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	6,637,414.47	294,638.96
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限責任公司)	Railway transport operations	Railway transportation	2,074,598	6,497,216.98	66,063.75
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	2,352,900	4,094,318.71	2,654.99
Inner Mongolia Yitai Jingyue Suancangou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	Coal trading	Processing and sale of coal	1,080,000	4,367,365.69	250,907.49

REPORT OF THE DIRECTORS (Continued)

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

(IV) Analysis on Investment (Continued)

3. Analysis on major subsidiaries and investees (Continued)

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

During the Reporting Period, Zhundong Railway dispatched an aggregate of 26.34 million tonnes of coal, representing an increase of 2.6% as compared with the same period last year. Its net profit amounted to RMB294.639 million, representing a decrease of 22.7% as compared with the same period last year. As at 30 June, Zhundong Railway Line had maintained production safety for 5,311 consecutive days without casualty accidents, major transportation accidents or fire accidents. During the Reporting Period, Nuanshui Loading Station was put into operation and carried out successful loading commissioning, reinforcing the annual storage and loading capacity along the railways.

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

During the Reporting Period, Huzhun Railway dispatched an aggregate of 13.97 million tonnes of coal throughout the year, representing a decrease of 20.9% as compared with the same period of last year. The net profit for the period amounted to RMB66.063 million, representing a decrease of 41% as compared with the same period of last year. Huzhun Railway had maintained production safety for 3,148 consecutive days without casualty accidents, major transportation accidents or fire accidents. Given the advantages offered by coal transportation via containers, including lower transportation costs, lower shrinkage rate as compared with open wagons and environmental protection, Huzhun Railway Company took proactive initiatives to apply for qualification for container transportation, which has been obtained in April, enabling Huzhun Railway Company to broaden its business. During the Reporting Period, the railway track of the south-bound line connecting Southern Hohhot and Wangqi was laid and ready for operation, while preliminary procedures were underway for the north-bound line connecting Wangqi and Southern Hohhot.

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

During the Reporting Period, the production safety condition of Coal-to-oil Company remained stable, and no safety or environmental accidents occurred during the operation. The devices for coal-to-oil production operated safely and steadily for 180.6 days with 0.4 day of unexpected suspension of production devices. It produced an aggregate amount of 101,300 tonnes of various oil products and chemicals, with total sales volume of various oil and chemical products up to 101,300 tonnes. Revenue thus amounted to RMB462,653,950 and net profit was RMB2,654,990.



REPORT OF THE DIRECTORS (*Continued*)

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

(IV) Analysis on Investment (*Continued*)

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

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

During the Reporting Period, Suancigou Company strictly implemented safety production accountability system, and no injury and casualty accidents occurred during the period. Suancigou Company also optimized management and control and improved processing technique by strengthening production and technology management and mechanical equipment management. In the first half of the year, it produced an aggregated amount of 5.81 million tonnes of commodity coal, generating a revenue of RMB918,114,910 and net profit of RMB250,907,490.

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

In the first half of 2015, Yitai Chemical Co., Ltd. completed the preliminary procedures such as land acquisition, water and electricity supply. 90% of model review on the design has been completed, with the detailed design work moving into the final stage which is expected to be completed by the end of August. In addition, installation of devices for water supply, thermal power, coal slurry gasification, oil synthesizing and processing and hydrogen production from tail gas as well as construction of public facilities in front area of the plant were advancing as scheduled. It is expected to commence production in 2016.

(6) Mengji Railway Co., Ltd.

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. As of 30 June 2015, Mengji Railway dispatched an aggregate of 96.6 million tonnes of cargo. Mengji Railway recorded total operating revenue of RMB1,300,620,000 and gross profit of RMB272,750,000. As at the end of the Reporting Period, the investment in the new Zhangjiakou – Tangshan section accumulated to RMB29.7 billion with 83% of the plan completed.

(7) Zhunshuo Railway Co., Ltd.

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 Yitai Zhundong Railway Co., Ltd. (a wholly-owned subsidiary of the Company) hold an aggregate of 18.96% equity interest, completed investment for Zhunshuo Line in an aggregate amount of RMB14.6 billion, representing 80% of the estimated total investment.

REPORT OF THE DIRECTORS (Continued)

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

(IV) Analysis on Investment (Continued)

4. Use of funds raised

During the Reporting Period, no funds raised were utilized.

5. Projects not to be financed by the proceeds

Unit: RMB million

Name of the project	Amount of the project	Progress of the project	Amount invested in the period	Actual accumulative amount invested
Talahao	2,359.00	78.97%	53.00	1,863.00
Project of the Second Track of Huzhun Railway	3,208.00	86.81%	88.00	2,785.00
1.2 Mtpa Refined Chemical Project	18,605.00	23.36%	1,684.00	4,346.00
Total	24,172.00	/	1,825.00	8,994.00

6. Contingent liabilities

As at 30 June 2015, there were guarantees in an amount of RMB15.16 billion provided by the controlled subsidiary and associated companies of the Company by way of joint liability guarantee.

REPORT OF THE DIRECTORS (Continued)

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

(V) Capital Structure

Unit: RMB'000

	30 June 2015	31 December 2014
Interest-bearing bank borrowings	21,163	18,704
Long-term bonds	7,972	7,972
Trade and bill payables	1,227	1,051
Other payables and accruals	3,404	2,521
Less: Cash and cash equivalents	(6,023)	(6,960)
Net debt	27,743	23,287
Equity attributable to equity holders of the parent	22,337	22,932
Gearing ratio	55%	50%

(VI) 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 at the end of June 2015	Mineable reserve in the PRC at the end of June 2015
Suancigou	1,324.00	726.00
Nalinmiao No. 2 Mine	139.00	72.00
Hongjingta No. 1 Mine	122.00	54.00
Nalinmiao No. 1 Mine	24.00	4.16
Yangwangou	14.00	6.32
Fuhua	5.21	2.22
Kaida	192.00	111.00
Dadijing	89.00	55.00
Baoshan	43.00	26.00
Dingjiaqu	45.00	24.00
Chengyi	16.00	5.10
Baijialiang	4.50	0
Talahao (under construction)	867.00	590.00
Total reserves	2,885.00	1,676.00

REPORT OF THE DIRECTORS (Continued)

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

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

2. Mine explorations by the Company during the Reporting Period

During the Reporting Period, the Company did not carry out exploration in any coal mine.

3. Coal mine development

Unit: RMB'000

Name of the Mine	Plan for 2015	Amount in the period	Ration of Completion of the plan for the year
Suancigou Mine	352,217.16	61,303.91	17.41%
Nalinmiao No. 2 Mine	73,496.80	22,524.19	30.65%
Hongjingta No. 1 Mine	79,818.90	21,492.10	26.93%
Kaida Mine	38,892.10	3,450.00	8.87%
Dadijing Mine	51,098.30	47,502.77	92.96%
Baoshan Mine	33,167.40	10,725.44	32.34%
Tongda Mine	11,300.00	14,008.10	123.97%
Total	<u>639,990.66</u>	<u>181,006.51</u>	<u>28.28%</u>

4. Construction of mines

Unit: RMB'000

Project name	Amount of project	Amount in the period	Accumulated Amount	Progress of project
Talahao	2,359,000.00	53,144.42	1,862,930.02	78.97%
Yili Mining	2,590,281.50	35,174.60	1,120,702.10	43.27%

REPORT OF THE DIRECTORS (Continued)

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

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

5. Construction contracts for coal mines

Unit: RMB'000

Project name	Details of project	Amount of contract
Suancigou Mine	Pavement of abrasion resistant plates for the underground surge coal bin of Suancigou Mine	2,900.00
Talahao Mine	Installation of dedusting system for the processing plant of Talahao Mine	1,352.00
Dadijing Mine	Dadijing Mine 2015 Aboveground work	1,100.00
Baoshan Mine	Loading system of Baoshan Mine	747.00

6. Procurement contracts of facilities for coal mine

Unit: RMB'000

Project name (Using unit)	Details of contract	Name of provider	Amount of contract
Suancigou Mine	Scraper conveyor	Ningxia Tiandi Benniu Industrial Group Co., Ltd.	20,661.00
Suancigou Mine	hydraulic prop stands	Zhengzhou Coal Mining Machinery Group Co., Ltd.	3,852.00
Talahao Mine	Low voltage mining cabinet	Shanghai Yikai Electric Group Co., Ltd.	2,421.00
Talahao Mine	Automatic control system (for processing plant)	Beijing Dahua Qitian Industry Technology Co., Ltd.	4,434.00

REPORT OF THE DIRECTORS (Continued)

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

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

7. Exploration of mines

Unit: million tonnes

Mine of the Company	Output of coal	
	January to June 2015	January to June 2014
Suancigou	5.81	5.64
Nalinmiao No.2 Mine	2.01	2.07
Hongjingta No. 1 Mine	3.11	3.80
Nalinmiao No. 1 Mine	0.12	1.68
Kaida	0.25	0.73
Dadijing	2.63	3.74
Baoshan	1.58	1.75
Tongda	0.14	1.80
Chengyi	0.46	1.06
Total	<u>16.11</u>	<u>22.27</u>

8. Cost of coal

Unit: RMB

Project	Type	January to June 2015	January to June 2014
Production cost per unit of self-produced coal	Labor cost	14.99	17.97
	Raw material, fuel and power	10.23	8.87
	Depreciation and amortisation	8.26	7.61
	Other production costs	31.32	53.60
	Total production cost for coal	<u>64.80</u>	<u>88.06</u>
Cost per unit of coal purchased domestically		262.00	389.00



REPORT OF THE DIRECTORS (*Continued*)

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

(VII) Compliance Procedure of the Agreement on Avoidance of Non-Horizontal Competition and its Implementation

- (1) The Company has entered into the Agreement on Avoidance of Non Horizontal Competition on 29 May 2012 with the controlling shareholder. To implement the strategy of expanding the coal business of the Company, and minimise the potential competition in the business of 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 of RMB8,446.54 million, including most coal production, sales and transportation business of Yitai Group. The Company confirmed that:
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 entering 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 mined from the target mine were solely supplied to the Company (as the buyer) for resale during the period from the listing date to the transfer date;
 4. save as the 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 their respective associates/associated companies not to engage in activities that directly or indirectly compete with the core business of the Company in any manner through itself or in conjunction with other entities, or hold 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 in damages to the legal interests of the Company or 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 Railways for changing its account holder to the Company;

REPORT OF THE DIRECTORS (Continued)

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

(VII) Compliance Procedure of the Agreement on Avoidance of Non-Horizontal Competition and its Implementation (Continued)

(1) (Continued)

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

- (2) 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.

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

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

Profit distribution proposal of the Company for 2014: Cash dividend of RMB2.08 per 10 shares (tax inclusive) (as calculated based on the total share capital of the Company of 3,254,007,000 shares), totaling RMB677 million, was distributed, which accounted for more than 30% of the net profit attributable to owners of the parent of RMB2,253 million as shown in the 2014 annual consolidated statements of the Company. This is compliant with the regulations provided in the Notice on the Further Implementation of Matters Relevant to Cash Dividend by Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) issued by the CSRC and the Guidance of Cash Dividend of Listed Companies in the Shanghai Stock Exchange (《上海證券交易所上市公司現金分紅指引》) issued by the Shanghai Stock Exchange.

The Company's profit distribution for 2014: The Company considered and approved the profit distribution proposal for 2014 in the annual general meeting of 2014 held on 9 June 2015. For specific details of the implementation proposal, please refer to the Announcement of Implementation of 2014 Profit Distribution published on 18 June 2015. As at 15 July 2015, all dividends had been distributed.



REPORT OF THE DIRECTORS *(Continued)*

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

(II) Preliminary Plans for Profit Distribution and Transfer of Public Reserve into Share Capital for the First Half of 2015

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

III. OTHER DISCLOSURES

If the coal price continues to go down and remains at a low level, it will further squeeze the profit margin of our business, which may lead to substantial change in our operating results.

SIGNIFICANT EVENTS

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

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

II. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

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

III. TRANSACTION OF ASSETS AND COMBINATION OF BUSINESS

Overview and type of matters	Query index
<p>On 18 March 2015, the resolution in relation to the acquisition of 5% equity interests in Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. by the Company was considered and approved at the 7th meeting of the sixth session of the Board; the resolution was considered and approved at the 2014 annual general meeting convened on 9 June 2015.</p>	<p>Please refer to the Announcement of the Resolution at the 7th meeting of the sixth session of the Board the Announcement on Connected Transaction Regarding the Acquisition of 5% Equity Interests in Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. by Inner Mongolia Yitai Coal Co., Ltd. dated 19 March 2015 of Yitai B share published on the website of Shanghai Stock Exchange (http://www.sse.com.cn). The announcement and notice of Yitai Coal of “Connected Transactions—Discloseable and Continuing Connected Transaction” dated 19 March 2015 published on the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk)</p>

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

During the Reporting Period, no share option incentives were granted by the Company.

SIGNIFICANT EVENTS (Continued)

V. MAJOR CONNECTED TRANSACTIONS

1. Continuing connected transactions

Unit: RMB'000

Description of connected transactions	January to June 2015	January to June 2014
Sales of goods to Yitai Group	8,769	552
Sales of services to Yitai Group	–	170
Sales of services to other related parties	72,951	–
Sales of goods to an associate	58,174	65,732
Purchase of services from an associate	–	680
Purchase of services from other related parties	451	3,069
Purchase of services from Yitai Group	133,824	165,286
Purchase of goods from Yitai Group	45,376	82,775

2. Connected transactions happened in acquisition or disposal of assets

Overview of matters	Query index
Acquisition of 5% equity interests in Yitai Guanlian held by Yitai Group by the Company in a consideration of RMB1,912 million.	For details, please refer to the Announcement on Connected Transaction Regarding the Acquisition of 5% Equity Interests in Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. by Inner Mongolia Yitai Coal Co., Ltd. published by the Company on the website of Shanghai Stock Exchange, Shanghai Securities News and Hong Kong Commercial Daily on 19 March 2015.

3. Material connected transactions of common foreign investment

Overview of matters	Query index
The Company and Inner Mongolia Yitai Group Co., Ltd. planned to jointly increase capital contribution to Inner Mongolia Yitai Chemical Co., Ltd. in an amount of RMB4 billion on the precedent condition of issuance of preference shares by the Company. In the event of adjustment to the proceeds raised from issuance of preference shares by the Company, both parties shall adjust and determine the increased contribution amount with reference to the actual amount of net proceeds so raised and the situation of the project.	For details, please refer to the Announcement on Connected Transaction Regarding the Increase of Capital Contribution to Inner Mongolia Yitai Chemical Co., Ltd. by Inner Mongolia Yitai Coal Co., Ltd. published by the Company on the website of Shanghai Stock Exchange, Shanghai Securities News and Hong Kong Commercial Daily on 19 March 2015.

SIGNIFICANT EVENTS (Continued)

VI. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

1. Custody, contracting and leasing matters

During the Reporting Period, the Company was not involved in any material custody, contracting and leasing matters.

2. Guarantee

Unit: RMB'000

External Guarantees of the Company (excluding those for controlled subsidiaries)													
Guarantor	Relations between the Guarantor and the Company	The guaranteed	Amount of guarantee	Date of guarantee (agreement signing date)	Date of commencement	Date of expiry	Type of guarantee	Whether guarantee is completed	Whether guarantee is overdue	Guarantee overdue amount	Whether counter-guaranteed or not	Whether the guaranteed is a connected party	Relations
Inner Mongolia Yitai Coal Co., Ltd.	The Company	Ordos Tian di Hua Run Mine Equipment Co., Ltd. (鄂爾多斯市天地華潤礦機裝備有限責任公司)	11200	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 (A) (excluding those for subsidiaries)	11,200.00

Guarantees of the Company for Subsidiaries

Total amount of guarantees for subsidiaries occurring during the Reporting Period	1,738,915.90
Total balance of guarantees for subsidiaries at the end of the Reporting Period (B)	15,152,924.03

Total Guarantee Amount of the Company (including those for subsidiaries)

Total guarantee (A+B)	15,164,124.03
Percentage of total guarantee in the Company's net assets (%)	67.89
Including:	
Amount of guarantees for shareholders, de facto controller and their connected parties (C)	0
Amount of debt guarantees directly or indirectly provided for those with a gearing ratio of over 70% (D)	7,056,482.97
Amount of total guarantees in excess of 50% of net assets (E)	3,995,563.38
Amount of total guarantees above (C+D+E)	11,052,046.35
Explanations on outstanding guarantee may be undertaken joint liability for satisfaction	
Explanations on guarantees	



SIGNIFICANT EVENTS *(Continued)*

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

3. Other material contracts or transactions

During the Reporting Period, the Company did not enter into other material contracts or transactions.

VII. FULFILLMENT OF UNDERTAKINGS

On 29 May 2012, Yitai Group and the Company entered into the Non-horizontal competition Agreement, pursuant to which, Yitai Group undertook to preferentially sell Hongqinghe Mine to the Company or its subsidiaries provided that Hongqinghe Mine 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.

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 was in the process of the application for other resources license. It is expected that Hongqinghe Mine will obtain all resources licenses or reach the required production condition in 2017.

When Hongqinghe Mine owned by Yitai Guanglian obtains the legitimate mining right qualification or reaches the production condition required, and with reference to the actual situation of the Company, the capital arrangement and the Non-horizontal competition Agreement entered into with Yitai Group, 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 on reasonable and fair terms and conditions 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 other mining right qualification before satisfying the condition of company acquisition. The Company considered that there were no physical obstacles to obtain the mining right qualification under current condition, and there were no physical obstacles regarding the performance of the commitment by Yitai Group and the disposal of the mine to the Company.

SIGNIFICANT EVENTS *(Continued)*

VII. FULFILLMENT OF UNDERTAKINGS *(CONTINUED)*

3. Preventive measures and control measures under default

Yitai Guanglian had not obtained the approval of coal mining for Hongqinghe Mine and was not qualified 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 Non-horizontal competition Agreement to grant the Company options and pre-emptive rights, so that the Company or its subsidiaries may enjoy privilege to acquire Hongqinghe Mine on reasonable and fair terms and conditions when Hongqinghe Mine obtained the legitimate mining right qualification or resources licenses or reached the required production condition, in order to solve the horizontal competition in the industry arising from the aforesaid situation.

Based on the obligations on the part of Yitai Group to solve the issue of horizontal competition of under the supervision of relevant regulatory authorities, coupled with the options and pre-emptive rights enjoyed by the Company, it ensures that the Company is well positioned and vested with advantageous rights to require Yitai Group to take further actions to solve the issue of horizontal competition when Yitai Group failed to implement such commitment. If Yitai Group failed to honor such commitment, pursuant to the Non-horizontal competition Agreement, Yitai Group should compensate all loss (including but not limited to business loss) caused thereby to the Company.

VIII. APPOINTMENT OR TERMINATION OF APPOINTMENT OF AUDITORS

The Proposal relating to the Appointment of Audit Institution of the Company for 2015 and the Proposal relating to the Appointment of Internal Control Audit Institution of the Company for 2015 were considered and approved at the 9th meeting of the sixth session of the Board of the Company. The Board of the Company agreed to re-appoint Da Hua Certified Public Accountants (Special General Partnership) as the domestic audit institution of the Company for 2015, and agreed to appoint Deloitte Touche Tohmatsu as the overseas audit institution of the Company for 2015, thereby Ernst & Young will cease to act as overseas auditor of the Company in 2015. The Board of the Company agreed to re-appoint Da Hua Certified Public Accountants (Special General Partnership) as the internal control audit institution of the Company for 2015. The abovementioned proposals were considered and passed by the shareholders at the 2014 annual general meeting held on 9 June 2015.



SIGNIFICANT EVENTS *(Continued)*

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

During the Reporting Period, none of the Company, its Directors, supervisors, senior management members, shareholders holding over 5% of equity interest, De Facto Controller or purchaser were investigated by authorities, imposed with mandatory measures by judiciary or disciplinary authorities, handed over to the judiciary or charged with criminal liabilities, investigated by the CSRC, subjected to administrative punishment, prohibited from securities market, deemed an inappropriate person by the CSRC, punished by other administrative authorities, or publicly reprimanded by securities exchanges.

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

X. CORPORATE GOVERNANCE

1. Compliance with Code on Corporate Governance as set out in Appendix 14 to the Hong Kong Listing Rules

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

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

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

2. Audit committee

The Company has established the audit committee in accordance with the requirements of the Hong Kong Listing Rules, which consists of the four independent non-executive Directors and is chaired by Mr. Yu Youguang. On 25 August 2015, the audit committee reviewed and confirmed the Group’s interim results announcement for the six months ended 30 June 2015, the interim report for 2015, and the unaudited interim financial statements for the six months ended 30 June 2015.

SIGNIFICANT EVENTS (Continued)

X. CORPORATE GOVERNANCE (CONTINUED)

3. Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Hong Kong Listing Rules as the code of conduct regarding securities transactions by all the Directors, supervisors and relevant employees (as defined in the "Corporate Governance Code") of the Company. Having made specific enquiries, the Company confirmed that all the Directors had fully complied with the Model Code during the Reporting Period. Except for their own service contracts, none of the Directors and supervisors of the Company had any direct or indirect individual beneficial interest in any material contracts to which the Company or any of its subsidiaries is a party as at 30 June 2015.

XI. OTHER SIGNIFICANT EVENTS

1. Chifeng Huayuan Wine Co., Ltd. (hereinafter referred to as "Huayuan Wine") (赤峰華遠酒業有限公司) was established in December 2013 under the lead of Inner Mongolia Xingguang Coal Group Co., Ltd. (內蒙古星光煤炭集團有限責任公司), with a registered capital of RMB6 million. After negotiation among all joint venture parties, it is proposed to increase the registered capital of Huayuan Wine to RMB100 million. Upon the above change in registered capital, the shareholding was changed into: Inner Mongolia Xingguang Coal Group Co., Ltd. shall contribute RMB55 million, representing 55% of the registered capital; Inner Mongolia Erdos Cashmere Group Co., Ltd. (內蒙古鄂爾多斯羊絨集團有限責任公司) shall contribute RMB15 million, representing 15% of the registered capital; Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司) shall contribute RMB15 million, representing 15% of the registered capital; and Inner Mongolia Shuangxin resources Group Co., Ltd. (內蒙古雙欣資源控股有限公司) shall contribute RMB15 million, representing 15% of the registered capital.
2. Tailai Coal (Shanghai) Company Limited (泰來煤炭(上海)有限公司) is a company with limited liability jointly established by Inner Mongolia Yitai Coal Co., Ltd. and NOBLE RESOURCES INTERNATIONAL PTE. LTD. on 30 April 2015. It has a registered capital of USD10 million and is held as to 50% by each party respectively. Its registered office is at Room 604-A01, Building 1 East, No. 29 Jiatai Road, Pilot Free Trade Zone, Shanghai, China.



CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Changes in Shares

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

(II) Changes in Shares Subject to Selling Restrictions

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

(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 (“Securities”, which shall have the meaning as defined in the Listing Rules) of the Company during the Reporting Period.

II. INFORMATION ON SHAREHOLDERS

(I) Number of Shareholders:

Total number of shareholders as at the end of the Reporting Period (in the number of accounts)	79,763
Total number of holders of preference shares with voting rights restored as at the end of the Reporting Period (in the number of accounts)	N/A

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS (Continued)

II. INFORMATION ON SHAREHOLDERS (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

Unit: share

Name of shareholder (in full name)	Shareholdings of the Top Ten Shareholders		Proportion (%)	The number of shares held subject to selling restrictions	Pledged or frozen shares		Class of shareholder
	Increase/decrease during the Reporting Period	Number of shares held as at the end of the Reporting Period			Status of the shares	No. of shares	
Inner Mongolia Yitai Group Co., Ltd.		1,600,000,000	49.17	1,600,000,000	Nil		Domestic non-state-owned legal person
HKSCC NOMINEES LIMITED	-9,300	325,911,100	10.02		Unknown		Foreign legal person
Yitai (Group) HK Co., Ltd.		312,000,000	9.59		Nil		Foreign legal person
FTIF TEMPLETON ASIAN GROWTH FUND 5496		74,061,448	2.28		Unknown		Foreign legal person
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	-140,800	18,969,698	0.58		Unknown		Foreign legal person
JPMCB/STICHTING PENSINENFONDS ABP	3,279,311	18,556,604	0.57		Unknown		Foreign legal person
TEMPLETON EMERGING MARKETS INVESTMENT TRUST PLC	11,326,693	17,230,037	0.53		Unknown		Foreign legal person
China Merchants Securities (HK) Co., Limited	-1,200	16,424,485	0.50		Unknown		Foreign legal person
ABU DHABI INVESTMENT AUTHORITY	-508,800	12,756,230	0.39		Unknown		Foreign legal person
EMPLOYEES PROVIDENT FUND	511,220	10,030,359	0.31		Unknown		Foreign legal person

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS (Continued)

II. INFORMATION ON SHAREHOLDERS (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	325,911,100	Overseas-listed foreign shares	325,911,100
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	18,969,698	Domestic listed foreign shares	18,969,698
JPMCB/STICHTING PENSINENFONDS ABP	18,556,604	Domestic listed foreign shares	18,556,604
TEMPLETON EMERGING MARKETS INVESTMENT TRUST PLC	17,230,037	Domestic listed foreign shares	17,230,037
China Merchants Securities (HK) Co., Limited	16,424,485	Domestic listed foreign shares	16,424,485
ABU DHABI INVESTMENT AUTHORITY	12,756,230	Domestic listed foreign shares	12,756,230
EMPLOYEES PROVIDENT FUND	10,030,359	Domestic listed foreign shares	10,030,359
BLACKROCK INSTITUTIONAL TRUST COMPANY, N.A.	8,854,507	Domestic listed foreign shares	8,854,507

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

N/A

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS (Continued)

II. INFORMATION ON SHAREHOLDERS (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 conditions of 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		Conditions of selling restrictions
			Time of Listing	Number of newly listed shares	
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.

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS (Continued)

III. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2015, 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 (%) ^{6,7}	Percentage of the total issued shares (%) ^{6,7}
Billion Giant Development Limited ¹	H Shares	Interest of controlled corporation	Long	10,008,500	6.14	0.30
BOS Trust Company (Jersey) Limited as Trustee ¹	H Shares	Trustee	Long	10,008,500	6.14	0.30
Chen Yihong ¹	H Shares	Interest of controlled corporation	Long	10,008,500	6.14	0.30
China Datang Corporation ²	H Shares	Interest of controlled corporation	Long	18,031,100	11.08	0.55
CITIC Sandwich (Shanghai) Investment Centre (Limited Partnership)	H Shares	Beneficial owner	Long	17,543,200	5.38	0.53
Credit Suisse AG ³	H Shares	Interest of controlled corporation	Long	24,400,000	15.00	0.74
			Short	24,400,000	15.00	0.74
Credit Suisse (Hong Kong) Limited ³	H Shares	Interests held jointly with another person	Long	24,400,000	15.00	0.74
			Short	24,400,000	15.00	0.74
Datang International (Hong Kong) Limited ²	H Shares	Beneficial owner	Long	18,031,100	11.08	0.55
Datang International Power Generation Co., Ltd. ²	H Shares	Interest of controlled corporation	Long	18,031,100	11.08	0.55
Great Huazhong Energy Co. Ltd	H Shares	Beneficial owner	Long	27,168,000	8.33	0.83
Harvest Luck Development Limited ¹	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

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS (Continued)

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

Name of substantial shareholder	Class of shares	Type of interest	Long/Short position	No. of shares	Percentage of the underlying shares in issue (%) ^{6,7}	Percentage of the total issued shares (%) ^{6,7}
Inner Mongolia Yitai Group Co., Ltd. ⁴	Non-overseas-listed-foreign shares	Beneficial owner/ Interest of controlled corporation	Long	1,912,000,000	65.30	58.75
Inner Mongolia Yitai Investment Co., Ltd. ⁵	Non-overseas-listed-foreign shares	Interest of controlled corporation	Long	1,912,000,000	65.30	58.75
Ordos Hongrui Trade Company Limited	H Shares	Beneficial owner	Long	27,168,000	8.33	0.83
Ordos Vanzip Project Construction Company Limited	H Shares	Beneficial owner	Long	28,321,000	8.68	0.87
Poseidon Sports Limited ¹	H Shares	Beneficial owner	Long	10,008,500	6.14	0.30
Talent Rainbow Far East Limited ¹	H Shares	Interest of controlled corporation	Long	10,008,500	6.14	0.30
Templeton Asset Management Ltd.	Non-overseas-listed-foreign shares	Investment Manager	Long	146,532,638	5.00	4.50
Yitai Group (Hongkong) Co., Ltd. ⁴	Non-overseas-listed-foreign shares	Beneficial owner	Long	312,000,000	10.65	9.58

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS (Continued)

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

Notes:

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

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

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

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

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

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

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

4. Inner Mongolia Yitai Group Co., Ltd. holds the entire issued share capital of Yitai Group (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 shareholdings are rounded down to the two decimal place.

Save as disclosed above, as at 30 June 2015, no person, other than the directors and supervisors of the Company whose interests are set out in the section headed "Directors, Supervisors' and Chief Executives' interests and short positions in shares and underlying shares" below, had 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 AND SENIOR MANAGEMENT

I. CHANGES IN THE SHAREHOLDING

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

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

✓ Applicable N/A

Name	Position	Change	Reason for the change
Song Jianzhong	Independent Non-executive Director	Resigned	Fulfilled legal tenure
Zhang Zhiming	Independent Non-executive Director	Elected	
Zhang Guisheng	Supervisor	Resigned	Work adjustment
Jia Xiaolan	Supervisor	Elected	
Zhang Liming	Deputy General Manager	Resigned	Work adjustment
Lian Tao	Deputy General Manager and Board Secretary	Resigned	Work adjustment
Zhao Xin	Board Secretary/Joint Company Secretary	Appointed	Work adjustment

III. OTHER EXPLANATORY ITEMS

The resolution on replacement of independent non-executive director of the Company was considered and approved at the 9th meeting of the sixth session of the Board of the Company held on 11 May 2015 and at the 2014 annual general meeting held on 9 June 2015. It was approved that Ms. Song Jianzhong resigned as an independent director of the Company and Mr. Zhang Zhiming was elected as an independent director of the Company and will hold office until the expiration of the term of the sixth session of the Board.

The resolution on replacement of supervisor of the Company was considered and approved at the 4th meeting of the sixth session of the Board of the Company held on 18 March 2015 and at the 2014 annual general meeting held on 9 June 2015. It was approved that Mr. Zhang Guisheng resigned as a supervisor of the Company due to work adjustment and Ms. Jia Xiaolan was elected as a supervisor of the Company and will hold office until the expiration of the term of the sixth session of the Board.

On 23 March 2015, the Company received resignation letters tendered by Mr. Zhang Liming and Mr. Lian Tao, which stated that Mr. Zhang Liming intended to resign as deputy general manager of the Company due to other work assignment of the Company while Mr. Lian Tao intended to resign as deputy general manager and Board secretary. The Company issued an announcement in respect of their resignation on 24 March 2015.

The resolution on appointment of Board secretary and joint company secretary of the Company was considered and approved at the 8th meeting of the sixth session of the Board of the Company held on 23 April 2015. It was approved that Ms. Zhao Xin was appointed as Board secretary and one of the joint company secretaries of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

IV. EMPLOYEES INFORMATION

(I) Particulars concerning remuneration of the directors, supervisors and senior management

Decision-making procedure for the remuneration of the directors, supervisors and senior management	Considered and approved in general meetings
Basis for determination on the remuneration of the directors, supervisors and senior management	<p>“Measures Management of the Remuneration of Senior Management of the Company” 《公司高級管理人員薪酬管理辦法》</p> <p>Specific calculation method: annual remuneration return comprises of basic annual salary and performance-based annual salary. Basic annual salary = Service grade coefficient x Scale coefficient of total assets of the Company x (1 + Growth rate of net assets) 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	RMB2.8807 million

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

IV. EMPLOYEES INFORMATION (CONTINUED)

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

Number of in-service employees in the parent company	2,904
Number of in-service employees in major subsidiaries	3,929
Total number of in-service employees	6,833
Number of employees retired for whom the parent company and major subsidiaries have to pay pension	254

Category	Specialty composition	Headcount
Production		2,866
Sales		1,809
Technician		270
Finance		197
Administration		1,691
Total		6,833

Category	Specialty composition	Headcount
Postgraduate		415
Undergraduate		2,567
College graduate and secondary technical school		2,720
Below secondary technical school		1,131
Total		6,833

(III) Remuneration policy

The Company adheres to the making distributions based on performance principally and on various other factors simultaneously and the principle of distribution efficiency as top priority with equal importance to fairness. The Company has established a modern corporation payroll distribution system which can be concluded as “salary is determined by position, salary varies with position”, as well as established a payroll mechanism on the basis of position-points payroll distribution with an emphasis on “value of position as major concern, administrative duties as subordinate”. Incentive and control mechanisms on payroll distribution have been formed. During the Reporting Period, the total staff remuneration of the Company was RMB142 million.



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

IV. EMPLOYEES INFORMATION *(CONTINUED)*

(IV) 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 AND SENIOR MANAGEMENT (Continued)

V. DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2015, the interests of the directors and supervisors of the Company in the shares of the Company and its associated corporations, which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code"), to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Long positions in the shares of associated corporation of the Company

Name of director/supervisor	Name of associated corporation	Type of interest	Number of ordinary shares interested	Percentage of the associated corporation's issued share capital (%)
Directors:				
Mr Zhang Donghai	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	10,903,593	1.51
		Interest of spouse	500,000	0.06
		Interest held as a trustee	15,831,123 ¹	2.20
Mr Liu Chunlin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	6,000,000	0.83
		Interest held as a trustee	8,986,299 ¹	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
		Interest held as a trustee	7,413,316 ¹	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
		Interest as a trustee	7,315,619 ¹	1.02
Mr Zhang Xinrong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,808,514	0.39
		Interest of spouse	114,871	0.01
		Interest held as a trustee	4,065,418 ¹	0.56
Mr Lv Guiliang	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,200,000	0.30
Mr Song Zhanyou	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,200,000	0.30

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

V. DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Long positions in the shares of associated corporation of the Company (Continued)

Name of director/supervisor	Name of associated corporation	Type of interest	Number of ordinary shares interested	Percentage of the associated corporation's issued share capital (%)
Supervisors:				
Mr Li Wenshan	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	4,000,000	0.55
		Interest held as a trustee	6,014,883 ¹	0.83
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 35 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 35 individuals hold the entire issued share capital of Inner Mongolia Yitai Investment Co., Ltd. on behalf of a group of employees comprised of 2,300 individuals. Our PRC legal advisors opined that the trust arrangement is valid and binding under the PRC laws.

Save as disclosed above, as at 30 June 2015, none of the directors or supervisors 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.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



**TO THE BOARD OF DIRECTORS OF
INNER MONGOLIA YITAI COAL COMPANY LIMITED**
(incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Inner Mongolia Yitai Coal Company Limited Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 76, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements for the six months ended 30 June 2015 are not prepared, in all material respects, in accordance with IAS 34.

OTHER MATTER

The condensed consolidated financial statements of the Group for the six months ended 30 June 2014 were received by another auditor who expressed an unmodified conclusion on those statements on 26 August 2014.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
25 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 Unaudited RMB'000	2014 Unaudited RMB'000
Revenue	5	9,018,185	12,463,146
Cost of sales		<u>(7,102,326)</u>	<u>(8,620,425)</u>
Gross profit		1,915,859	3,842,721
Other income and gains	5	141,485	69,672
Selling and distribution expenses		(516,685)	(635,224)
Administrative expenses		(675,603)	(828,846)
Other expenses		(16,180)	(94,092)
Finance income		52,479	26,060
Finance costs	6	(417,372)	(318,425)
Exchange gains, net		573	5,549
Share of profits of associates		<u>11,267</u>	<u>21,677</u>
Profit before tax	7	495,823	2,089,092
Income tax expense	8	<u>(184,910)</u>	<u>(323,523)</u>
Profit for the period		<u>310,913</u>	<u>1,765,569</u>
Other comprehensive expense:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value losses on available-for-sale investments		(37,469)	(7,910)
Income tax relating to items that may be reclassified subsequently		9,368	1,187
Exchange differences on translation of foreign operation		<u>(18)</u>	<u>176</u>
		(28,119)	(6,547)
Reclassification adjustments relating to available-for-sale financial assets disposed of in the period		<u>(65,215)</u>	<u>—</u>
Other comprehensive expense for the period		<u>(93,334)</u>	<u>(6,547)</u>
Total comprehensive income for the period		<u>217,579</u>	<u>1,759,022</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 Unaudited RMB'000	2014 Unaudited RMB'000
Profit for the period attributable to:		
Owners of the Company	175,548	1,498,622
Non-controlling interests	135,365	266,947
	<u>310,913</u>	<u>1,765,569</u>
Total comprehensive income attributable to:		
Owners of the Company	82,214	1,492,075
Non-controlling interests	135,365	266,947
	<u>217,579</u>	<u>1,759,022</u>
Earnings per share – basic (RMB)	<u>0.05</u>	<u>0.46</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

		30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
	Notes		
Non-current Assets			
Property, plant and equipment	11	39,203,931	36,803,276
Investment properties	12	472,530	137,856
Prepaid lease payments- non-current portion		990,056	1,003,718
Mining rights		396,086	409,169
Other intangible assets		63,308	78,837
Interests in joint ventures		79,717	49,000
Interests in associates		406,893	385,626
Available-for-sale investments	13	6,571,524	5,618,404
Deferred tax assets		1,098,772	1,177,511
Other non-current assets		434,912	24,702
Total non-current assets		49,717,729	45,688,099
Current Assets			
Inventories	14	1,488,844	1,709,750
Trade and bills receivables	15	2,830,608	2,866,309
Prepayments, deposits and other receivables	16	1,611,564	1,477,498
Financial assets at fair value through profit or loss		1,338	-
Restricted bank deposits	17	94,101	42,476
Time deposit	17	1,260,000	1,929,002
Cash and cash equivalents	17	4,762,766	5,030,944
Total current assets		12,049,221	13,055,979
Current Liabilities			
Trade and bills payables	18	1,226,973	1,050,638
Other payables and accruals	19	4,229,912	3,349,042
Interest-bearing bank borrowings	20	1,570,694	1,218,282
Income tax payable		15,623	8,678
Total current liabilities		7,043,202	5,626,640
Net Current Assets		5,006,019	7,429,339
Total assets less current liabilities		54,723,748	53,117,438

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2015

		30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
	<i>Notes</i>		
Non-current Liabilities			
Interest-bearing bank borrowings	20	19,592,657	17,485,363
Long-term bonds		7,971,659	7,971,831
Deferred tax liabilities		10,795	41,451
Other non-current liabilities		122,038	122,140
Total non-current liabilities		<u>27,697,149</u>	<u>25,620,785</u>
Net assets		<u>27,026,599</u>	<u>27,496,653</u>
Equity			
Share capital		3,254,007	3,254,007
Other reserves		19,083,114	19,000,900
Proposed final dividend	9	–	676,833
Equity attributable to owners of the company		<u>22,337,121</u>	<u>22,931,740</u>
Non-controlling interests		4,689,478	4,564,913
Total Equity		<u>27,026,599</u>	<u>27,496,653</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Share capital RMB'000	Capital reserve* RMB'000	Statutory reserve* RMB'000	Safety and maintenance fund* RMB'000	Available- for-sale investment revaluation reserve* RMB'000	Proposed final dividend (Note 9) RMB'000	Exchange fluctuation reserve* RMB'000	Retained earnings* RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	3,254,007	(411,877)	2,813,144	-	99,375	676,833	(816)	16,501,074	22,931,740	4,564,913	27,496,653
Profit for the period	-	-	-	-	-	-	-	175,548	175,548	135,365	310,913
Other comprehensive income for the period:											
Change in fair value of available-for-sale investments (net of tax)	-	-	-	-	(28,101)	-	-	-	(28,101)	-	(28,101)
Reclassification adjustments relating to available-for-sale financial assets disposed of in the period	-	-	-	-	(65,215)	-	-	-	(65,215)	-	(65,215)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(18)	-	(18)	-	(18)
Total comprehensive income for the period	-	-	-	-	(93,316)	-	(18)	175,548	82,214	135,365	217,579
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	54,000	54,000
Dividend paid to non- controlling interests	-	-	-	-	-	-	-	-	-	(64,800)	(64,800)
2014 final dividends declared	-	-	-	-	-	(676,833)	-	-	(676,833)	-	(676,833)
At 30 June 2015 (Unaudited)	<u>3,254,007</u>	<u>(411,877)</u>	<u>2,813,144</u>	<u>-</u>	<u>6,059</u>	<u>-</u>	<u>(834)</u>	<u>16,676,622</u>	<u>22,337,121</u>	<u>4,689,478</u>	<u>27,026,599</u>

* These reserve accounts comprise the consolidated reserves of RMB19,083,114,000 as at 30 June 2015 (30 June 2014: RMB18,346,607,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2015

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	Unaudited RMB'000	Unaudited RMB'000
Net cash flow generated from operating activities	1,434,650	3,945,837
Net cash flow used in investing activities	(3,890,208)	(4,017,902)
Net cash flow generated from financing activities	2,186,807	5,680,206
Net (decrease) increase in cash and cash equivalents	(268,751)	5,608,141
Net foreign exchange difference	573	19
Cash and cash equivalents at 1 January	5,030,944	3,808,946
Cash and cash equivalents at 30 June	4,762,766	9,417,106



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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. On 12 July 2012, the Company consummated its global offering of H shares and listed on the Main Board of The Stock Exchange of Hong Kong Limited.

In the opinion of the directors, the parent company of the Company is Inner Mongolia Yitai Group Co., Ltd. (“Yitai Group”).

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) Interim Financial Reporting as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2014.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to standards (“new and revised IFRSs”) that are relevant for the preparation of the Group’s condensed consolidated financial statements:

- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

The application of the above new and revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. OPERATING SEGMENT

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments including the coal segment, transportation segment, the coal-related chemical segment and others segment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

4. OPERATING SEGMENT (CONTINUED)

Management monitors the results of the Group's operating segments separately for the purpose of making decision about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(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 are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Six months ended 30 June 2015 (Unaudited)	Coal	Transportation	Coal-related chemical	Others	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:					
External customers	7,866,000	216,306	933,439	2,440	9,018,185
Intersegment sales	77,087	742,127	5,906	-	825,120
	7,943,087	958,433	939,345	2,440	9,843,305
<i>Reconciliation</i>					
Elimination of intersegment sales					(825,120)
Total revenue					<u>9,018,185</u>
Segment profit:					
Profit/(loss) before tax	83,523	411,480	1,618	(798)	495,823
Income tax expense	(139,783)	(42,467)	(2,660)	-	(184,910)
	(56,260)	369,013	(1,042)	(798)	<u>310,913</u>
<i>Reconciliation</i>					
Elimination of intersegment results					-
Net profit for the period					<u>310,913</u>
Segment assets as at 30 June 2015	29,964,230	13,280,555	20,060,423	1,096,780	64,401,988
Elimination of intersegment receivables					(2,548,870)
Capitalisation of finance costs					(86,168)
Total assets as at 30 June 2015					<u>61,766,950</u>
Segment liabilities as at 30 June 2015	17,668,333	5,826,798	13,392,935	401,155	37,289,221
Elimination of intersegment payables					(2,548,870)
Total liabilities as at 30 June 2015					<u>34,740,351</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

4. OPERATING SEGMENT (CONTINUED)

Six months ended 30 June 2014 (Unaudited)	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Others RMB'000	Consolidated RMB'000
Segment revenue:					
External customers	11,269,649	183,838	1,006,679	2,980	12,463,146
Intersegment sales	118,498	878,166	40,216	–	1,036,880
	11,388,147	1,062,004	1,046,895	2,980	13,500,026
<i>Reconciliation</i>					
Elimination of intersegment sales					(1,036,880)
Total revenue					<u>12,463,146</u>
Segment profit:					
Profit/(loss) before tax	1,381,588	565,411	159,484	(17,391)	2,089,092
Income tax expense	(237,969)	(63,833)	(21,721)	–	(323,523)
	1,143,619	501,578	137,763	(17,391)	1,765,569
<i>Reconciliation</i>					
Elimination of intersegment results					–
Net profit for the period					<u>1,765,569</u>
Segment assets as at					
31 December 2014 (Audited)	30,855,178	12,839,788	17,656,596	1,033,062	62,384,624
Elimination of intersegment receivables					(3,554,378)
Capitalisation of finance costs					(86,168)
Total assets as at 31 December 2014					<u>58,744,078</u>
Segment liabilities as at					
31 December 2014 (Audited)	17,286,885	5,944,499	11,183,778	386,641	34,801,803
Elimination of intersegment payables					(3,554,378)
Total liabilities as at 31 December 2014					<u>31,247,425</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
	RMB'000	RMB'000
Revenue		
Sales of goods	8,799,439	12,276,328
Rendering of services	218,746	186,818
	<u>9,018,185</u>	<u>12,463,146</u>
Other income and gains		
Income from sale of materials	4,802	527
Income from rendering of other services	4,916	41,199
Dividend income from available-for-sale investments	5,988	9,701
Gain on disposal of available-for-sale investments	101,205	–
Gain on disposal of items of property, plant and equipment	6,718	374
Indemnities received	2,223	1,315
Interest income	11,069	7,415
Government grants	3,891	4,030
Others	673	5,111
	<u>141,485</u>	<u>69,672</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest on bank borrowings	637,486	558,026
Interest on 5-year corporate bonds	254,127	89,525
Total interest	891,613	647,551
Less: Interest capitalised	(474,241)	(329,126)
	<u>417,372</u>	<u>318,425</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30 June	
	2015	2014
	Unaudited RMB'000	Unaudited RMB'000
Cost of inventories sold	7,008,555	8,558,099
Cost of services provided	93,771	62,326
Depreciation of items of property, plant and equipment	703,266	852,868
Depreciation of investment properties	7,927	7,438
Amortisation of prepaid lease prepayments	14,562	21,294
Amortisation of mining rights	13,083	18,842
Amortisation of other intangible assets	14,303	12,737
Amortisation of other non-current assets	2,996	6,183
Total depreciation and amortisation	756,137	919,362
Included in other expenses, net:		
Impairment of other intangible assets	–	1,106
Impairment of prepaid land lease payments	–	9,199
Impairment of property, plant and equipment	25	71,867
Impairment of mining rights	–	4,831
Loss on disposal of items of property, plant and equipment, prepaid land lease payments, and other intangible assets, net	6,448	2,866

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
	RMB'000	RMB'000
Income tax		
Current tax – Mainland China	105,721	288,470
Deferred income tax	79,189	35,053
	<u>184,910</u>	<u>323,523</u>

The Company and certain of its subsidiaries are subject to profit tax rate of 25%.

In August 2014, the Catalogue of Encouraged Industries in Western China (西部地區鼓勵類產業目錄, “CEIWC”) was issued by the National Development and Reform Commission. The Company no longer meets the condition of CEIWC, and therefore the applicable enterprise income tax rate became 25%. The related deferred tax is thereafter recognized at tax rate of 25% and the deferred tax balance has been adjusted to reflect the change in tax rate. In the period ended 30 June 2014, the Company entitled to preferential tax rate of 15%.

The above mentioned CEIWC quoted the Amendments 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, based on which, certain subsidiaries were entitled to a preferential profit tax rate of 15% from 1 January 2011 to 31 December 2020.

No provision for Hong Kong profits tax has been made in the condensed consolidated financial statements as the Group had no assessable profits derived from or earned in Hong Kong during the six months ended 30 June 2015 and 2014.

9. DIVIDENDS

The board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

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 amounted to RMB 676,833,000. The above-mentioned proposed final dividends for the year ended 31 December 2014 were approved by the Company's shareholders at the annual general meeting on 9 June 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the followings:

	Six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
	RMB'000	RMB'000
<i>Earnings</i>		
Profit for the period attributable to owners of the Company	<u>175,548</u>	<u>1,498,622</u>
<i>Shares</i>		
Number of ordinary shares in issue during the period (in thousand)	<u>3,254,007</u>	<u>3,254,007</u>

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2015 and 2014 attributable to owners of the Company and the number of ordinary shares in issue during the periods ended 30 June 2015 and 2014.

The Company had no dilutive potential ordinary shares for the periods ended 30 June 2015 and 2014, hence no diluted earnings per share amount is presented.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired certain buildings, mining structures, machinery and equipment, motor vehicles, railway, highway and construction in progress with an aggregate costs amounting to approximately RMB3,150.0 million (six months ended 30 June 2014: RMB2,719.2 million).

Certain buildings, railway, highway, motor vehicles, machinery and equipment, amounting to RMB39.8 million (six months ended 30 June 2014: RMB32.2 million) were disposed of in 2015, which resulted in a net gain on disposal of RMB0.27 million (six months ended 30 June 2014: a net loss on disposal of RMB2.9 million).

12. INVESTMENT PROPERTIES

In this period, a building with carrying value of RMB 342,601,000 was transferred from property, plant and equipment to investment properties. The depreciation of investment properties for the period is RMB 7,927,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

13. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
Listed equity investments, at fair value:		
In Hong Kong	62,119	103,744
In Mainland China	—	332,500
	62,119	436,244
Unlisted equity investments, at cost	6,509,405	5,182,160
	6,571,524	5,618,404

During the period, the investment of listed equity share of RMB 374,125,000 was disposed.

The Company increased the equity investment in unlisted companies of RMB 1,327,245,000 in total for a scheduled capital injection.

14. INVENTORIES

	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
Materials and supplies	596,827	668,842
Finished goods	892,017	1,040,908
	1,488,844	1,709,750

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

15. TRADE AND BILLS RECEIVABLES

	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
Trade receivables	2,704,537	2,717,912
Amounts due from associates	40,405	18,679
Amounts due from Yitai Group	21	1
	<u>2,744,963</u>	<u>2,736,592</u>
Bills receivable	<u>85,645</u>	<u>129,717</u>
Trade and bills receivables	<u><u>2,830,608</u></u>	<u><u>2,866,309</u></u>

The Group requires certain of its customers to pay in advance and no specific credit period provided to customers. The Group makes provision for the doubtful trade receivables balance at the end of each Reporting Period. The carrying amounts of the trade receivables and bills receivable approximate to their fair values.

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

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

An aged analysis of the Group's trade and bills receivables, based on revenue recognition date and net of provisions, is as follows:

	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
Within 6 months	2,823,129	2,864,262
Over 6 months but within 1 year	7,479	2,047
	<u>2,830,608</u>	<u>2,866,309</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
Amounts due from related parties:		
Yitai Group	143	–
Other related party (Note a)	47,660	20,054
	<u>47,803</u>	<u>20,054</u>
Advances to suppliers	725,668	574,761
Prepayments	120,331	462,373
Staff advances	13,803	19,061
Deposits	5,988	22,415
Other receivables	245,128	10,991
Entrusted loans (Note b)	467,900	382,900
	<u>1,626,621</u>	<u>1,492,555</u>
Less: Provision for impairment	(15,057)	(15,057)
	<u><u>1,611,564</u></u>	<u><u>1,477,498</u></u>

Notes:

- (a) Other related party represents a company which is controlled by a close family member of a director of the Company.
- (b) 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 was repaid 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. During the period, the Group received loan repayments of RMB115,000,000 from Inner Mongolia Ordos City Hanggin Banner Finance Bureau.

In February 2015, the Group lent RMB200,000,000 to Qapqal Investment Development Group Co., Ltd. through China Development Bank as entrusted loans. The loan bears a fixed interest rate of 8.5% per annum and is repayable on 21 December 2015.

In the opinion of the directors, the above entrusted loans, totalling RMB467,900,000, were executed in accordance with the applicable rules and regulations, and no impairment provision against them is required.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

17. CASH AND BANK BALANCES AND RESTRICTED BANK DEPOSITS

Cash and cash equivalents are comprised of the following:

	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
Cash and bank balances	6,116,867	7,002,422
Less: Restricted bank deposits (Note a)	<u>(94,101)</u>	<u>(42,476)</u>
Cash and bank balances in the condensed consolidated statement of financial position	<u>6,022,766</u>	<u>6,959,946</u>
Denominated in RMB (Note b)	5,981,976	6,915,987
Denominated in other currencies	<u>40,790</u>	<u>43,959</u>
	6,022,766	6,959,946
Less: Time deposits with original maturity over three months	<u>(1,260,000)</u>	<u>(1,929,002)</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u><u>4,762,766</u></u>	<u><u>5,030,944</u></u>

Notes:

- (a) As at 30 June 2015 and 31 December 2014, the Group's bank balances of approximately RMB94,101,000 and RMB42,476,000 respectively were deposited at banks as a mine geological environment protection guarantee fund pursuant to the related government regulations. Such guarantee deposit will be released when the obligations of environment protection are fulfilled and accepted by the competent government agencies.
- (b) The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances, time deposits and restricted bank deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances and the restricted bank deposits approximate to their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

18. TRADE AND BILLS PAYABLES

	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
Trade payables to third parties	948,971	889,588
Trade payables to associates	1,699	6,066
Trade payables to other related party*	52	21
Trade payables to Yitai Group	3,834	114,963
Bills payable	272,417	40,000
	<u>1,226,973</u>	<u>1,050,638</u>

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

	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
Within 6 months	882,897	948,027
Over 6 months but within 1 year	268,764	59,876
Over 1 year but within 2 years	38,766	42,735
Over 2 years but within 3 years	36,546	–
	<u>1,226,973</u>	<u>1,050,638</u>

The trade payables are non-interest-bearing and have an average credit term of 30 to 90 days. The credit terms granted by the related parties are similar to those offered by the related parties to their major customers.

*Note:

Other related party represents a company which is controlled by a close family member of a director of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

19. OTHER PAYABLES AND ACCRUALS

	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
Advances from customers	295,523	128,582
Accrued salaries, wages and benefits	65,001	257,559
Other tax payables	465,568	441,656
Accrued interest	334,484	230,429
Payables for property, plant and equipment	1,789,592	2,002,035
Accruals	214,426	43,890
Amounts due to Yitai Group	67,750	129,901
Amounts due to associates	1,697	1,330
Amounts due to other related parties*	1,549	42
Other payables	307,678	103,807
Dividend payables	686,644	9,811
	<u>4,229,912</u>	<u>3,349,042</u>

*Note:

Other related parties mainly represents shareholders of a material subsidiary of the Company who can exercise significant influence over the subsidiary.

20. INTEREST-BEARING BANK BORROWINGS

During the period, the Group repaid the bank borrowings amounted to RMB 3,241,000,000, and obtained new bank loans amounting to RMB 781,294,210 which carry interest at variable market rates from 5.25% to 8.5%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

21. COMMITMENTS

Capital commitments

The Group had the following capital commitments at the end of the Reporting Period:

	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
Contracted, but not provided for:		
– Property, plant and equipment	20,048,821	17,770,981
– Capital injection to available-for-sale investments	48,000	48,000
	<u>20,096,821</u>	<u>17,818,981</u>

22. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided for:

	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
Guarantees given to banks in connection with loans granted to associates	<u>11,200</u>	<u>11,200</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

23. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

In addition to the transactions and balances disclosed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with related parties during the periods ended 30 June 2015 and 2014:

	Six months ended 30 June	
	2015 Unaudited RMB'000	2014 Unaudited RMB'000
(i) Purchase of services from:		
– Yitai Group	133,824	165,286
– Associates	–	680
– Other related party (Note a)	451	3,069
	<u>134,275</u>	<u>169,035</u>
(ii) Purchase of goods from:		
– Yitai Group	45,376	82,775
	<u>45,376</u>	<u>82,775</u>
(iii) Sale of goods to:		
– Yitai Group	8,769	552
– Associates	58,174	65,732
	<u>66,943</u>	<u>66,284</u>
(iv) Provision of service to:		
– Yitai Group	–	170
– Other related party (Note b)	72,951	–
	<u>72,951</u>	<u>170</u>

Notes:

- (a) This represents a company which is controlled by a close family member of a director of the Company.
- (b) This represents a shareholder of a material subsidiary of the Company who can exercise significant influence over the subsidiary.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

23. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

The Group had the following outstanding balances with related parties with details set out in respect note:

	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
(i) Trade and bills receivables	<u>40,426</u>	<u>18,680</u>
(ii) Prepayments, deposits and other receivables	<u>47,803</u>	<u>20,054</u>
(iii) Trade payables	<u>(5,585)</u>	<u>(121,050)</u>
(iv) Other payables and accruals	<u>(70,996)</u>	<u>(131,273)</u>

(c) Guarantees received from related parties

As at 30 June 2015 and 31 December 2014, bank loans of RMB1,272,391,000 and RMB1,840,418,000, respectively, were guaranteed by Yitai Group.

(d) Guarantees given to related parties

As at 30 June 2015 and 31 December 2014, guarantees of RMB11,200,000 and RMB11,200,000, respectively, were given to banks for loans of associates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

23. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
	RMB'000	RMB'000
Short-term employee benefits	2,613	2,905
Post-employment benefits	268	262
Total compensation paid to key management personnel	<u>2,881</u>	<u>3,167</u>

24. FAIR VALUE MEASUREMENTS 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, deposits and other receivables, trade and bills receivables, trade and bills payables, other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values 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 carrying amounts of the bank borrowings and long-term bonds, together with the accrual interest included in other payables and accruals, approximate their fair values.

The fair values of listed available-for-sale equity investments are based on quoted market prices.

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

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 30 June 2015, the Group held the following classes of financial instruments measured at fair value:

Financial assets measured at fair value:

Group				
As at 30 June 2015 (Unaudited)	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 assets at fair value through profit or loss	1,338	–	–	1,338
Available-for-sale investments	62,119	–	–	62,119
	<u>63,457</u>	<u>–</u>	<u>–</u>	<u>63,457</u>

Financial liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 30 June 2015.

As at 31 December 2014, the Group held the following classes of financial instruments measured at fair value:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets measured at fair value:

Group					
As at 31 December 2014 (Audited)	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using Significant observable inputs (Level 2) RMB'000		Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments	436,244	–	–	–	436,244
	<u>436,244</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>436,244</u>

Financial liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2014.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

25. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Subsequent to 30 June 2015, there are no significant events occurred.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of the directors on 25 August 2015.